Multinational Corporations and the Politics of International Trade in Multidisciplinary Perspective

Abstract: From the technical analyses of wide ranges of scholars to the public discourse backlashes against globalization, there is a huge volume of work historicizing, quantifying, and problematizing the complex role of multinational corporations (MNCs) in international trade. The body of literature is so large that most readers rely on disciplinary boundaries to narrow the catalog, causing them to miss out on important synergies across fields. By bringing the work of historians, lawyers, and political scientists working on MNCs and international trade into conversation, we offer an expanded perspective. Our collective contribution highlights the political dimensions of MNCs within the frameworks of global economic governance, in which corporations seek to influence trade policies amid rising protectionism and coordinate their activities within industry associations while regulators struggle to hold MNC parent companies accountable to international human rights violations across their value chains. Especially in this moment of re-evaluation — and possible de-globalization following the shock of COVID-19 — our multidisciplinary analysis explains how MNCs exerted political power over trade regimes in the past, by what means they seek to shape regulatory frameworks in the present, and what the possible futures might be for big business operations in a more or less global economy.

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Why MNCs and the politics of international trade?

Globalization has largely been driven by multinational corporations (MNCs). In addition to the important role they play as “champions” of individual national economies, these firms have also shaped an increasingly global economy through their widespread activities, facilitated by new technologies and revolutions in communication and transportation. MNCs now control the vast majority of global production networks, and their political behavior and business strategies directly affect the distributional consequences of international trade. As a result, these economic actors with close connections to national governments and international policymakers alike are at the heart of the global trade regime, and thus have the power to significantly influence the frameworks of transnational economic governance. But MNCs are also at the center of contemporary surges of public discontent with economic globalization. Populism and economic nationalism have gained significant political ground in Western democracies in recent years, inspiring powerful reform movements, calling into question the future of the global trade order that was the legacy of the postwar twentieth century, and motivating MNCs to engage in new forms of political activity in their efforts to retain access to widespread labor and consumer markets. The contraction of global supply and value chains in the wake of COVID-19 has only accelerated the trend of deglobalization. That policymakers and MNCs alike are struggling to navigate this new trade landscape demands a multifaceted analysis of the economic, political, and legal activities of MNCs, the dynamics of international trade cooperation, and the role big businesses play in shaping economic globalization.

Because of their economic and political influence, MNCs have attracted the attention of scholars from a wide variety of disciplines. Historians have worked to trace the origins and evolution of MNCs, analyze their global business strategies, and examine their influence on politics and society in the longue durée. Business and economic historians in particular have excavated the scale and scope, strategy and structure of these “Leviathans”; connected the emergence of freestanding companies to early globalization; analyzed MNCs in the context of global

1 Sturgeon et al. (2013); Baccini et al. (2017); Jones (2020).
capitalism; and challenged the conception of corporate nationality for multinationals whose operations extend beyond most regulatory jurisdictions. Observing the increasing political influence of MNCs, political scientists have also analyzed the relationship of big business to international trade frameworks like the World Trade Organization (WTO) and General Agreement on Tariffs and Trade (GATT). Those writing in the classical realist tradition have shed light on the conditions under which nation states can utilize the long reach of MNCs to pursue foreign policy goals, how MNCs themselves seek the assistance of their home country governments, and how these powerful actors mitigate risks arising from their foreign investments. “Dependency theorists” have examined the nature of economic power exercised by MNCs and the ways in which these transnational actors exert bargaining power vis-à-vis host states.

In another vein of research, economists and scholars of international political economy (IPE) have focused on the role of firms as the central unit of analysis in international trade and investment, following the seminal work of Melitz. A growing body of work has focused on issues such as asymmetrical gains from trade opening, the growing fragmentation of production networks, and the political mobilization of firms in pursuit of their policy objectives. Legal scholars have also analyzed MNCs, focusing their attention on the difficulties surrounding regulatory governance of these international actors, jurisdictional issues affecting private claims against MNCs in the light of fragmented supply chain networks, and the implications of corporate social responsibility (CSR) for labor and human rights violations. The extent to which scholars from such a wide range of disciplines have studied MNCs and their influence attests to the importance of research on this topic.

Despite the scholarly attention to MNCs across many disciplines, a survey of the literature reveals that historians, political scientists, economists, and legal scholars studying MNCs have largely done so independently of one another, with little exchange among scholars in different fields that focus on the same actors and issues. There is a dearth of interdisciplinary work analyzing the interlinking origins, influence, legal implications, and economic impact of

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5 Rodrik (2018); Kim and Milner (2019).
6 Gilpin (1975); Ray (1972).
7 Krasner (1978).
8 Lipson (1985).
9 Vernon (1971); Biersteker (1978); Evans (1979).
10 E.g., Ramondo et al. (2013); Osgood (2016); Antrás and Yeaple (2015); Melitz (2003).
11 E.g., Baccini et al. (2017); e.g., Jensen et al. (2015); e.g., Kim et al. (2019).
12 E.g., Ruggie (2018); e.g., Rubio and Yiannibas (2017); e.g., Soule (2009).
MNCs’ outsized role in shaping the global economy and the open trade regime that developed over the past half century. While the existing literature on MNCs and international trade has investigated themes including MNC strategies for investment and economic expansion, their political behavior and CSR, and global governance structures and regulation, it has not comprehensively analyzed the role of MNCs in shaping trade governance, or the ways in which MNCs evolve around regulatory frameworks.

Consider the scholarship on so-called global value chains (GVCs). A burgeoning literature in various subfields of the social sciences has been paying increased attention to the complex, interconnected, yet fragmented networks of production that have crucial implications for international economic relations. While scholars have been examining various dimensions of such internationalization of production, the role of MNCs in cultivating—and sustaining—GVCs remains underexplored and largely anecdotal. Moreover, regulatory challenges stemming from the increasing complexity of GVCs remain as an important gap in the literature. While we know that MNCs’ reach in producing goods and services have grown more complex and extensive, there has been limited research on regulation of international business activity along supply chain networks, especially corporate liability and legal culpability, and the impact of increasing GVC-based trade on nontrade issues such as environmental commitments and labor rights. Popular discontent with international trade and calls for stronger regulation of corporations operating across GVCs demand a fresh analysis of MNCs and the politics of international trade.

This special issue brings together multidisciplinary analyses of MNCs and their influence on the politics of global trade governance with contributions that focus on the extent to which these highly resourceful economic-political actors respond to regulatory mechanisms at the international level. Our objective is to discuss the challenges facing the regulation of MNC activity in a complex, fragmented global trade regime. International trade governance is multilevel and involves dispersed, overlapping regulatory regimes. We focus on how these centralized, coordinated, and highly influential actors shape the outcomes and the processes of international regulation. By analyzing the influence on and reactions to regulation by MNCs over

13 E.g., Casanova (2004).
14 See, for instance, the Special Issue edited by Prakash and Griffin (2012) as well as Frischtak (2014).
15 E.g., Levy and Prakash (2003); Culpepper (2015).
16 Coen et al. (2019) is an exception, in which authors examine firms’ rationale in interacting with multiple regulators—although without an exclusive focus on MNCs.
17 E.g., Gereffi et al. (2005); Gawande et al. (2015); Chase (2003).
time, we shed light on the convergence and divergence of MNC preferences with those of regulators at the national and global levels. Our work also contributes to ongoing debates about the merits of globalization and the role of GVCs in the wake of Covid-19. A fast-growing body of work has been examining the trade policy responses to the pandemic, possible implications of the crisis on trade and investment, as well as the potential consequences of reorganizing supply chains in responses to the pandemic.18 We engage in this conversation by highlighting the role of MNCs in sustaining open international markets and their ability to politically mobilize in response to rising protectionist interests. Our collective insight into how and under which conditions MNCs exert influence and adapt their behaviors around institutional constraints imposed by state-led regulatory efforts lays a foundation for further analyses of the interchange between MNC activities and the institutional frameworks of the global trade regime. Our social-scientific approach can also inform established political science methods focused on the impact of private actors who shape the design and function of the international trade regime and the extent to which cooperation in international relations can be fostered through institutions that mediate the behavior of interstate actors such as MNCs.19

**Corporate coordination in response to the emergence of global economic governance**

While we often locate the origins of antiglobalization movements—most of which name MNCs as chief perpetrators of social dumping, fiscal and tax evasion, trade deficits, environmental abuses, and labor and human rights violations—with moments in the early 1990s like the “Battle for Seattle,” political critiques of big business began decades earlier. It was only in the 1960s that scholars developed a lexicon for business activity spanning multiple countries, a phenomenon that began with the industrial successes of the late nineteenth century and with a genealogy extending as far back as the Dutch East India Company.20 But the railroad, steel, shipping, mining, and oil companies headed by “robber barons” were just as responsible for that first wave of globalization then as MNCs crossing between Japan, Europe, and the Americas were in the postwar period and late twentieth century. Any wartime goodwill toward big corporations dwindled amid the oil shocks, economic crises, and deindustrialization of the 1970s. It was in that

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18 E.g., Baldwin and Evenett (2020); Baldwin and di Mauro (2020).
20 Gelderblom, De Jong, and Jonker (2013).
moment of protracted crises that the institutions of the new world order created in the wake of the conflicts of the early twentieth century began to look for ways to regulate MNCs, even as they continued to promote open international trade.

In response to public outcry and in an effort to cultivate a more sustainable global capitalism, the Organization for Economic Cooperation and Development (OECD), the Economic and Social Committee of the United Nations (ECOSOC), the International Labor Organization (ILO), and the European Community (EC) all issued guidelines on multinationals and international investments in the 1970s. Their aim was essentially to develop a regime for global economic governance. Unsurprisingly, MNCs became increasingly concerned about what international regulation might mean for their profitable overseas business models. Among sectors and within countries, firms headquartered across the United States, Europe, Latin America, and Asia nervously formed associations to collectivize their responses to the threat of this “unwanted attention.”

The response of Swiss MNCs to this pivotal moment is particularly illustrative. Switzerland’s corporations had become something of a Weberian “ideal type” for global capitalism for two reasons: they were highly liberalized due to Switzerland’s modest state patronage relative to neighboring France and Italy; and they were highly internationalized because of Swiss neutrality in matters of foreign relations, their geographic proximity to other markets, and Switzerland’s status as the locus of institutional globalism. As Sabine Pitteloud’s work demonstrates, this dual liberalism and internationalism of Swiss firms made them at once very susceptible to new attempts to regulate their international activities and also more closely attuned to changes in the international political arena. That Swiss companies in the pharmaceutical, machine, and food processing industries were heavily leveraged abroad made them all the more motivated to develop collective responses to proposals for increased regulation of their business. Pitteloud’s reliance on archival materials from the Swiss Union of Commerce and Industry and of the Federal Archives builds a strong historical narrative of the way Swiss MNCs created a task force to deal with emerging international regulations in the critical decade of the 1970s. Such a clear exposé offers both a strong model for further research on the establishment and activities of business associations in response to the changing landscape of global economic governance in the 1970s, as well as important lessons about the relationships between business and regulation that resonate with contemporary proposals by both corporations and governments to reshape the global economy in the wake of COVID-19.

Pushing for liberalization amid rising protectionism

The notion that an open world economy benefits society has been heavily debated in the past few years. Following the Global Financial Crisis of 2007–8, the merits of an open, global economy have been subjected to fierce opposition and in certain cases resulted in policy responses by elected representatives to address such sentiments. The zealously protectionist economic policies of the United States under President Trump and the British exit from the European Union are among the most notable examples of political developments with roots, however ironic, in this “backlash against globalization.”

The widespread discontent with globalization at large reflects the popular perception that open markets, international trade agreements, and the free movement of persons and capital has fueled global inequality. Recent scholarship on inequality paints a complex picture, with diachronic historical data demonstrating the way global capitalism has simultaneously exacerbated intrastate inequality and harmonized interstate economies, while new literature in political economy has highlighted the disproportionate gains from international trade concentrated in the hands of a select few “superstar” firms. Indeed, large, resourceful, and productive firms—often MNCs—have been demonstrated to benefit from the global economic order that has been garnering increasingly fierce criticism, often reaping the benefits of trading arrangements that serve to extend their economic power. Consequently, these firms that heavily rely on international trade have important stakes in the maintenance of an open world economy and have capacity and the resources to mobilize politically in order to counterbalance the antiglobalization sentiment that can have dire consequences for their global operations. As Jappe Eckhardt and Louise Curran show, MNCs—and trade-dependent firms in general—have various options to limit the potentially negative implications of the backlash against globalization. These firms are able to undertake corporate political action and CSR strategies. Among such strategies are firms’ collective lobbying exercises along with their sector associations, engagement with civil society actors, and adoption of CSR commitments. Eckhardt and Curran further provide a framework for analysis and hypothesize possible scenarios in which firms are able to mobilize in favor of an open world economy. As a result, the authors deliver a timely contribution to the literature on MNCs and the backlash against globalization. Their work especially explores the implications of interactions between state actors (e.g., policymakers, regulators) and private actors (e.g., firms) in the context of growing internationalization of

22 Piketty (2014; 2019).
23 Osgood et al. (2016); Kim and Osgood (2019).
24 Bernard et al. (2007); Baccini et al. (2017).
production in the form of GVCs. In doing so, they pave the way for future studies that can fruitfully contribute to the international business literature on private, civil regulation,\textsuperscript{25} firms’ nonmarket strategies,\textsuperscript{26} and corporate political action more broadly\textsuperscript{27} highlighting the need for interdisciplinary research to tackle crucial questions regarding the role of MNCs in global economic governance.

**Global value chains and trade policy**

The past few decades have witnessed an unprecedented growth of internationally connected production processes that span across several countries and often continents to deliver goods and services. These developments in cross-border production are reflected in scholarly work in various subfields of social sciences, often termed “global production networks,” “global supply chains,” or as we refer to them in this special issue, “global value chains.” Scholars working on this topic of research have been attempting to better understand the causes and consequences of this particular form of globalization that have transformed international trade relations.\textsuperscript{28} Empirical works have brought about evidence of such systemic changes in world trade, showing, for instance, that more than half of exports and imports of goods between the largest economies has been taking place within value chain networks, while more than 60 percent of world trade consists of input products used across value chains for assembly and production of final goods.\textsuperscript{29} Conceptual and theoretical works, in turn, have been attempting to better understand how and under which conditions this transformation of international trade shapes preferences of societal actors and incentivizes them to politically mobilize.\textsuperscript{30} Additional work has also shown the extent to which international trade policies reflect the need to facilitate cross-border trade along GVCs.\textsuperscript{31}

MNCs have a large stake in sustaining and cultivating GVCs as they are the allocators of multinational trade and investment. The various forms of integration they undertake across production networks shape their preferences toward maintaining smooth cross-border trade and subsequently mobilize in favor of trade liberalizing policy change to facilitate free, stable operations along value chains. As demonstrated by Christina Anderer, Andreas Dür, and Lisa Lechner, MNCs’

\textsuperscript{25} Vogel (2010).
\textsuperscript{26} Aggarwal (2001).
\textsuperscript{27} Bonardi and Keim (2005); Coen and Vannoni (2019).
\textsuperscript{28} See, among others: Gereffi et al. (2005); Elms and Low (2013).
\textsuperscript{29} OECD, WTO, and UNCTAD (2013); Bernard et al. (2009).
\textsuperscript{30} Kim et al. (2019); Yildirim et al. (2018).
\textsuperscript{31} Gawande et al. (2015).
different levels of integration into GVCs influences trade policy outcomes at the international level—in casu preferential trade agreements (PTAs). The authors make use of novel firm-level data on mergers and acquisitions (M&As) and demonstrate the cultivation of GVCs by MNCs by showing how trade policy outcomes across industries tend to be in line with MNC preferences. The authors examine tariff cuts that stem from PTAs and see if there is a difference in the level of tariff liberalization due to MNCs’ M&A activity and trade in intermediates. In doing so, they shed light on the processes and outcomes of trade policymaking in a globalized economy by noting the importance of MNCs and the cross-border value chains they cultivate and sustain. Their analysis of politics of international trade builds on theory-driven empirical work on liberal institutional political science, highlighting how systemic changes in the international system interact with domestic actors’ preferences over state policies.\textsuperscript{32} This established literature has convincingly noted the importance of domestic actors’ preferences and mobilization, e.g., MNC corporate political action, in shaping the international trade system.\textsuperscript{33} The authors are able to contribute to this stream of research by reiterating the critical role firms (and their supply chains) play in shaping PTAs—an integral part of the global institutional framework governing economic relations.

### Human rights accountability across MNC supply chains

One of the most egregious crimes of which MNCs are accused is the violation of human rights protections for employees. Scenes of deadly factory fires in Bangladesh and Pakistan and images of malnourished child laborers in Southeast Asia often spread across international news, along with headlines accusing corporate giants for negligence or worse. Such tragedies tend to happen at production sites within a multinational supply chain, far away from the cosmopolitan corporate headquarters of parent companies. As a result, there have been few legal mechanisms to hold MNCs accountable for human rights violations that happen across their subsidiaries and subcontractors. Outrage against such outcomes usually focuses on the fact that the corporate structures of MNCs were designed precisely to limit the liability of parent companies.

In recent years, institutions of global governance have redoubled their efforts to prevent further human rights abuses from claiming the lives of workers and threatening the social fabrics of host countries whose dependence on foreign-based

\textsuperscript{32} Putnam (1988); Moravcsik (1997).

\textsuperscript{33} Milner (1987); Von Stein (2012).
companies for employment and GDP makes them all the more vulnerable to poor
corporate oversight. But most of these lack real enforcement mechanisms and rely
instead on corporate compliance. For example, the United Nations developed
Guiding Principles on Business and Human Rights, the voluntary adherence to
which doubles as a “social license to operate.” Claire Bright, Axel Marx, Nina
Pineau, and Jan Wouters argue that while legal enforcement would do more to guar-
antee human rights protections, soft law like the UN’s guidelines is gradually becom-
ing a legal duty of care for certain lead companies. Legal adjudication has set strong
precedent for parent company responsibility to the employees of their subsidiaries
and local communities, and new legislative developments are increasingly requiring
parent companies to undertake human rights due diligence in their own activities as
well as across their GVCs. This contribution builds on a strong foundation of legal
scholarship on corporate responsibility across GVCs, and systematically analyses a
series of cases in which MNCs have progressively been asked to adopt a “legal duty of
care.” By bringing such cases together, the authors also offer an effective model of
building a multifaceted argument for the development of “soft law.”

Conclusion

Our collection of articles sheds light on multiple dimensions of the relationship of
MNCs to global trade governance, with contributions that examine the ability of
these powerful economic actors to mobilize politically, counterbalance global reg-
ulation, push for trade-liberalizing policies, and strategically organize their oper-
ations through GVCs, all to their benefit. Together, these four articles highlight the
need to apply an interdisciplinary perspective to the study of big business. For
instance, political scientists would strongly benefit from a historical perspective
when analyzing the corporate political activity of MNCs, allowing for a richer con-
textualization of how and under which conditions the influence of MNCs have
come about and a better understanding of the causal relationships between
MNC lobbying and policy outcomes. Similarly, legal scholars have much to gain
from examining changes in corporate behavior in the face of legal developments
by applying insights from political economy and political science more broadly.
For example, approaching the behaviors of MNCs and their relationships with
peer enterprises from a hierarchical point of view that accounts for power
relations, scholars can make better sense of when legal instruments—regarding
CSR or otherwise—are more likely to be effectively employed along value
chains. Lastly, carefully developed historical narratives can be further

34 Dixit and Norman (1980); Jenkins (2001).
strengthened by referencing recent political dynamics to emphasize the historical roots of MNC behavior and long-term patterns of political mobilization.

The contributions of this issue have implications for several lines of research. While the recent global health crisis has resulted in numerous trade-relevant policy responses that touch upon the operations of MNCs, the relocation of value chains, reshoring, and the possible restructuring of the international economic order, our joint work indicates that MNCs are likely to respond strategically and with effect. Yet, we know little about the extent to which MNCs will adapt to trade-restrictive policies and find ways to minimize the impact of measures that affect their operations—a subject of increasing interest amid the current global public health and economic crises. For instance, how can we better understand the preferences of MNCs in responding to policy initiatives regarding reshoring and value chain relocations? If MNCs adapt to scaling down their global operations, will they be able to better mitigate the potentially negative impact of backlash against globalization? Moreover, while scholars in this issue have shown that MNCs have the ability to overcome collective action problems and have various strategies at their disposal to pursue policy goals, we know very little about MNC coordination of political activity and the patterns of political mobilization undertaken by MNCs alongside their subsidiaries and affiliates—or through business interest associations—in the context of rising economic nationalism. One clear avenue for further research is a detailed investigation of the ways some MNCs have oriented the geography of their operations along regional lines, rather than national or global ones.35 Has such regionalization been a defense against or a contributor to globalization?

In light of the ongoing debates about the merits of open international markets, increasing trade tensions between major world economies, and questions regarding how fragmented production networks can (and should) be, such important questions will need to be addressed by scholars in different fields. This issue offers a template for the pursuit of such lines of research in a multidisciplinary manner. By applying insights from several fields of scholarship, we aim to lay a foundation for further collaborative efforts to understand MNCs and the dynamics of global trade governance.

References


35 Alan M. Rugman and Simon Collinson offered a starting point to answering such questions in their “Multinational Enterprises in the New Europe: Are They Really Global?” (2005).


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