GLOBALIZATION AND INVESTMENT: ADDRESSING FDI IMPACTS, CSR RESPONSIBILITIES, AND SUPPLY CHAIN LABOR RIGHTS

by

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ABSTRACT

The intensification of globalization has profoundly transformed the landscape of international investment. Among its most visible consequences is the proliferation of Foreign Direct Investment (FDI) as a vehicle for cross-border capital flow and economic development. However, FDI's impacts—both constructive and disruptive—have raised complex legal, ethical, and social questions. This paper explores the intricate relationship between globalization, FDI, and the legal frameworks governing Corporate Social Responsibility (CSR) and labor rights in global supply chains. It critically examines how transnational corporations (TNCs) navigate, exploit, or sometimes evade regulatory environments, particularly in developing economies where institutional safeguards are often weaker.

The first part of this paper investigates the dual-edged impact of FDI: while contributing to economic growth, technology transfer, and employment, it can also exacerbate inequality, weaken labor protections, and generate regulatory arbitrage. The second section evaluates evolving CSR obligations, transitioning from voluntary ethical standards to enforceable legal norms in international law, focusing on instruments such as the UN Guiding Principles on Business and Human Rights. The third section addresses labor rights violations in global supply chains, including modern slavery and child labor, and assesses the efficacy of due diligence legislation such as the EU's Corporate Sustainability Due Diligence Directive and national acts like Germany's Lieferkettengesetz.

Through comparative legal analysis and case studies, the paper underscores the urgent need for harmonized international standards and robust enforcement mechanisms to ensure that investment flows do not compromise human dignity or legal accountability. It argues for a reconceptualization of investor obligations, integrating human rights and environmental concerns into the legal definition of sustainable investment. Ultimately, the paper contributes

to the legal discourse on global economic governance by proposing a hybrid model of transnational legal accountability that balances investor interests with social justice imperatives.

1. Introduction

Globalization has emerged as a dominant force reshaping the contours of international economic relations. Among its most salient manifestations is the exponential rise of Foreign Direct Investment (FDI), a key driver of cross-border economic integration. FDI serves not only as a mechanism for capital transfer but also as a conduit for technology diffusion, employment generation, and market access in host states. However, as FDI penetrates deeper into global markets – particularly in developing and emerging economies – it brings with it complex legal and normative challenges, often straddling multiple jurisdictions and regulatory regimes.

The legal implications of cross-border investments are far-reaching. While FDI is governed by a matrix of Bilateral Investment Treaties (BITs), international arbitration rules, and national investment laws, the absence of uniform legal obligations for transnational corporations (TNCs) regarding human rights, labour protections, and environmental sustainability creates accountability vacuums. Investors may exploit weak regulatory environments to externalize costs onto vulnerable labour markets or ecosystems. This has led to mounting calls for integrating Corporate Social Responsibility (CSR) and labor rights protections into the legal architecture of international investment law.

This paper seeks to critically examine how globalization-driven FDI interacts with evolving legal standards on CSR and labour rights, particularly within supply chains. It aims to analyze the extent to which legal instruments at national, regional, and international levels address—or fail to address—these normative gaps. Key objectives include identifying legal shortcomings, evaluating recent legislative developments, and proposing a model for harmonized legal accountability.

The research adopts a doctrinal and comparative methodology, drawing on treaty law, case law, legislative texts, and institutional reports. The structure proceeds in eight parts: beginning with a legal overview of FDI, moving through CSR evolution and labor rights, followed by

case studies and concluding with proposals for reform. Through this approach, the paper contributes to the discourse on transnational legal governance in the age of globalization.

2. FDI and Globalization: A Legal Overview

Foreign Direct Investment (FDI) refers to an investment made by a natural or juridical person in one state into business assets located in another, with the intention of establishing a lasting interest and significant influence in the management of the enterprise.[1] Unlike portfolio investments, which are purely financial and passive, FDI involves operational control and risk. It is typically categorized into horizontal, vertical, and conglomerate FDI.[2]

The legal governance of FDI is predominantly grounded in a network of Bilateral Investment Treaties (BITs), which provide a bundle of investor protections—such as fair and equitable treatment (FET), national treatment, most-favoured-nation (MFN) clauses, full protection and security (FPS), and safeguards against unlawful expropriation.[3] Crucially, most BITs allow foreign investors to bypass domestic courts and bring direct claims against host states through Investor-State Dispute Settlement (ISDS) mechanisms.[4] The International Centre for Settlement of Investment Disputes (ICSID) and UNCITRAL Arbitration Rules are the dominant venues for resolving such disputes.[5]

Multilaterally, the World Trade Organization (WTO) does not administer a comprehensive investment treaty. However, agreements like the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Investment Measures (TRIMs) cover investment-related issues.[6] In parallel, OECD Guidelines for Multinational Enterprises, though non-binding, articulate voluntary principles on corporate governance, labour rights, and

[1] U.N. Conf. on Trade & Dev. (UNCTAD), World Investment Report 2023: Investing in Sustainable Energy for All, U.N. Doc. UNCTAD/WIR/2023 (2023).
[2] Id. at 12–15.
[3] Jeswald W. Salacuse & Nicholas P. Sullivan, Do BITs Really Work? An Evaluation of Bilateral Investment Treaties and Their Grand Bargain, 46 Harv. Int'l L.J. 67, 75 (2005).
[4] Id. at 77–79.
[5] Int'l Ctr. for Settlement of Inv. Disputes, ICSID Convention, Regulations and Rules, arts. 25–27 (2006); UNCITRAL, Arbitration Rules (2013).
[6] General Agreement on Trade in Services, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1B, 1869 U.N.T.S. 183; Agreement on Trade-Related Investment Measures, Apr. 15, 1994, Annex 1A, 1868 U.N.T.S. 186.

environmental sustainability.[7] These guidelines, while soft law, are influential in shaping expectations of responsible business conduct.

The global liberalization of investment regimes has spurred increased scrutiny over the implications of investor rights for state sovereignty. While FDI promises economic development, states have frequently found their regulatory authority challenged under expansive treaty interpretations.[8] The ISDS mechanism, in particular, has been criticized for enabling corporations to challenge public interest regulations on health, environment, and labour—thus creating a "regulatory chill" effect.[9]

The notion of regulatory space has emerged to describe a state's inherent right to legislate in the public interest without violating international investment obligations.[10] Responding to past criticisms, new-generation investment treaties now include clauses that affirm states' right to regulate and pursue sustainable development objectives. For example, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) incorporates explicit exceptions for public policy goals and clarifies the FET standard to avoid arbitrary claims.[11] Similarly, the UNCTAD Investment Policy Framework for Sustainable Development recommends balancing investor protection with developmental priorities.[12]

In sum, the international legal architecture surrounding FDI must strike a delicate equilibrium: attracting capital while preserving regulatory autonomy. As globalization accelerates cross-border investment flows, a reimagining of international investment law is necessary to reconcile investor interests with sovereign responsibility and human rights imperatives.

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[7] OECD, OECD Guidelines for Multinational Enterprises (2011), https://www.oecd.org/daf/inv/mne/48004323.pdf.

[8] Gus Van Harten, Investment Treaty Arbitration and Public Law 89–94 (Oxford Univ. Press 2007).

[9] Pia Eberhardt & Cecilia Olivet, Profiting from Injustice: How Law Firms, Arbitrators, and Financiers Are Fuelling an Investment Arbitration Boom 28–32 (Transnat'l Inst. 2012).

[10] Stephan W. Schill, Do Investment Treaties Chill Unilateral State Regulation to Mitigate Climate Change?, 24 J. Int'l Arb. 469, 471–72 (2007).

[11] Canada-European Union Comprehensive Economic and Trade Agreement, Can.-E.U., ch. 8, Oct. 30, 2016, https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/index.aspx.

[12] U.N. Conf. on Trade & Dev. (UNCTAD), Investment Policy Framework for Sustainable Development (2015), https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf.

3. Positive and Negative Impacts of FDI on Host States

Foreign Direct Investment (FDI) is frequently viewed as a catalyst for economic development, particularly in emerging economies. Its positive contributions include the infusion of capital, the creation of employment opportunities, the development of infrastructure, and the transfer of technology and managerial know-how.[13] Multinational enterprises (MNEs), through FDI, often bring with them advanced production techniques, operational efficiencies, and global best practices, which can generate productivity spillovers in host economies.[14] Infrastructure projects, especially in sectors such as energy, transport, and telecommunications, are frequently financed or enhanced through FDI, which in turn can stimulate broader economic growth.[15] Moreover, FDI can integrate local firms into global value chains, enabling long-term competitiveness.

However, the benefits of FDI are neither automatic nor uniformly distributed. One of the most debated concerns is the so-called "race to the bottom," whereby host states—eager to attract investment—may dilute environmental, labour, and tax regulations to create a "business-friendly" climate.[16] This can entrench a cycle of regulatory degradation and social harm. Similarly, there is a risk of regulatory capture, where influential investors exert disproportionate control over domestic policy formulation, undermining democratic accountability and public interest considerations.[17]

The negative impacts also extend to labour exploitation and displacement. In some cases, FDI has contributed to precarious employment conditions, gender-based discrimination in factories, or even the weakening of local labour unions.[18] Environmental degradation is another adverse externality, as seen in extractive industries where insufficient oversight has led to irreversible ecological damage.[19]

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[13] U.N. Conf. on Trade & Dev. (UNCTAD), World Investment Report 2023: Investing in Sustainable Energy for All, at 19–21, U.N. Doc. UNCTAD/WIR/2023 (2023).

[14] Laura Alfaro, Are Foreign Investors Good for Development?, Harvard Bus. Rev. (Apr. 2003), https://hbr.org/2003/04/are-foreign-investors-good-for-development.

[15] World Bank, Global Investment Competitiveness Report 2021: Rebuilding Investor Confidence in Times of Uncertainty, at 85–87 (2021).

[16] Dani Rodrik, Has Globalization Gone Too Far?, Calif. Mgmt. Rev. 29, 32 (1997).

[17] Susan Rose-Ackerman & Bonnie J. Palifka, Corruption and Government: Causes, Consequences, and Reform 347–49 (2d ed. 2016).

[18] [18] Int'l Labour Org. (ILO), Trade and Employment: Challenges for Policy Research, at 76–78 (2007), https://www.ilo.org/global/publications/WCMS_159730/lang–en/index.htm.

[19] Philippe Sands et al., Principles of International Environmental Law 714–15 (4th ed. 2018).

To address these risks, international legal frameworks—both bilateral and multilateral—play a mediating role. Modern Bilateral Investment Treaties (BITs) increasingly incorporate public interest exceptions, CSR provisions, and safeguard clauses designed to protect regulatory space.[20] At the multilateral level, instruments such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights have introduced normative expectations around responsible investment.[21] Additionally, treaties such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) include enforceable labour and environmental standards.[22]

Nonetheless, enforcement remains uneven, particularly in jurisdictions with limited institutional capacity. For FDI to genuinely contribute to sustainable development, legal regimes must ensure not only investor protection but also accountability and inclusive governance.

4. Legal Evolution of Corporate Social Responsibility (CSR) in International Investment

The legal evolution of Corporate Social Responsibility (CSR) in international investment reflects a paradigmatic shift from aspirational norms to increasingly enforceable legal obligations. Traditionally, CSR was rooted in voluntary corporate ethics, whereby businesses pursued social and environmental goals beyond legal requirements.[23] This early conception framed CSR as a tool for reputation management and stakeholder engagement, often divorced from legal liability.[24] However, the expansion of transnational investment and the growing influence of multinational enterprises (MNEs) in jurisdictions with weak regulatory capacity

[20] Jeswald W. Salacuse, The Emerging Global Regime for Investment, 51 Harv. Int'l L.J. 427, 432–37 (2010).

[21] OECD, OECD Guidelines for Multinational Enterprises (2011), https://www.oecd.org/daf/inv/mne/48004323.pdf; Human Rights Council, Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, U.N. Doc. A/HRC/17/31 (2011).

[22] Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Mar. 8, 2018, https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/index.aspx.

[23] Archie B. Carroll, A Three-Dimensional Conceptual Model of Corporate Performance, 4 Acad. Mgmt. Rev. 497, 500 (1979).

[24] Michael E. Porter & Mark R. Kramer, Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility, Harv. Bus. Rev., Dec. 2006, at 78–92.

exposed the limitations of voluntarism, especially in addressing labor abuses, environmental degradation, and corruption.[25]

The institutionalization of CSR into international soft law began with the United Nations Global Compact (UNGC) in 2000.[26] The Compact's ten principles—drawn from existing international instruments in the areas of human rights, labour, environment, and anti-corruption—encourage corporate alignment with universal values. While non-binding, the UNGC laid the groundwork for normative convergence by integrating CSR into business operations and reporting practices.[27]

A more robust framework emerged with the United Nations Guiding Principles on Business and Human Rights (UNGPs), endorsed by the UN Human Rights Council in 2011.[28] The UNGPs introduced the "Protect, Respect and Remedy" framework, which clarified the distinct yet complementary responsibilities of states and corporations. Under the second pillar, businesses have a responsibility to respect human rights, requiring them to conduct due diligence to avoid infringing on the rights of others.[29] Though the UNGPs are also soft law, they have become widely referenced in national and regional legislative initiatives.[30]

Parallel developments in other forums further advanced CSR from ethics to enforceable norms. The OECD Guidelines for Multinational Enterprises provide government-backed recommendations on responsible business conduct, covering human rights, labour, environment, and anti-bribery.[31] Though non-binding, these guidelines are supported by National Contact Points (NCPs) that offer dispute resolution and accountability mechanisms.[32]

Within the European Union, the European Green Deal and its accompanying legislative instruments—such as the Corporate Sustainability Reporting Directive (CSRD) and the proposed Corporate Sustainability Due Diligence Directive (CSDDD)—signal a transition

[25] Surya Deva, Regulating Corporate Human Rights Violations: Humanizing Business, 60 German L.J. 1, 3–6 (2012).
[26] U.N. Global Compact, The Ten Principles of the UN Global Compact, https://www.unglobalcompact.org/what-is-gc/mission/principles (last visited May 18, 2025).
[27] Id.
[28] U.N. Human Rights Council, Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, U.N. Doc. A/HRC/17/31 (2011).
[29] Id. at 15 – 17.
[30] John Gerard Ruggie, The Social Construction of the UN Guiding Principles on Business and Human Rights, in Research Handbook on Human Rights and Business 61, 65–67 (Surya Deva & David Bilchitz eds., 2017).
[31] OECD, OECD Guidelines for Multinational Enterprises (2011), https://www.oecd.org/daf/inv/mne/48004323.pdf.
[32] Id.

toward mandatory environmental, social, and governance (ESG) compliance.[33] These frameworks impose reporting obligations and human rights due diligence requirements on corporations operating within or with substantial ties to the EU market.[34]

Globally, mandatory CSR is gaining traction through legislative instruments like France's Duty of Vigilance Law (2017) and Germany's Supply Chain Due Diligence Act (Lieferkettengesetz, 2021), both of which impose legal duties on companies to identify and address adverse human rights and environmental impacts in their operations and supply chains.[35] These developments reflect a trend toward enforceability, judicial scrutiny, and corporate liability.

In sum, CSR has evolved from aspirational rhetoric to a normative regime influencing both corporate behaviour and regulatory design. The trajectory suggests that CSR is no longer a matter of optional philanthropy but a constitutive element of the legal architecture governing international investment. As emerging laws institutionalize due diligence and accountability, the legal landscape continues to converge toward binding global standards for responsible investment.

5. Labor Rights in Global Supply Chains: Legal Challenges and International Responses

Global supply chains, which facilitate the production and movement of goods across borders, have become a central feature of the global economy. While these networks drive efficiency and lower costs, they also pose serious challenges for labour rights. Workers in supplier countries—often in the Global South—are frequently subjected to unsafe working conditions, precarious employment, wage theft, and violations of fundamental labour standards.[36] The decentralized and opaque nature of transnational supply chains exacerbates the difficulty of

[33] European Comm'n, Corporate Sustainability Due Diligence Proposal, COM(2022) 71 final (Feb. 23, 2022), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022PC0071.

[34] European Comm'n, Corporate Sustainability Reporting Directive (CSRD), 2022/2464, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464.

[35] Loi n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre [Law No. 2017-399 of Mar. 27, 2017]; Lieferkettensorgfaltspflichtengesetz [Supply Chain Due Diligence Act], July 16, 2021, Bundesgesetzblatt [BGBl] I at 2959 (Ger.).

[36] Int'l Labour Org. (ILO), Decent Work in Global Supply Chains, Int'l Labour Conf. 105th Sess., Rep. IV (2016), https://www.ilo.org/wcmsp5/groups/public/—ed_norm/—relconf/documents/meetingdocument/wcms_468097.pdf.

monitoring corporate compliance with labour obligations, especially where subcontracting and informal work arrangements are prevalent.[37]

The International Labour Organization (ILO) has established a set of Core Labour Standards, which serve as the normative foundation for international labour protections.[38] These include the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); the Right to Organise and Collective Bargaining Convention, 1949 (No. 98); the Forced Labour Convention, 1930 (No. 29); and the Worst Forms of Child Labour Convention, 1999 (No. 182).[39] While widely ratified, the enforcement of these standards within private supply chains remains inconsistent, owing to weak labour inspectorates, corruption, and the limited extraterritorial application of labour laws.

In response to these regulatory deficiencies, several jurisdictions have adopted mandatory due diligence laws that place affirmative obligations on multinational enterprises (MNEs) to monitor and mitigate human rights abuses within their supply chains. France's Duty of Vigilance Law (2017) was the first of its kind to require large companies to develop, publish, and implement vigilance plans addressing risks to human rights and the environment.[40] The law enables affected parties to bring civil claims for harm resulting from the failure to implement such plans, thereby creating a direct avenue for corporate accountability.[41]

Germany followed suit with the Supply Chain Due Diligence Act, enacted in 2021 and effective from 2023.[42] It mandates that companies conduct risk analyses, establish preventive measures, and implement grievance mechanisms to address labour violations not only within their direct operations but also in indirect tiers of the supply chain.[43] At the EU level, the proposed Corporate Sustainability Due Diligence Directive (CSDDD) seeks to harmonize due diligence

[37] Barrientos, Stephanie, Gender and Work in Global Value Chains: Capturing the Gains? 67–72 (Cambridge Univ. Press 2019).

[38] ILO, Declaration on Fundamental Principles and Rights at Work, 86th Sess. (1998), https://www.ilo.org/declaration/lang–en/index.htm.

[39] ILO, International Labour Standards on Forced Labour and Child Labour, https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/forced-labour/lang–en/index.htm (last visited May 19, 2025).

[40] Loi n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre [Law No. 2017-399 of Mar. 27, 2017] (Fr.), https://www.legifrance.gouv.fr/loda/id/JORFTEXT000034290626/.

[41] Sandra Cossart, Jérôme Chaplier & Tiphaine Beau de Loménie, The French Law on the Duty of Vigilance: Theoretical and Practical Challenges Since Its Adoption, 6 Bus. & Hum. Rts. J. 141, 143–47 (2021).

[42] Lieferkettensorgfaltspflichtengesetz [Supply Chain Due Diligence Act], July 16, 2021, Bundesgesetzblatt [BGBl] I at 2959 (Ger.).

[43] Id. §§ 3–5.

obligations across member states and introduces civil liability for failure to prevent human rights and environmental harms.[44] Collectively, these initiatives mark a shift from voluntary CSR models to enforceable legal obligations.

Despite these advances, enforcing labour rights across borders presents formidable jurisdictional challenges. Domestic courts may be reluctant to exercise jurisdiction over extraterritorial harms, especially when the alleged abuses occur in third countries with weaker legal institutions.[45] Furthermore, piercing the corporate veil to hold parent companies liable for the conduct of foreign subsidiaries remains a complex legal undertaking, often impeded by the principles of separate legal personality and forum non conveniens.[46]

Nonetheless, transnational tort litigation has emerged as a significant, albeit limited, accountability mechanism. Landmark cases such as *Vedanta Resources Plc v. Lungowe* affirmed the jurisdiction of English courts to hear claims against a UK-based parent company for alleged human rights abuses committed by a foreign subsidiary in Zambia.[47] Similarly, in *Okpabi v. Royal Dutch Shell*, the UK Supreme Court allowed Nigerian claimants to proceed with a negligence action against Shell for environmental damage in the Niger Delta.[48] These cases underscore the potential of tort law in circumventing jurisdictional and corporate structure barriers, especially where parent companies exert significant control over subsidiaries.

In conclusion, ensuring labour rights within global supply chains requires a multi-level legal response that combines international standards, national due diligence legislation, and transnational litigation. While emerging legal instruments demonstrate progress, the full realization of labour justice depends on consistent enforcement, access to remedy for victims, and international cooperation to eliminate regulatory loopholes that perpetuate corporate impunity.

[44] Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937, COM(2022) 71 final (Feb. 23, 2022), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022PC0071.

[45] David Bilchitz, The Necessity for a Business and Human Rights Treaty, 1 Bus. & Hum. Rts. J. 203, 205–09 (2016).

[46] Erika George, Incorporating Rights: Strategies to Advance Corporate Accountability 112–15 (Oxford Univ. Press 2021).

[47] Vedanta Resources Plc v. Lungowe, [2019] UKSC 20, [2019] 2 W.L.R. 1051 (U.K.).

[48] Okpabi v. Royal Dutch Shell Plc, [2021] UKSC 3, [2021] 1 W.L.R. 1294 (U.K.).

6. Comparative Case Studies

Comparative legal case studies illustrate how labour rights violations and environmental harms in global supply chains are increasingly subject to scrutiny and accountability efforts. The following three examples—spanning South Asia, Europe, and Africa—demonstrate divergent legal responses to transnational corporate misconduct and the evolving frameworks of liability and due diligence.

The Rana Plaza disaster in Bangladesh remains one of the most tragic industrial accidents in modern history. On April 24, 2013, the collapse of a multi-story garment factory killed over 1,100 workers and injured more than 2,500.[49] Investigations revealed that global fashion brands sourcing from the factory had exercised minimal oversight over working conditions, despite being aware of systemic labor abuses, including forced overtime, unsafe infrastructure, and wage violations.[50] The disaster highlighted the inadequacies of voluntary CSR schemes and catalyzed international campaigns calling for legally binding obligations on multinational enterprises (MNEs).[51] While compensation funds were eventually established, no Western corporation was held legally liable in court, underscoring persistent gaps in extraterritorial corporate accountability.[52]

In contrast, Germany's Lieferkettensorgfaltspflichtengesetz (Supply Chain Due Diligence Act) represents a proactive legislative response to such accountability gaps. Enacted in 2021 and effective from 2023, the Act imposes mandatory human rights and environmental due diligence obligations on companies with substantial operations in Germany.[53] Companies must implement risk management procedures, establish grievance mechanisms, and report publicly on their compliance.[54] Notably, the Act introduces administrative enforcement powers but does

[49] Int'l Labour Org. (ILO), Rana Plaza Accident and Its Aftermath, https://www.ilo.org/global/topics/geip/WCMS_614394/lang–en/index.htm (last visited May 19, 2025).
[50] Human Rights Watch, Whoever Raises Their Head Suffers the Most: Workers' Rights in Bangladesh's Garment Factories (Apr. 2015), https://www.hrw.org/report/2015/04/22/whoever-raises-their-head-suffers-most/workers-rights-bangladeshs-garment.
[51] Jennifer Bair et al., CSR After Rana Plaza: A Comparative Institutional Approach to Labor Governance, 22 Reg. & Governance 312, 314–16 (2020).
[52] Larry Cata Backer, Are Supply Chains Transnational Legal Orders?, 1 Bus. & Hum. Rts. J. 287, 296 (2016).
[53] Lieferkettensorgfaltspflichtengesetz [Supply Chain Due Diligence Act], July 16, 2021, Bundesgesetzblatt [BGBl] I at 2959 (Ger.).
[54] Id. §§ 3–5, 10.

not yet provide for direct civil liability. Nevertheless, it serves as a model for emerging EU-wide legislation and signals a normative shift toward enforceable corporate duties.[55]

The Shell Nigeria litigation exemplifies the role of transnational tort law in addressing environmental and human rights abuses by corporate actors. In *Okpabi v. Royal Dutch Shell*, Nigerian villagers alleged that oil spills caused by Shell's Nigerian subsidiary contaminated water sources and farmland.[56] The UK Supreme Court held in 2021 that there was a "real issue to be tried" concerning the parent company's duty of care, allowing the case to proceed.[57] This followed the earlier decision in *Vedanta Resources v. Lungowe*, in which the Court recognized that parent companies can owe a duty of care for harms caused by foreign subsidiaries if they exercise significant control.[58] These rulings mark a doctrinal shift in piercing the corporate veil and extending accountability across jurisdictions.

Collectively, these cases underscore the urgent need for harmonized legal standards and binding frameworks that close jurisdictional gaps and elevate transnational corporate accountability.

7. Proposals for Legal Reform and Harmonization

The fragmentation of international legal frameworks governing corporate accountability necessitates a unified, multilateral approach to address labour rights and environmental harms within global investment flows. Despite progress in national due diligence legislation, the absence of binding international standards perpetuates legal gaps and jurisdictional asymmetries.[59] A coherent multilateral enforcement framework—preferably under the auspices of the UN or ILO could provide standardized due diligence protocols, dispute resolution mechanisms, and access to remedy for affected communities.[60]

A hybrid governance model that combines binding treaty obligations with soft law instruments and voluntary private initiatives (such as the UN Global Compact or OECD Guidelines) would

[55] European Parliament, Corporate Sustainability Due Diligence Directive, COM(2022) 71 final (Feb. 23, 2022), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022PC0071.
[56] Okpabi v. Royal Dutch Shell Plc, [2021] UKSC 3, [2021] 1 W.L.R. 1294 (U.K.).
[57] Id. ¶ 147.
[58] Vedanta Resources Plc v. Lungowe, [2019] UKSC 20, [2019] 2 W.L.R. 1051 (U.K.).
[59] Surya Deva, Business and Human Rights: A Call for Multilateralism, in Building a Treaty on Business and Human Rights 107–09 (Surya Deva & David Bilchitz eds., 2017).
[60] U.N. Human Rights Council, Legally Binding Instrument on Business and Human Rights: Draft 3 (2021), https://www.ohchr.org/en/business/treaty-process.

ensure broader compliance while maintaining flexibility.[61] The World Trade Organization (WTO) could integrate labour and human rights dimensions into trade and investment disciplines, particularly in regional trade agreements.[62] Similarly, the World Bank and development finance institutions should condition lending and procurement on adherence to international labour and human rights standards.[63]

Institutional cooperation is essential for harmonizing standards, reducing regulatory arbitrage, and ensuring transnational corporations operate under clear, enforceable obligations. Coordinated reforms would enhance global economic governance and promote sustainable, rights-based investment practices.

8. Conclusion

This paper has examined the complex interplay between globalization, FDI, CSR, and labour rights in global supply chains. While FDI fosters economic development, it also exposes regulatory vulnerabilities. Voluntary CSR has evolved into a patchwork of enforceable norms, yet global legal coherence remains elusive.[64] Moving forward, a harmonized legal regime—combining binding international instruments with institutional cooperation—is imperative to ensure accountability, protect labour rights, and promote sustainable investment.[65] Bridging fragmented frameworks through coordinated legal reform will be crucial for establishing a just and rights-based global economic order.[66]

[61] John Ruggie, Global Governance and "New Governance Theory": Lessons from Business and Human Rights, 20 Glob. Gov. 5, 8–11 (2014).
[62] Steve Charnovitz, The WTO and the Rights of the Individual, 36 Inter-Am. L. Rev. 385, 388–90 (2005).
[63] World Bank, Environmental and Social Framework (2023), https://www.worldbank.org/en/projects-operations/environmental-and-social-framework.
[64] Surya Deva, Regulating Corporate Human Rights Violations: Humanizing Business, 60 German L.J. 1, 6–9 (2012).
[65] U.N. Human Rights Council, Legally Binding Instrument on Business and Human Rights: Draft 3 (2021), https://www.ohchr.org/en/business/treaty-process.
[66] John Ruggie, Just Business: Multinational Corporations and Human Rights 129–132 (W.W. Norton 2013).