

# ***Research on Corporate Environmental Responsibility: A Case Study of Multinational Corporations***

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**Abstract:** In light of the expanding global environmental challenges, multinational corporations (MNCs) are often held accountable for their disproportionate role in environmental degradation. This study looks at how MNCs safeguard the environment and what factors lead to ecological dangers that are related with them. The production volumes of MNCs and their inclination to relocate pollution-intensive industries to developing countries are the specific subjects of the study. A few of the main obstacles that the study identifies to MNCs' environmental responsibility are the deficiency of the current international legal framework, the lack of harmonization of environmental legislation, and the tendency of developing countries' economic priorities to overlook strict environmental measures. To address these issues, the study recommends the following measures: the establishment of robust monitoring and accountability mechanisms; the direct imposition of practicable environmental liabilities; the strengthening of international judicial cooperation; and the clarification of judicial ambiguities regarding MNCs' legal responsibilities in the environmental sector. The paper uses a case study methodology to provide a comprehensive review of best practices and tactics for improving MNCs' environmental management. The findings underline the importance of governments working together to ensure that multinational firms' actions are consistent with environmental sustainability ideals.

**Keywords:** Multinational Corporations, Environmental Responsibility, International Legal Framework, Jurisdictional Clarity.

## **1. Introduction**

In the age of globalization, multinational corporations (MNCs) play an important role in influencing the global economy. However, their massive operations frequently generate questions about their environmental responsibility. This study focuses on the role of companies in environmental protection, the reasons for MNCs' environmental impacts, and the challenges and solutions to meeting their environmental responsibilities.

To begin, firms, particularly multinational corporations, have a huge environmental impact due to their large scale of production and global operations. They are both huge resource consumers and major polluters. As a result, understanding corporations' roles in environmental preservation is critical for fostering sustainable growth and reducing ecological damage.

Second, the causes of multinational corporations' environmental impact are multifaceted. They frequently include complex supply networks that span multiple nations with differing environmental requirements. Because of their large production scales, multinational enterprises may create more severe environmental damage than smaller businesses. Furthermore, relocating polluting industries to developing nations has become a contentious topic. These considerations make it difficult to hold multinational corporations accountable for their environmental obligations.

Third, there are still certain barriers to holding MNCs accountable for their environmental duties. For example, existing international conventions have flaws, environmental regulation differs by country, and developing countries frequently disregard environmental protection.

Finally, overcoming the barriers to responsibility for MNCs' environmental duties necessitates a holistic approach. This includes: create a monitoring and accountability structure for the environmental impact of multinational firms' investments. Clearly define the environmental responsibilities of multinational firms' investments, and develop reasonable and feasible compliance measures. Improving international judicial cooperation and communication. Furthermore, explain the jurisdiction over multinational firms' environmental law responsibilities.

Overall, the purpose of this research is to provide insights into the corporate role in environmental protection, to understand the root causes of MNC environmental consequences, and to propose practical measures to improve their accountability. By doing so, it adds to the discussion of corporate environmental responsibility and promotes a more sustainable business landscape in the global context.

## **2. The Role of Enterprises in Environmental Protection**

Enterprises, as powerful actors in the global economic system, carry significant responsibility for the state of our environment. Their operations transcend multiple sectors and touch on practically every area of human life, resulting in a deep and far-reaching impact on the natural environment. As a result, corporations play an important but contentious role in environmental conservation.

### **2.1. Environmental Responsibility of MNCs**

The environmental responsibility of multinational corporations refers to the obligations and negative repercussions that large corporations must meet and bear as a result of the potential or actual environmental damage produced by their investment operations. The environmental responsibilities of MNCs discussed in this study include both environmental legal liabilities and obligations.

The environmental obligations of multinational corporations refer to the standards of conduct that large corporations must follow in their investment activities. Specifically, when investing in host countries, multinational corporations must ensure compliance with the host country's environmental protection laws, regulations, and national policies, as well as that the technology and equipment used in their production activities meet the host country's environmental standards.

The environmental legal responsibilities of multinational corporations refer to the liability for danger elimination, nuisance removal, and damage compensation that these corporations must bear when they fail to properly fulfill their environmental protection obligations and consequently cause actual environmental damage during their investment activities [1].

MNCs' operations and trading activities have a global impact, spanning several nations and markets and including a diverse variety of industries and fields. However, from an environmental standpoint, while the expansion of trade activities has expanded the scale of production and consumption, it has also resulted in increasing use of natural resources and waste emissions, worsening environmental deterioration. Furthermore, the deregulation of global investment and trade has increased the size and scope of economic activity. Although a country's natural resources remain

within its sovereign jurisdiction, the entities that use them are no longer limited to that country's borders, since natural resources have become a shared subject of global economic activity [2]. The strong economic strength of MNC makes it very likely that their operation in the host state will create huge economic gains for the host state, but at the same time it also means that during this process, the natural resources of the host state will be exploited in large quantities, and the host state will have to face the harm caused to the environment due to the lack of standardization of the country's environmental protection technology and system in various aspects such as production, transportation, and so on.

## **2.2. The Relationship Between the Business Behavior of MNCs and the Host Country's Environment**

MNCs are business entities based in one country that use outward foreign direct investment (OFDI) to establish subsidiaries, branches, or affiliates in other countries or regions in order to engage in international production, operation, or service activities with the goal of increasing profits. One of the distinguishing features of economic globalization is the expansion of MNCs' areas of activity, which have allowed them to grow rapidly and play an increasingly major part in international economic transactions. The development of MNCs has promoted the optimal global allocation of resources, accelerated the adjustment of the international industrial structure, promoted technological progress and institutional innovation, created more opportunities for deepening economic and trade exchanges and cooperation between countries and regions, and brought countries and regions closer together [3].

MNCs have a variety of criteria for choosing the destination of their funds, with proximity to the target market being one of the factors, as well as lower labor costs, use of local natural resources, and avoidance of increasingly stringent pollution controls in the home country being important motivations. There is a clear distinction between developed and developing countries in terms of environmental standards, which causes developed countries to deliberately transfer certain polluting industries or industrial wastes to developing countries with relatively low environmental standards in order to avoid the high costs associated with their own high environmental standards. This "export of public dangers", "environmental invasion", and "environmental exploitation" by wealthy countries not only affects developing countries interests, but also jeopardizes the cause of global environmental conservation [4].

MNCs, in the course of their investments and operations and in the pursuit of economic benefits, may sometimes fail to take full account of their adverse impact on the environment. These corporations should therefore be held responsible for the deterioration of the global ecological environment. In fact, transnational corporations are often the main responsible parties in incidents involving cross-border environmental pollution. In the list of non-compliant enterprises in 2004-2006 published by the environmental protection bureaus around China, 33 multinational corporations, including Shanghai Panasonic Battery Company Limited, whose parent company is Panasonic Corporation of Japan, Changchun PepsiCo, whose parent company is PepsiCo of the U.S.A., and Shanghai Nestle Drinking Water Company Limited, whose parent company is Nestle Group of Switzerland, were listed due to a variety of "coincidence", "negligence" and "accident" made the list [5]. In addition, the Bhopal chemical spill case in India, the Delta pollution case in Nigeria, the case of the pollution of the Cascavel copper mine in Chile, among others, demonstrates the damage done to the environment of host countries as a result of the negligence of transnational corporations with regard to environmental issues.

### **3. Causes of Environmental Damage by Multinational Corporations**

Multinational firms increased in number in tandem with the growth of international trade and industry. Despite growing economies and adding jobs, these firms' actions, especially in developing nations, have had a negative effect on the environment. The relocation of highly polluting firms and an increase in environmental contamination in host nations are the main sources of the damage described in this section.

#### **3.1. Transfer Pollution-intensive Industries to Developing Countries**

Relocating or shifting their polluting operations to developing countries is one of the main ways multinational firms damage the environment. There are many factors that lead to this tendency. To begin with, less developed nations usually have stricter environmental rules than industrialized ones. This regulatory leniency allows multinational corporations to operate with less regulation, which implies that environmental norms are not inspected or enforced as often. However, developing countries--which operate as the host countries for MNCs--preferentially let their polluting activities due to the immense economic benefits that MNCs bring. Secondly, developing countries have lower production costs since labor and raw materials are cheaper and local groups have less negotiating leverage. This cost advantage encourages MNCs to set up polluting facilities in particular areas. Increased market share and access to new consumer bases are ultimately the driving forces behind the relocation of industries to developing countries.

#### **3.2. More Severe Environmental Pollution to Host Countries**

The relocation of polluting industries not only raises environmental costs, but it also exacerbates existing pollution problems in host countries. MNCs frequently use outmoded technology and industrial processes that are energy-intensive and generate a substantial amount of waste. Hazardous chemicals and greenhouse gases harm the air and water, erode land, and disrupt ecosystems. Furthermore, many developing countries lack adequate waste management infrastructure, resulting in inefficient industrial waste disposal, worsening the pollution problem. For instance, a Union Carbide India Ltd. chemical facility in Bhopal, India, had metal tanks storing methyl isocyanate leak in 1984, killing about 2,000 people at the time and maybe as many as 4,000 more in the years that followed. More than 200,000 people were impacted by this catastrophe, which also killed a great deal of wildlife and seriously damaged the ecology [6].

### **4. Challenges Faced in Holding MNCs Accountable for Environmental Rights Responsibilities**

To effectively promote sustainable development on a global scale, it is imperative to acknowledge the challenges associated with holding MNCs accountable for their environmental rights commitments. Three main topics will be covered in this section: the deficiencies in the existing international legal rules, the disarray and lack of coherence among national environmental legislation, and the disrespect for environmental protection in developing countries.

#### **4.1. Deficiencies of Existing International Legal Rules**

A wide range of challenges arise when evaluating the effectiveness of current international legal rules. An important problem, to start with, is the ambiguity around the goal of sustainable development. Development's ultimate objective is sometimes articulated as "sustainable development," but the international agreements that govern development do not currently provide any concrete, quantifiable strategies for achieving this goal. Moreover, despite the fact that many environmental regulations

have been established to facilitate sustainable development, they are often composed in an unduly broad manner. There are currently many international environmental protection documents in existence, but their potential for practical application is limited because most of their provisions are of a philosophical nature and lack operationalization. Moreover, environmental agreements that have been ratified by a significant number of countries sometimes fail to specify the specific rights and obligations that member states really bear in practice.

The small number of nations taking part in international environmental accords with explicit commitments is another significant problem. Cooperation is impossible since some nations have postponed or refused to join international environmental conventions. The rights and obligations contained in these treaties are not properly implemented globally due to the small number of participating countries, and as a result, they lack true legal binding power. For instance, the OECD does not encourage investment activities in developed countries with the intention of promoting the development of investment activities in developing countries, despite the fact that developed countries make up the vast majority of its members and only a small number of developing countries are involved in the organization.

For instance, the OECD, which is an alliance of developed and only a few developing nations, does not and will not place excessive limitations on the investment activities of multinational corporations in nations that are not members of the OECD. Instead, it prefers to keep the two sets of environmental standards in place. Furthermore, the Kyoto Protocol is likewise confronted with this kind of problem. Of the major nations, only China and the European Union are still pursuing carbon emission reduction initiatives; Russia, and Canada have all declared their departure from the Kyoto Protocol.

Lastly, there are not enough robust measures in place to enforce international environmental law. Certain international organizations have norms that are not legally enforceable. These regulations, which are directed specifically at multinational firms, are merely meant to serve as guidelines; multinational corporations are under no need to abide by them. Using the OECD as an example once more, it is stated at the outset of the organization that the Norms are suggestions made by governments to multinational corporations [7].

#### **4.2. The Lack of Coordination and Uniformity in Environmental Legislation Across Countries**

National environmental laws are fragmented and incoherent, making it extremely difficult to hold multinational firms accountable for their environmental rights commitments. The main causes for this discrepancy include diverse national priorities, variable regulatory capacities, and varying levels of commitment to environmental preservation.

There are wide differences in national objectives; for example, some nations may prioritize environmental preservation over economic growth. The way that environmental policy is created and carried out is impacted by this difference in emphasis. Countries aiming for economic growth may relax regulations in order to draw in foreign capital, giving businesses a reprieve from ever-tougher environmental laws in other nations or inside their own. MNCs might choose the most advantageous locations for their operations based on environmental compliance costs rather than technological or financial feasibility because of the resulting legislative gaps.

Furthermore, the disparities in regulatory capacities between countries contribute to a lack of uniformity. Some countries have the infrastructure, experience, and financial resources to successfully adopt and enforce strict environmental laws. As a result, some may have limited capacities, and control and repercussions for infractions may be less strict. This mismatch jeopardizes international attempts to hold multinational firms accountable since they can migrate to less monitored places and circumvent environmental regulations.



To summarize, efforts to hold MNCs accountable for their environmental rights obligations are hampered by a lack of coordination and uniformity in environmental regulation across nations. To tackle this challenge and ensure that environmental sustainability is not sacrificed in the name of economic success, we need a stronger global regulatory framework and harmonised environmental standards.

#### **4.3. The Lack of Attention to Environmental Protection in Developing Countries**

There is a general lack of concern for ecological and environmental protection in developing countries. Many of these countries have attracted transnational corporations with lax environmental laws in their pursuit of economic construction. The result has been to place a double burden on their environments - as dumping grounds for polluting industries and facing serious environmental degradation with limited resources to mitigate these problems. In order to solve the problem of survival, developing countries have to make concessions at the level of environmental regulation, such as MNCs, thus limiting the behavior of developing countries as host countries to change, improve and update their own environmental rules. At the same time, MNCs are more willing to enter foreign markets where environmental regulations are less stringent than in their home countries [8]. OECD research in 1993 showed that liberalized trade and investment rules between countries with uneven levels of environmental protection may encourage firms to relocate to jurisdictions with lower levels of environmental regulation and lower compliance costs [9].

In short, imperfections in international law, inconsistencies in domestic legislation and the neglect of environmental protection by developing countries prevent transnational corporations from being held accountable for their environmental rights and responsibilities. These obstacles must be addressed with concerted international efforts if we are to make any substantial progress in protecting our global environment.

### **5. Corresponding Solutions**

In response to the obstacles to the accountability of transnational corporations mentioned above, this section will propose corresponding solutions, including the establishment of a monitoring mechanism, clarification of the environmental responsibilities of transnational corporations, strengthening of international collaboration, and clarification of the jurisdiction of transnational corporations for environmental infringements in four areas.

#### **5.1. Establish a Monitoring and Accountability Mechanism for the Environmental Responsibility of MNCs' Investments**

During the wave of globalization, transnational firms' investment activities had far-reaching environmental consequences. To monitor these operations and promote environmental sustainability, a rigorous monitoring and accountability structure has become an essential instrument. Transparent reporting requirements, third-party audits, and cross-border enforcement authorities are at the heart of such a process, combining to provide a comprehensive view of transnational firms' environmental performance.

Transparent reporting standards form the foundation of monitoring and accountability measures. MNCs should be compelled to frequently release their environmental impact assessment reports, which should include all relevant firm operations such as resource consumption, emission levels, waste disposal, and other environmental indicators. By making this information available to the public, stakeholders like as civil society organizations, consumers, investors, and affected communities can assess MNCs' environmental performance. This transparency not only raises public knowledge of

environmental issues, but it also fosters healthy rivalry among businesses, leading them to adopt greener business methods.

In contrast, independent third-party audits are critical for assuring the report's accuracy and fairness. Third-party auditors or organizations should be professionally qualified and accountable for the results of their audits. Their responsibility is to guarantee that the information provided by MNCs is true and full, and that no data has been modified or misreported. Through regular audits, potential non-compliance can be detected and corrected in a timely manner, thus avoiding environmental damage.

Cross-border collaboration with enforcement powers is the most difficult aspect of monitoring and accountability measures. MNC operations typically involve numerous countries, making it difficult for a single country's legislation to properly manage their worldwide environmental implications.

Therefore, the international community needs to enhance cooperation and establish cross-border enforcement mechanisms to ensure effective regulation of environmental violations by MNCs. This may include international treaties, agreements and shared enforcement databases so that national regulators can access relevant information in a timely manner and take coordinated enforcement action.

## **5.2. Directly Stipulate the Environmental Responsibilities of MNCs' Investments**

It is not only recommended, but absolutely necessary for multinational companies operating in a globalized market to expressly codify their environmental obligations. MNCs must explicitly state that they have a responsibility to integrate sustainable practices into their company operations and address environmental issues. This tactic ensures that commercial activities don't worsen environmental harm. To achieve this, realistic and workable directives that reflect the various operational contexts in which multinational corporations operate are needed. These rules, which point companies in the direction of certain environmental goals, should also be enforceable. By establishing specific emission reduction targets, MNCs are encouraged to implement cleaner technology and energy-efficient procedures, reducing their carbon footprint. Similarly, setting minimum recycling standards promotes resource efficiency and reduces waste.

Furthermore, by offering a framework for continuous improvement, these recommendations encourage multinational companies to go above and beyond the call of duty and implement innovative strategies that benefit both the environment and their financial performance. By integrating these ideas into their corporate structures, MNCs promote a positive feedback loop in which economic growth and environmental stewardship become mutually reinforcing objectives.

## **5.3. Strengthening International Judicial Cooperation and Communication**

National governments around the world must work together to resist the exploitation of environmental rights by multinational companies. This unity of purpose necessitates a comprehensive approach that includes information sharing, mutual help in investigation and evidence collection, and the recognition and implementation of foreign court rulings. Such collaboration is crucial since MNCs frequently operate across numerous jurisdictions, making it difficult for any single country to adequately regulate and adjudicate their environmental impact.

An essential component of this cooperation is information exchange. By sharing information on corporate operations, environmental violations, and regulatory regulations, nations can better comprehend the global environmental impact of multinational corporations. International organizations ought to facilitate this exchange by acting as impartial repositories of this data. Mutual legal aid agreements need to be strengthened in order to facilitate efficient cross-border investigations and evidence gathering. As a result, authorities would be permitted to pursue environmental justice

even in scenarios where multinational firms operate internationally. These kinds of agreements will streamline the very complex legal process of pursuing damages from multinational firms for environmental harm.

The adoption of rulings from foreign courts and their execution are equally important. In order to escape sanctions, multinational firms may relocate their operations or assets to countries that do not uphold foreign verdicts. Mutual recognition would ensure that crimes against the environment cannot be ignored merely because they were first decided in a separate jurisdiction. Moreover, enhanced communication and collaboration among governments, corporations, international organizations, and civil society are necessary to address the systemic issue of multinational corporations violating environmental rights. This collaborative effort should include ongoing conversations about emerging environmental concerns, the development of new legal frameworks, and the exchange of difficulties and success stories.

A global conference on environmental rights could serve as an example of this type of collaboration. This regular conference would provide an opportunity for stakeholders from all backgrounds to interact, discuss best practices, and share their experiences. For example, experts may provide case studies, NGOs may highlight particularly significant violations, and businesses may demonstrate how they incorporate environmental responsibility into their operations.

#### **5.4. Further Clarify the Jurisdiction Over the Environmental Legal Responsibilities of Multinational Corporations**

The jurisdiction that multinational firms choose has a considerable impact on the outcome of lawsuits concerning environmental infringement. MNCs often establish their headquarters in industrialized nations with robust environmental standards, while simultaneously making investments in less expensive developing nations. When there are environmental violations, claimants typically sue multinational corporations in their home countries to take advantage of stronger environmental infringement compensation processes and earn higher compensation. At now, the most efficient way to manage the social problems resulting from multinational corporations' cross-border operations may be through the laws of their home countries, since there is no global public body that can regulate MNCs' environmental duties in a standard manner [10].

And for this purpose, the principle of *forum non conveniens* should be emphasized. This principle means that the forum state should exercise jurisdiction when the plaintiff is unable to seek judicial relief in a third state with close ties. In environmental tort litigation against MNCs, a home state that has established the "forum necessitatis principle" should allow victims affected by environmental pollution to sue on the basis of this principle when it is not possible or reasonable for them to obtain judicial relief in the host state.

## **6. Conclusion**

The study on corporate environmental responsibility uses multinational organizations as case studies and concludes by highlighting the key role played by corporations in environmental protection. As participants in the global economy, multinational corporations have a huge impact on the environment. They often cause great harm in developing countries and dispose of polluting enterprises. This paper emphasizes the importance of developing new international legal standards, harmonizing environmental regulations, and establishing effective monitoring and accountability structures. The study makes useful recommendations aimed at helping multinational corporations to create sustainable corporate cultures that prioritize environmental management and protect the environment for future generations.



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