PUBLIC DEMAND FOR EXTRATERRITORIAL ENVIRONMENTAL AND SOCIAL PUBLIC GOODS PROVISION*

Lukas Rudolph [†] Dennis Kolcava [‡] Thomas Bernauer [§]

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[†]LMU Munich and ETH Zurich, lukas.rudolph@gsi.uni-muenchen.de

[‡]ETH Zurich, dennis.kolcava@ir.gess.ethz.ch

[§]ETH Zurich, thbe0520@ethz.ch

Abstract

Vastly increased transnational business activity in recent decades has been accompanied by controversy over how to cope with its social and environmental impacts. The most prominent policy response thus far consists of international guidelines. We investigate to what extent and why citizens in a high-income country are willing to restrain companies for the sake of improving environmental and social conditions in other countries. Exploiting a referendum in Switzerland, we use choice and vignette experiments with a representative sample of voters (N=3010) to study public demand for such regulation. Our results show that citizens prefer strict and unilateral rules, while correctly assessing their consequences. Moreover, exposure to international norms increases demand for regulation. These findings highlight that democratic accountability can be a mechanism that motivates states to contribute to collective goods even if not in their economic interest, and that awareness of relevant international norms among citizens can enhance this mechanism.

Keywords: norms; international organisations; United Nations Guiding Principles for Business and Human Rights; extraterritorial regulation; public opinion; survey experiment

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1 Introduction

The rapid expansion of global production networks has contributed to economic growth and increases in aggregate welfare in many parts of the world (Ben-David and Loewy 1998; Dollar and Kraay 2004; Sala-i-Martin 2006), but has also caused major environmental (Copeland and Taylor 2003; Spilker, Koubi and Bernauer 2017) and social problems (Ruggie 2013). Many of these negative impacts of global production networks accumulate in poorer countries (see Aklin 2016; Kolcava, Nguyen and Bernauer 2019), as today’s rich countries import a large share of polluting goods from abroad (Lutter et al. 2016; Weinzettel et al. 2013). Private business, and multinational enterprises (MNEs)¹ in particular, play a crucial role in this international process of environmental and social footprint shifting, as around 80% of goods traded globally (UNCTAD 2013) are produced within the ever longer and more complex global supply chains of MNEs (Gardner et al. 2019).

This development creates a policy dilemma for rich societies. On the one hand, the international community appears to agree that environmental and social footprint shifting from richer to poorer countries is in fact a problem, and it has issued international guidelines addressing this issue. The most prominent guidelines in this respect are the UN Guiding Principles for Business and Human Rights (UNGPs) (United Nations 2011) and the OECD Due Diligence Guidelines for Responsible Business Conduct (OECD 2018). Specifically, the UNGPs highlight the responsibility of MNEs to conduct business in a ‘diligent’ manner, and urges states to introduce binding regulation to preserve the local environment and ensure fair working conditions along the extraterritorial supply chains of corporations domiciled in their jurisdiction. Yet, prescribing and enforcing diligent business conduct of domestic companies ‘top-down’ has economic consequences in abso-

¹ We define MNEs as corporate groups that “usually comprise companies or other entities established in more than one country and so linked that they may coordinate their operations in various ways.”(OECD 2011: p.17)

lute terms – restricting the business opportunities of domestic companies abroad – and relative terms – affecting the international level playing field if countries with competitor companies do not follow suit.

Many observers have noted that these economic costs create shirking and free-riding incentives for states and companies alike, which makes it unlikely that the UNGPs will actually affect global production networks in the intended way (Augenstein, Dawson and Thielbörger 2018; Fasterling and Demuijnck 2013). However, the accountability of democratic governments to their citizenry might help in mitigating states’ shirking incentives. That is, if citizens demand more sustainable production abroad, even at the cost of domestic welfare, state incentives could shift towards compliance with international guidelines.

In this paper, we address two closely related questions pertaining to public demand for sustainable production abroad. First, we ask whether public support for regulation addressing local environmental and labor conditions in production networks extends beyond national boundaries. This helps us to better understand whether and to what extent citizens care about consequences of business conduct abroad, or to the contrary, whether the low direct benefit for citizens and their country reduces their willingness to act. Second, we ask whether international norm-setting affects citizens’ preference formation with respect to regulating home-country firms’ business conduct abroad. Specifically, we study whether awareness of the UNGPs, the most prominent global normative framework in this area, influences how citizens weigh moral and economic considerations concerning the regulation of production abroad.

Hence, the research presented here speaks to recent theoretical arguments on global public goods governance. Specifically, scholars increasingly challenge the standard view of environmental (especially, climate) governance as a ‘traditional’ collective action problem (Aklin and Mildenberger 2020; Colgan, Green and Hale 2021; Hale 2020). Instead

of ‘invoking free-riding’, these novel arguments explain state behavior in international public goods politics via subnational shifts in domestic political alignments due to distributional conflicts. Such domestic politics then may result in both unilateral action (which one would not expect if states free-ride internationally) and strong disincentives to act in the first place (which current institutions might not be capable of resolving) (Aklin and Mildemberger 2020). Our paper contributes empirical evidence on the micro-level to these arguments by focusing on public demand as a driver of unilateral contributions to (international) public goods provision. Similarly, we offer a micro-level perspective on established arguments explaining how domestic politics (and their regulatory output) may affect transnational economic activity (see, e.g. Vogel 2008, 2009).

A large body of research has in fact shown that public opinion matters in shaping policy debates, in particular, the scope and form of political mandates for government action, and hence policymakers’ decisions (Burstein 2003; Page and Shapiro 1983; Wlezien 1995). Notably, policy processes appear to be responsive to both short and long-term shifts in public opinion (Bakaki, Böhmelt and Ward 2020; Hager and Hilbig 2020; Schaffer, Oehl and Bernauer 2021). Hager and Hilbig (2020) also show that exposure to public opinion polls can lead politicians to change both their priorities and positions in political speech. Indeed, as of mid-2021, several Western states have taken first regulatory action in line with the UNGPs, or are discussing the matter. Most prominently, France, the UK, Germany, and Switzerland (on which we focus), have enacted binding regulation. Several other political entities are currently drafting new laws and regulations in this area (e.g. the Netherlands and the EU) in the spirit of the UNGPs and public pressure is used by proponents of regulation to push for regulatory action.² Appendix Section A.1.2 provides an overview of national policy developments.

² E.g. in Germany, see <https://www.zeit.de/wirtschaft/2020-09/umfrage-lieferkettengesetz-einhaltung-menschenrechte-unternehmen-cdu-peter-altmaier>

Because we focus on the role of public demand as a driver of unilateral contributions to global public goods provision, we select a case, Switzerland, where the public has direct influence on policy making via direct democratic institutions. Initiated by civil society actors, a direct democratic proposal, termed “Responsible Business Initiative” (RBI), became the subject of a national vote. Swiss voters were asked to decide on a constitutional amendment that would impose strict due diligence standards on Swiss companies operating abroad, and make them liable (in Swiss courts) for social and environmental damage caused abroad. Detailed information on direct democratic institutions in Switzerland and our case is available in Appendix Sections A.1 and A.2. In a nutshell, public pressure made Switzerland adopt regulation which currently goes beyond policy in many other Western democracies.

While our case resembles coordination problems in the provision of global public goods, such as in climate policy (Bechtel, Genovese and Scheve 2019), it is distinct in one important aspect: The UNGPs are concerned with the provision of public goods that predominantly accrue *locally and abroad*, while economic costs are predominantly borne *domestically*. We, therefore, propose a theoretical argument that extends a formal model by Vogel (1999) on the public demand component of the Environmental Kuznets’s Curve (EKC) to extraterritorial provision of environmental and social public goods. In particular, in an affluent country, demand for regulation that ensures minimal environmental and social standards *domestically* should be high. This is the case because the consumption value, the ethical value and the indirect value (e.g. reputation) from these public goods is likely to be higher than the consumption value of any additional units of private goods that can be produced due to keeping environmental and social standards low. However, this logic might stop at the respective national border, as beyond it the consumption value of local environmental and social public goods for domestic citizens is

virtually zero. Therefore, whether the average citizen supports extraterritorial regulation is an empirical question. Yet, support should be stronger amongst citizens who show high levels of general environmental and social concern because such concern goes hand-in-hand with problem awareness and ethical preferences. Finally, we propose that awareness and problem perception can be increased by an international norms signal, and we expect stronger support for strict regulation when we expose citizens to such a norms signal. To test our arguments, we implemented a combination of conjoint and vignette survey experiments with a representative sample of Swiss citizens ($N=3,010$). In the conjoint experiment, we present citizens with proposals of extraterritorial regulation that vary along two dimensions: stringent vs. lenient and unilateral vs. multilateral policy. This setting approximates the policy space that is currently discussed in many Western countries, which ranges from business actors proposing multilaterally coordinated voluntary business initiatives to civil society organizations calling for unilaterally enacted binding requirements with corporate liability in domestic courts. Our empirical findings show that citizens' demand for environmental and social public good provision does not stop at the national border. Specifically, citizens prefer strict policy over shallow policy in this area. Moreover, citizens perceive the consequences of strict policy as costly for the business environment, but effective in terms of preserving the local environment and ensuring fair working conditions abroad. Citizens further associate strict policy implementation with higher ethical and indirect value (e.g. reputational gains). These observations on citizens' perceptions validate their preferences stated in the conjoint experiment. In addition, demand for regulation is particularly high for citizens who show high levels of general environmental and social concern. Finally, when we inform respondents on the core elements of the UNGPs, this increases support for stringent and unilateral policy implementation overall, but decreases support among respondents with low levels of environmental and

social concern.

Our arguments and analysis contribute to the current literature on the moral and economic bases of foreign policy preference formation (Bechtel, Genovese and Scheve 2019; Kertzer et al. 2014a; Bechtel, Hainmueller and Margalit 2014; Tomz and Weeks 2020). First, due to its clear juxtaposition of domestic costs and foreign benefits, our research contributes evidence on how citizens weigh economic costs and non-economic gains, showing that, indeed, citizens care for social and environmental conditions of production abroad. Second, recent arguments by Rho and Tomz (2017) suggest that citizens are ignorant of economic consequences of foreign (trade) policy and only therefore do not choose policies that maximize their own or their society's income – we find that, when we experimentally trace citizens' perception of policy consequences, they attach reasonable consequences in both economic and non-economic terms to policies. Third, our results corroborate prior literature in International Relations suggesting that reciprocity may not be as important a determinant of public support for public goods provision as collective action and public goods theory suggest (Bernauer and Gampfer 2015; McGrath and Bernauer 2017; Tingley and Tomz 2014). Last but not least, our paper contributes a public opinion perspective to the literature studying factors that tend to facilitate the diffusion of norms (Zimmermann 2016; Zwingel 2012). Our findings suggest that domestic democratic accountability could drive states to contribute to public goods by adopting policy in the mould of initiatives put forth by the international community.

2 Theoretical Argument

Can we expect citizens to support extraterritorial regulation that ensures minimum standards for local environmental and social protection beyond their country's border? This question concerns two related but different aspects: preferences of citizens on environmental and social public good provision at the expense of the economy in general; and preferences of citizens on *extraterritorial* provision of such public goods, where that cost-benefit trade-off is enhanced.

We derive our arguments from the literature on the public demand component of the Environmental Kuznets Curve (EKC). We extend these arguments in two ways: first, we propose that EKC arguments should also apply to social issues in production networks (e.g. basic health and safety standards); second, we differentiate citizen demand for environmental and social public goods domestically vs. abroad.

In the following, we align notation with the formal model by Vogel (1999) that we draw upon – we term environmental and social public goods Q , and contrast demand for Q with demand for private goods X (i.e. standard consumer goods). Vogel (1999) starts with the assumption that citizens derive positive utility from X and Q . But producing these goods comes at a price – for Q we can think of this price as opportunity costs of foregone additional consumption of X due to the production of Q . Notably, producing Q can also be understood as abatement of damages (e.g. local pollution or injury) to the initial stock level $\bar{Q}$. Given that Q is a public good, it is not provided by the market, and the question of whether citizens demand Q comes down to the question of whether citizens want their government to regulate the economy in a way that Q is provided while imposing costs on companies producing X . In the following, we develop an argument on the conditions under which we can expect citizens to demand regulation that provides high levels of Q and inquire whether these conditions hold for regulation that provides

Q abroad. Our research design is then tailored to investigate demand for regulation that provides *Q abroad* – our core dependent variable – empirically.

When can we expect citizens to demand *Q*? If *Q* were an essential good³ this would unconditionally be the case. While there is some indication that some parts of *Q* can be essential domestically (cf. evidence from developing contexts, e.g. Dunlap and York 2008; Brechin and Kempton 1994; Dasgupta et al. 2002; Jorgenson and Givens 2014), demand for *Q abroad* will always depend on its opportunity costs: abroad, *Q* is neither essential for the personal welfare of citizens (e.g. absence of dangerous radiation; absence of slavery) nor is *Q* an essential input for the production of *X* domestically (e.g. fertile soil for agricultural production or a sufficient labor force).

If *Q* is predominantly an inessential good (and thereby likely also a luxury good), citizens demand it with sufficient economic development. As standard works point out (e.g. Martínez-Alier 1995; Roca 2003; Stern 2004; Inglehart 1977), this is because citizens do not derive substantial utility from production of *Q* (e.g. pollution abatement) at low levels of economic development due to a high marginal opportunity cost of foregone production of *X* (Vogel 1999). At medium to high levels of economic development this balance turns.⁴

In particular, utility gain from producing *Q* can stem from three components: a) its direct consumption value (e.g. citizens locally consuming clean air, recreational space or healthy fellow citizens) b) from its ethical value (e.g. citizens deriving ethical value from their state upholding its obligations to protect the environment and ensure fair working conditions (Robinson 2017)), or c) from its indirect value when $X = X(\bar{Q})^+$ (e.g. if care for the environment is seen as reputation-enhancing and, hence, profit-maximizing strategy

³ An essential good is required for any positive utility level.

⁴ As Vogel (1999) shows formally, it is observationally equivalent if this arises from declines in free environmental (and social) quality $\bar{Q}$ to an extent that *Q* becomes essential.

(Schnietz and Epstein 2005) from the perspective of citizens).

Importantly, on the individual level a high demand for Q likely goes hand-in-hand with a high level of general environmental and social concern. An important pathway linking such concern to demand for Q is via problem perception – Vogel (1999) e.g. proposes that environmental concern serves as a filter for the perception of the actual state of environmental conditions. He argues that “the existence of pollution has no effect on utility unless people are aware of it or its physical consequences” (p. 121). Additionally, high concern also goes hand-in-hand with high levels of personal affection and saliency of ethical considerations that go beyond what a standard cost-benefit calculus would predict (Vogel 1999). When citizens decide based on use-unrelated (e.g. ethical or altruistic) motives (Bénabou and Tirole 2006; Fehr and Fischbacher 2003; Schwartz and Howard 1981), their demand for Q should therefore be higher for any given level of foregone consumption of X .

In the empirical case at hand, strict implementation of the UNGPs improves the local environment and protects workers abroad, but hurts home country businesses, and, therefore, economic conditions domestically. This leads to the question of whether, in a high-income country such as Switzerland, we can expect the average citizen to gain higher utility from implementing the UNGPs (and improving environmental and social conditions in production abroad) or not (thereby benefiting the Swiss economy). Of course, if we were to assess preferences on the application of the UNGPs to domestic companies with production facilities in Switzerland (e.g. environmental or health and safety standards for Swiss-based production) we would expect a strong preference for strict implementation. There, citizens obtain the consumption value, the ethical value and the indirect value of every unit of Q (Deacon 2009). This aligns with the observation that all high-income countries have adopted rather strong and enforceable regulations to

preserve the local environment and to ensure basic standards in labor conditions for all domestic production (Esty and Porter 2005; Posner 2014).

In contrast, strict regulation in the light of the UNGPs for foreign contexts leads to public good provision *abroad*, and citizens can obtain no or only low consumption value from an additional unit of Q *abroad*. The damages that the UNGPs address predominantly concern standards in production that preserve the local environmental and protect the local labor force (see Appendix Section A.1.1) – for example child labor, use of pesticides or chemicals in agriculture or mining, air and water pollution by industry. Even if one assumed that some of these are global public goods (e.g., reduced deforestation preserving global carbon sinks), the marginal value of contributing to these public goods in other countries, rather than in Switzerland, will certainly be low for Swiss citizens, because the benefits will be shared globally, while costs are borne domestically.

Thus, we should be doubtful about whether citizens in high-income countries support the (costly) provision of environmental and social standards in production *abroad*⁵. This expectation of low demand for Q *abroad* mirrors the observation that demand for Q in developed countries is low where personal affectedness is low, e.g. concerning inter-temporal optimization problems such as the deposition of radioactive waste. As Vogel (1999: 182) puts it: “The motto ‘out of sight, out of mind’ summarises well the last limitation of Environmental Kuznets Curves”. Consequently, demand for Q *abroad* has to stem from “ethical preferences” (Esty 2001: 122) (see also Lupia 2016) or from its indirect value (national reputation specifically (Bush and Zetterberg 2021; Schnietz and Epstein 2005)). But whether this ethical or indirect value is enough to generate substantial support for regulation along the lines of the UNGPs is an empirical question.

⁵ Strict extraterritorial regulation in our case would be front-running legislation, and corporate lobbying against a stringent implementation of the UNGPs in Switzerland indicates that businesses expect economic losses on average.

In a first step, we thus focus on average support for a strict domestic implementation of the UNGPs. Only if the average citizen derives high ethical or indirect value from the provision of environmental and social public goods *abroad*, we should observe aggregate support for a strict policy implementation of the UNGPs (and otherwise for shallow policy).

In a second step, we investigate whether the mechanisms entailed in the proposed utility function of citizens that we postulate above actually hold. We explore whether strict (compared to shallow) regulation that provides Q *abroad* is indeed perceived by citizens as i) entailing higher economic costs for domestic companies, ii) effective in generating environmental and social public goods abroad, iii) appropriate from an ethical point of view and iv) generating indirect (reputational) benefits for Switzerland. If i) and ii) hold, citizens actually perceive a trade-off between the economy and environmental/social quality abroad. If iii) and iv) hold, this would explain why Swiss citizens might support strict regulation that provides Q abroad, despite an environment/social quality-economy trade-off where benefits accrue *abroad*. It is important to validate the perceived consequences of such regulatory measures, as foreign policy has a high potential for biased and non-rational public policy perceptions (Charillon 2017; Rho and Tomz 2017) due to its distance to quotidian information environments of citizens.

In a third step, as pointed out above, the value that any individual citizen derives from strict regulation of Q *abroad* will likely relate to her general concern for the environment and social issues (via problem perception, affection and ethical decision making). As these channels should directly apply to the extraterritorial provision of environmental and social goods, we expect that:

Hypothesis H₁: The higher a citizen’s general concern for the environment and social issues, the more likely she will take into account the ethical value of environmental quality

and social conditions abroad, and the more likely she will derive sufficient utility from environmental and social quality *abroad* to support its regulatory provision at the expense of the business environment for domestic companies.

In a fourth step, we turn to the question of whether a norms signal can strengthen public demand for strict regulation in line with the UNGPs via strengthening the ethical value that citizens derive from it. This question is important, as the consumption value of public good provision abroad is likely substantially discounted by domestic citizens who decide over this policy, but do not receive its direct benefits. So to what extent could externally induced ethical decision-making compensate for that discounting? We address this puzzle in a fourth and final step where we investigate how a normative signal affects preference formation.

As previously discussed, public demand for Q is partly determined by awareness, which arguably is one of the flexible components of public demand for Q (e.g., compared to deeply entrenched value predispositions). We, thus, suggest that awareness could be susceptible to shifts, which might lead to changes in how citizens evaluate policy options. Thereby, we base our argument on the logic of appropriateness in decision-making as outlined by March and Olsen (2011: 8). This logic has two parts: i) citizens are aware of a norm to be followed and ii) a norm is set “by a dominant institution that provides clear prescriptions and adequate resources, i.e. prescribes doable action in an unambiguous way.” Such a “clear prescription” by a dominant actor (the UN in our case) fits well to the case of the UNGPs, as they lay-out a three-pillared framework of ‘protect, remedy and respect’ that leaves little room for interpretation on how best to implement the norm. Hence, when citizens become aware of concrete duties and obligations that identify the ‘right’ course of action (see Huber, Anderson and Bernauer 2018; Tankard and Paluck

2016), we propose that this should increase support for norm-abiding policy.⁶

Hypothesis H₂: Information on international norms for environmental and social business conduct (international norms signal) is likely to increase the ethical value of environmental and social quality abroad, increasing the utility from minimum standards for production *abroad* and making citizens more likely to support strict regulation at the expense of the business environment for domestic companies.

There is some disagreement in the existing literature on the conditions under which public opinion on foreign policy is responsive to an international norm signal.⁷ For example, Bearce and Cook (2018) note that responsiveness to priming is conditional on individual predispositions. Accordingly, while we expect that a norms signal increases support for regulation in our case, we explore potential mechanisms by which international norm setting could affect public support. In particular, we examine how the norms signal affects sub-populations with high or low levels of general environmental and social concern. We further examine whether a norms signal affects citizens' perceptions of policy costs and benefits, and of the normative appropriateness of policy interventions.

3 Study Design and Operationalization

The research design for our study relies on the combination of a conjoint experiment (Hainmueller, Hopkins and Yamamoto 2014) with two vignette experiments (Mutz 2011). These were embedded in a survey implemented in Switzerland from November 6-28, 2018,

⁶ Note that we cannot disentangle UN endorsement and norm setting as such – however, as March and Olsen (2011: 8) observe, both go hand in hand as the UN endorsement as such is part of constituting the norm of the UNGPs.

⁷ Chilton and Versteeg (2016) show that priming citizens with information on how torture violates international law does not decrease support for the application of torture. In contrast, Kreps and Wallace (2016) find the opposite effect on drone strikes in counter-terrorism operations.

through Intervista’s online panel.⁸ Intervista maintains one of the most extensive online survey panels in Switzerland.⁹ The sample (N=3,010) consisted of Swiss citizens eligible to vote (18 and older), and we ensured representativeness concerning known distributions in the Swiss population by using interlocked quotas on age and gender as well as quotas on education and regional provenance of survey participants (see Appendix Figure A.5). Due to Switzerland’s multilingualism, we fielded the survey in the three major languages: German, French, and Italian. The survey instrument was approved by (*blinded for peer review*)’s Institutional Review Board.

3.1 Citizens’ preferences with respect to due diligence regulation

3.1.1 Step 1: Conjoint experiment

To assess citizens’ preference formation with regard to social and environmental regulation, we implemented a conjoint experiment. In that experiment, we confronted respondents with three choice tasks. In each task, they had to choose between two policies, A and B, for regulating Swiss corporations with operations abroad, choose their preferred policy and rate these policies individually (7-point scale). We ensured that participants understood the policy dimensions and the corresponding expressions on the attributes levels by providing them with a detailed description of each attribute. We chose the attribute levels such that they mirrored the policy debate in the Swiss parliament and in the media surrounding the Responsible Business Initiative (see Appendix Section A.1). Policies A and B were displayed in a fully randomized way from the full set of levels. Appendix Figure A.3 illustrates such a choice task.

Policy proposals in the conjoint differ on two dimensions: stringency and reciprocity

⁸ <https://www.intervista.ch/about/?lang=en>

⁹ Survey company pools can be comparable to pure random samples in terms of representativeness of the general population (Ansolahehere and Schaffner 2014; Wang et al. 2015).

(see Table 1 and Appendix Section A.3). The first attribute indicates how stringent the new policy would be, i.e. the extent to which Switzerland would regulate its domestic companies *abroad*. Increasing the stringency level of a policy hence increases *public goods provision abroad* by Swiss firms, since it would force them to exercise due diligence with regard to environmental and social standards in their supply chains. At the same time, though, increasing the stringency level increases *costs at home*, since the domestic regulatory burden on firms grows. The second attribute (‘reciprocity attribute’) indicates whether Swiss policy would be implemented conditional on other countries’ engagement, or unilaterally (unconditionally). Accordingly, increasing the reciprocity level of a policy decreases *public goods provision abroad* by Swiss firms due to a lower likelihood of implementation of that policy. Simultaneously, however, an increase in reciprocity decreases *costs at home*, because it ensures that Swiss companies would not face a competitive disadvantage vis-à-vis companies based in other countries.

Relating the conjoint experiment to our expectations, if citizens care about sustainable supply chains and extend their social and environmental concern beyond the Swiss border, we expect public support to *increase* as the extent of policy implementations increases, i.e. with higher levels of the stringency and reciprocity attribute.

Even though environmental policy preferences likely are a rather insensitive subject compared to political attitudes in other areas (e.g. attitudes related to the role of gender in politics, see Teele, Kalla and Rosenbluth 2018), implementing a conjoint experiment hedges against potential social desirability bias (Druckman and Green 2021; Wallander 2009). The advantage of conjoint choice tasks is that respondents do not have to disclose the reasons underlying their choices (Hainmueller, Hopkins and Yamamoto 2014; Horiuchi, Markovich and Yamamoto 2020). In our case, respondents do not have to indicate whether they do or do not care about environmental and working conditions abroad. They only

Table 1: Conjoint Attribute Levels

Attributes	Levels
Stringency: What do Swiss MNEs have to do?	<ul style="list-style-type: none">• Participate in regular round tables organized by business associations and the State Secretariat for Economic Affairs• Publish a detailed report about their locations abroad, which describes the risks to people and the environment abroad and the measures taken by the company to counter them.• Publish a detailed report as above and be liable in Switzerland, so that they can be brought to court in Switzerland for damage to people and the environment that they may cause abroad.
Reciprocity: Is the introduction of Swiss due diligence regulation conditional on action by other economies?	<ul style="list-style-type: none">• Yes, conditional on action of leading economies worldwide• Yes, conditional on action of Western economies• No, Switzerland acts in any case

have to express their preferences regarding a multi-dimensional policy package as a whole – without having been given any information on whether that policy would actually benefit environmental and working conditions abroad.

We analyse the data collected in the conjoint experiment based on average marginal component effects (AMCEs, see Hainmueller, Hopkins and Yamamoto (2014)) for both the binary choice and the rating outcome and partly display marginal means based on the suggestions by Leeper, Hobolt and Tilley (2020).

3.1.2 Step 2: Vignette experiment on policy consequences

To investigate the basis of respondents' choice, we displayed experimental vignettes that contained a specific policy proposal to respondents (after the conjoint experiment). We asked respondents for their perception of the consequences of this policy proposal. These vignettes were framed as a hypothetical outcome of a national vote on the issue. They were constructed from a randomised draw from each of the two conjoint attribute with their three levels (3x3 design).

Respondents were then asked to indicate their agreement or disagreement with a battery of statements. These statements were tailored to assess four dimensions of policy consequences:

- Cost perceptions: in absolute terms, as "costly for Swiss firms", and in relative terms, as "disadvantaging Swiss firms" with respect to the level-playing field these companies operate in.
- Policy effectiveness: direct benefits of the policy, where we assess whether policy is perceived to "reduce damage by Swiss firms" and in a reverse-coded item to be "window-dressing".

- Policy appropriateness: whether the policy is perceived to constitute "good behavior" and be an "expert solution".
- Perceived side-benefits: whether the policy is perceived to "strengthen Swiss reputation".

Appendix Section A.4 contains English translations of all vignettes. For the vignette experiment, we estimate a linear regression model, regressing agreement to the statements on the vignette attribute levels.

3.2 How levels of environmental and social concern and international norm setting relate to policy support

3.2.1 Step 3: Levels of environmental and social concern

In Hypothesis H_1 , we argue that support for strict/shallow regulation is conditional on the individual level of environmental and social concern. To measure these, we recorded respondents' concern for the environment and for living conditions in developing countries drawing on an established measurement instrument. We measure environmental concern by implementing the scale pioneered by Diekmann and Preisendörfer (2003). We constructed a similar set of items following the item wording of Diekmann and Preisendörfer (2003), adapting it to concern for social conditions in developing countries (see Appendix Section A.5). We then performed a principal component analysis on both the environmental and social concern survey items and extracted the first component based on rotated factor loadings. Based on a scree plot, we extract one factor only. We then split this first component into quintiles to identify study participants with very low to very high levels of social and environmental concern. We expect respondents with high levels of environmental and social concern to be relatively more likely to support strict policy. Thus, we

estimate effects by subgroups based on AMCEs and marginal means.

3.2.2 Step 4: Vignette experiment on a norms signal

In Hypothesis H_2 , we propose that international guidelines constitute a normative signal, which increases public support for strict regulation providing *public goods abroad* and generating *economic costs at home*. Specifically, the vignette experiment we implemented to test Hypothesis H_2 – which from here on we refer to as the ‘norms treatment’ – contained a brief text summarizing the core elements of the UNGPs along with their non-binding nature (see Appendix Section A.4 for our translation from German). To be as realistic as possible, we based our description on the three principles (state obligation to ensure compliance, company obligation to engage in ‘diligent’ business conduct, access to remedy in case of violation) of the UNGPs (United Nations 2011). In the norms treatment, we also highlighted that the UN was the prescribing actor. In sum, we treat respondents with a “dominant institution” that “prescribes doable actio” (March and Olsen 2011).

Note that within the survey flow, the norms treatment was the first experimental component administered to study participants. This allows us to compare responses in the conjoint and vignette experiments outlined above by respondents receiving or not receiving the norms treatment beforehand. If Hypothesis H_2 holds, we expect average respondent support to shift towards support for stricter policy (increased support for higher levels of the stringency and reciprocity attributes) after being exposed to the norms treatment. Additionally, we assess how the norms treatment interacts with baseline levels of environmental and social concern, and whether respondents’ perceptions of policy proposals change due to the norms treatment.

4 Results

In this section, we first report the effects of policy design (based on a policies’ stringency and reciprocity) on average policy support. Thus, we provide evidence on whether the average citizen prefers strict or shallow regulation of domestic corporations abroad. In a second step, we analyse how citizens associate particular policy designs with policy consequences. In a third step, we investigate whether high (low) levels of environmental and social concern relate to preferences for strict (shallow) policy, as stated in Hypothesis H₁. In step four, we investigate whether the norms signal shifts policy support in favor of strict policy implementation (as stated in Hypothesis H₂), and why this might be the case.

4.1 Step 1: Aggregate citizen policy preferences

Figure 1 presents AMCEs for policy choice. AMCEs report the average causal effect on the probability of choosing a policy profile when changing a level of an attribute within a profile from the baseline to another level (while averaging over all other attributes).

Increasing stringency from *Round table* to *Public report* or *Liability* has positive and significant effects on respondents’ choice. The difference in AMCEs is substantial with 4.6 percentage points for the former, and 5.2 percentage points for the latter. Effects are highly statistically significant, but note that the increase from *Public report* to *Liability* is not statistically significant. In addition, we can also indicate how attribute levels influence conjoint ratings (see Appendix Table A.6). Average ratings are around 4.35 for profiles including the *Round table* attribute level, but increase by 0.1 and 0.15 rating points (4% and 5%, respectively) for the *Public report* and *Liability* requirement. This amounts to around a tenth of a standard deviation of the rating variable at baseline. In sum, with the *Liability* attribute level, average ratings tilt towards the “favorable” end of the policy

Figure 1: AMCEs of conjoint choice experiment for dimensions stringency and reciprocity with 95% confidence intervals (respondent level clustered standard errors). Individuals choose in a hypothetical referendum between both policy proposals. Sample draws on respondents not receiving the norms treatment.

rating scale.

When implementing the policy is no longer conditional on compliance of all *Economies worldwide*, but conditional on compliance of *Western economies*, we only see a marginal increase in policy support by around 2%-points (insignificant). However, increasing the attribute level to *In any case*, i.e. unconditional unilateral policy implementation, relates to substantially large and significant positive shifts in choice probabilities. Policy support increases by about 18%-points. Average ratings are around 4.25 for the *Economies worldwide* and *Western economies* attribute levels, but increase by more than half a scale point

(15%) with the *In any case* attribute level. This amounts to around 15% of a standard deviation of the rating variable for this attribute level at baseline and tilts ratings clearly towards the “favorable” end of the policy rating scale.

Overall, these results provide a clear picture concerning average respondent preferences. Citizens prefer highly stringent and unilateral regulation of Swiss MNEs operating abroad. In other words, we find that citizens show consistent support for policies that increase *public goods provision abroad*, and thus reveal that average citizen concern for the environment and social issues extends beyond Swiss borders.

4.2 Step 2: Perceived policy consequences

Next, we discuss how citizens perceive the consequences of strict vs. shallow policy implementation. We thereby investigate whether citizens actually perceive a trade-off between economy and environment/social quality abroad and why they hold the preferences for strict policy as observed in the previous subchapter.

Figure 2 depicts the average effects of policy characteristics being present in a vignette on citizens’ perception of policy costs, effectiveness, appropriateness and side-benefits – panels in that order top to bottom in Figure 2. For the stringency attribute, effects have to be interpreted in comparison to an attribute level that requires *Round tables*. The *Public report* level is not perceived to affect companies’ absolute or relative costs. However, it is seen as potentially effective: respondents perceive it as a strategy that is slightly (not significantly so) damage-reducing, and less as ‘window dressing’ than round-tables. Last, respondents do not relate a public reporting requirement to good corporate behavior, an expert solution or to an improved reputation for Switzerland. In contrast, the *Liability* attribute level is clearly perceived as increasing costs in absolute and relative terms, but also as effective (reducing damage, and being less ‘window dressing’). Again we see no

Figure 2: Respondent evaluations of regulatory frameworks by policy components for subgroups not receiving the norms-treatment. Respondents are presented with one experimental vignette each on a regulatory framework with varying levels of stringency and reciprocity. Coefficients depict effects of attribute level change on evaluation of statement in panel-header (5-point rating scale whether policy will (not) have consequence of panel heading). Baseline level for stringency: Round table; for reciprocity: Economies worldwide. 95% confidence intervals shown.

changes for ‘good behavior’, ‘expert solution’ of ‘reputation enhancement’. In sum then, we can conclude that strict policy that requires *Liability* for corporate misconduct in Swiss courts is indeed perceived as costly for Swiss companies, but more effective with respect to public goods production as well.

With respect to the reciprocity attribute, when policy is enacted conditional on actions by Western economies instead of economies worldwide, this is seen as more costly in relative terms – without any significant changes in perceptions of effectiveness or side benefits. However, when policy is enacted unilaterally, this is perceived as more costly in absolute and relative terms, but also as more effective, less window-dressing, good behavior, an expert solution and reputation-enhancing. Thus, we can again relate the substantially higher choice probabilities for the *In any case*-attribute level in the conjoint experiment to an informed choice, where respondents

Taken together, we find strong support for the argument that citizens correctly perceive a trade-off between economy and environmental/social quality. In other words, respondents hold no misconceptions regarding policy consequences and have implications for the Swiss business model in mind when they choose strict policy.

As their reasoning (particularly for the reciprocity argument) also shows differences in perceived policy appropriateness and side-benefits, this provides a plausible explanation for the average conjoint experiment choice: on average, citizens seem to value the combination high stringency/unilateral policy primarily due to arguments tied to the provision of *public goods abroad* (policy less ‘window-dressing’, ‘reducing damage by Swiss firms’), given its non-material consequences (‘good behaviour’, ‘expert solution’), but potentially, also reputational co-benefits, and despite higher absolute and relative costs.

4.3 Step 3: Subgroup effects by levels of environmental and social concern

Now, we turn to Hypothesis H_1 , and assess whether policy support differs by respondents' levels of environmental and social concern. The effects displayed in Figure 3 indicate substantial differences in responses. The three groups holding the highest levels of environmental and social concern prefer policy with high levels of stringency, unilaterally implemented. Policy profiles that contain *Liability* see choice probabilities up to 20%-points higher, and support for unilateral policy up to 40%-points higher. However, the two groups holding the lowest degree of environmental and social concern have a reversed preference order and react with small changes (for public reporting), or even with lower probability for choosing policy if it contains *Liability*.

Relating these findings to Hypothesis H_1 , we can meaningfully differentiate respondents with high from those with low levels of environmental and social concern, whereby the former prefer strict, and the latter shallow environmental and social regulation of corporate supply chains. Therefore, higher levels of awareness for the underlying problem and/or a different value base likely lead to diverging preferences in the population. While, of course, we cannot rule out that environmental and social concern are correlated with other factors that explain this pattern, one plausible explanation is that subsets of respondents apply different logics of decision-making: While those with high levels of concern (and, thus, also the average Swiss citizens) follow a logic of appropriateness when deciding on the matter, those with low levels follow a logic of consequences instead, prioritising adverse effects on the Swiss business model.

Figure 3: AMCEs for conjoint choice by subgroups of environmental and social concern. Coefficients based on split-sample regressions for quintiles of the first component of 10 indicators of environmental (Diekmann and Preisendörfer 2003) and 6 of social concern (see Appendix Section A.5). 95% confidence intervals based on respondent-clustered standard-errors are shown.

4.4 Step 4: Effects of a norms signal

Lastly, we turn to the question of how a norms signal affects policy preferences. Figure 4 depicts marginals means for the conjoint choice outcome with and without the norms signal (left panel) and the difference in between (right panel). Receiving the norms treatment clearly affects citizens' reasoning: The marginal means of the stringency-attribute shift substantially with the norms treatment. While average support for *Public report* is only marginally affected, the marginal mean for *Round tables* decreases by 3.4 percentage points, while the marginal mean for *Liability* increases by 3.6 percentage points. In terms of AMCEs, the coefficient for the *Liability* attribute level more than doubles compared to the control group estimate from 5 to 12 percentage points. Respondents' evaluation of the reciprocity-attributes is barely altered by the norms vignette.

Figure 4: Marginal means of conjoint choice experiment for dimensions stringency and reciprocity with 95% confidence intervals (respondent level clustered standard errors) by respondents (not) receiving the norms treatment (left panel). Right panel shows difference in MMs. Individuals choose based on a hypothetical referendum election between both policy proposals.

In brief, this implies that respondents' preferences for high stringency policy increased from already high baselines when exposed to a norms signal. Hence, we find evidence in favor of Hypothesis H₂ – international norms signals can have a positive effect on public support for stringent regulation, and promote public demand for policy in line with a logic of appropriateness.

Why is this the case? As reported in Appendix Table A.1, with the norms treatment respondents perceive lower relative (but not absolute) costs for Swiss companies when

evaluating the *Liability* attribute level. Also, they perceive *Liability* as more of an ‘expert solution’ and more of as ‘good behavior’. Moreover, they perceive unilateral policy as more ‘damage reducing’, less ‘window dressing’, more of an ‘expert solution’ and a revelation of ‘good behavior’, as well as reputation-enhancing. All in all, the norms treatment reduces the perception of strict policy as costly, and increases perceived policy effectiveness. Hence the perceived trade-off between economy and environment/social quality is lessened. At the same time, citizens seem to attach higher utility with strict policy, at the perceived policy appropriateness (and hence its ethical value) and the perception of positive side-benefits increases. Taken together, the shifts in average perceptions of policy consequences through the norms treatment link plausibly to the observed shifts in preferences in the conjoint choice task.

Note, however, that policy preferences shifts vary between subsets of the population. As shown in Appendix Figure A.4 the norms signal increases the wedge between policy choice of those with low and high levels of social and environmental concern.

While we cannot causally infer that environmental and social concern leads to this differential take-up of the norms signal (for example, low concern might correlate with anti-globalization and/or isolationist views), it provides a case in point that even a strong normative signal (set by a very important institution, and providing clear guidance for appropriate action) does not necessarily activate reasoning along the lines of a logic of appropriateness (March and Olsen 2011) amongst all citizens.

Taken together, we therefore observe that the norms treatment induces average citizens to select strict policy. This average response masks heterogeneous reactions by respondents with low and high environmental and social concern. On average, however it likely stems from changes in the perception of the policy, which is seen as less costly in relative terms, and more effective and adequate under the norms treatment on average.

5 Discussion and Conclusion

Current international efforts to protect the environment and ensure fair working conditions throughout transnational supply chains rarely extend beyond business conduct guidelines and do not include robust enforcement mechanisms (Westerwinter 2019). Departing from this status quo and moving towards stricter transnational supply chain management will require robust commitments, particularly from high-income democratic countries that are currently ‘outsourcing’ environmental and social impacts via international supply chains and trade. However, if democratic governments in high-income countries fear electoral backlash from unilateral policy action, they will be reluctant to step up efforts in line with international guidelines such as the UNGPs.

We have put forth several arguments on potential drivers of mass public opinion concerning ambitious policy interventions aimed at reducing negative environmental and social impacts in supply chains. Our main goals were threefold: first, we aimed to find out whether public demand for local public goods provision extends beyond national borders, and to what extent opinion formation on such measures is driven by ideational and material factors. Second, we assessed to what extent preferences among citizens are heterogeneous. And third, we examined whether and how the setting and communication of an international norm (the UNGPs in our case) affects policy preferences in this area.

Based on conjoint and vignette survey experiments, we find surprisingly high levels of average support for a strict implementation of the UNGPs – surprising because the UNGPs aim at providing *public goods abroad* while causing *economic costs at home*, which citizens also perceive in this way. We also find that policy preferences differ strongly by respondents’ levels of general environmental and social concern – high levels of concern are associated with stronger preferences for unilaterally implemented strict regulation, low levels with the opposite. Moreover, we find that informing citizens that sincerely ‘clean-

ing up' supply chains constitutes an international norm prescribed by the UN increased support for stringent and unilateral regulation on average, but decreased it for citizens opposing such regulation beforehand. Lastly, we show that norm communication can change respondents' average evaluation of policies that implement the norm – in our case such that citizens perceive less of a trade-off between economic costs and environmental and social benefits of compliance with the UNGPs.

Our findings lead us to expect that the moral dimensions of foreign policy play an important role in citizens' preference formation in this area, and that the communication of what constitutes appropriate behavior can facilitate norm-based preference formation. It should be noted, however, that the effects of norm communication on public opinion can depend on the prior distribution of attitudes in the population and even contribute to polarization of preferences.

Our research contributes to an ongoing debate on how citizens form foreign policy preferences. The embedded liberalism argument, prominently used in the trade literature, evolves around economic consequences of policy choices (Kaltenthaler, Gelleny and Ceccoli 2004; Burgoon 2009; Rodrik 2018). Non-economic factors (e.g., social concerns and moral arguments) are said to be subordinate to economic considerations or are argued to constitute economic protectionism in disguise (Dür, Eckhardt and Poletti 2019). We tie in with recent research on the formation of foreign policy preferences, which reveals that citizen attitudes are more nuanced. For example, Kertzer et al. (2014*b*), Kertzer and Zeitzoff (2017) and Kertzer and Tingley (2018) show that citizens base foreign policy preferences also on values, beliefs and social cues. Our findings highlight that material preferences and economic calculi play a role in citizens' foreign policy preference formation (see also Flores-Macías and Kreps 2017; Scheve and Slaughter 2001; Heinrich and Kobayashi 2020), but only for subsets of the population (see for related research on cli-

mate policy or international bailouts Bechtel, Hainmueller and Margalit 2014; Bechtel, Genovese and Scheve 2019; Kleider and Stoeckel 2019), and that preference formation based on normative grounds is predominant – at least in our case of sustainable supply chains.

While our experimental approach ensures that our results have high internal validity, the realistic empirical setting (in which our survey respondents were in fact going to vote on the issue in a direct democratic proposal) implicates that our results have high external validity. Importantly, the arguments in the real-world political campaigns and debates on the issue focused on creating safe/fair working conditions and preserving the local environment abroad. This supports our argument that respondents likely had local, not global public goods in mind when answering our survey.¹⁰ To illustrate this, companies with ‘up-stream’ operations in agriculture and mining (e.g. Glencore, Nestlé, Syngenta) received particularly negative publicity during the campaign for local child rights violations and local environmental pollution (compare excerpts from the official voting leaflet and the website of the Swiss supply chain regulation advocacy coalition in Appendix Section A.1.1). Assessing to what extent our results generalize to other countries and policy areas will require additional research, and our study hopefully provides a useful template for this. It is noteworthy, however, that Swiss citizens hold very similar attitudes towards regulatory policy concerning business activities as citizens in other high-income countries. In Appendix Section A.8 we show these similarities based on data from the 2016 International Social Survey program (ISSP Research Group 2018). This suggests that using a

¹⁰ This is important for our assumption that citizens perceive a low direct consumption benefit from regulating MNC behavior abroad and our conclusion that citizens base preference formation primarily on normative grounds. Note that we cannot rule out the existence of a perceived ‘objective’ public goods co-benefit to Swiss citizens (and find some indication in terms of increased reputation attached to stricter policy). Future research could further explore the drivers of support for sustainable supply chain management, and we suggest that the mechanism tests we already provided could serve as a useful template in this regard.

similar or even identical study design in other high-income democratic countries is likely to produce somewhat similar findings.

Besides implementing similar studies in other countries, it would also be useful to address the issue of competing norms. We have shown that a norm signal can shift aggregate public opinion, but also increase heterogeneity in preferences of sub-populations. The intensifying debate over whether unilateral due diligence policy of the type examined in our paper is a new form of colonialism, whereby Western regulatory standards are forced upon other nations (see, e.g., Schnell and Dümmler 2019), lends itself to further research assessing the effect of competing norms (such as non-interventionism) and the effect of contestation on the robustness of a normative framework such as the UNGPs (Deitelhoff and Zimmermann 2018; Delcour and Tulmets 2019; Simmons and Jo 2019).

Last but not least, our research also has policy implications. Many companies with large market shares and long supply-chains are headquartered in high-income countries. In view of the intense public debate on the matter in most Western societies – e.g. the European Union committed to the implementation of comprehensive due diligence regulation in 2021 (ECCJ 2019; Smit et al. 2020) – our research probes into the political feasibility space at policymakers’ disposal as citizens value the upholding of environmental and social standards in the worldwide economy. Moreover, our research shows that, when communicated, existing international guidelines can have an influence on public policy preferences, and the domestic realm might be an important channel through which such norms could translate into effective rule-making on the domestic level.

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Online Appendix for

‘PUBLIC DEMAND FOR EXTRATERRITORIAL ENVIRONMENTAL AND SOCIAL PUBLIC GOODS PROVISION’

A.1 Responsible Business Initiative text

The following section introduces our case, the Responsible Business Initiative in Switzerland, by which civil society organizations and citizens in Switzerland seek to implement a strict and binding implementation of the “UN Guiding Principles on Business and Human Rights”, and thus improve the environmental and human rights performance of Swiss companies in foreign countries.

The direct democratic political system in Switzerland gives citizens the right for a citizens’ initiative for a partial revision of the Swiss Constitution (also called ‘petition for a popular referendum’, German: “Eidgenössischen Volksinitiative auf Teilrevision der Bundesverfassung”). This is a far-reaching mean for citizens to directly amend the Constitution from outside parliament, without judicial review. As discussed by Serdült (2014: 72f.), with such an initiative, “[p]arliament in such a case has no control over the proposed text, which can take the form of a general proposal or of a specific draft. In cases where parliament agrees with a general proposition, it is supposed to draft the respective constitutional provisions and submit it to a vote. In cases where it does not agree, the proposition is put to the people for a vote [...]. Should the people accept, a corresponding bill has to be drafted by the National Assembly, which is then again put forward to the people for a binding vote (requiring a double majority).” The only two requirements to start such an initiative is a collection of 100,000 signatures of Swiss citizens within 18 months, and its formal correctness (compliance with *ius cogens* and comprising only

one well-defined subject). Hence, citizens can propose far-reaching institutional changes as well as submit extreme policy, though these are rarely accepted at the ballot box in political practice. Note that parliament can react to initiatives in two ways: First, by coupling the initiative with a direct counter-proposal. As noted by Serdült (2014: 73), “counter-proposals are usually less extreme than citizens’ initiatives; however, they tend to incorporate some of the demands by the initiators and thus have, in general, a higher chance of passing.” If a direct counter-proposal is put on the ballot by the legislative, citizens vote yes/no for both initiative and counter-proposal and answer a tie-break question (which proposal should be accepted in case of a dual yes vote). Second, the legislative can agree on a so-called indirect counter-proposal. This is a law, which both parliamentary chambers agree upon. While this law is not put before the people, it takes up the core demands of an initiative in a less extreme form, intending to provide incentives to the initiators of the initiative to pull back their requests before the vote happens. Moreover, in case the respective initiative is rejected at the ballot, the indirect counter-proposal comes into force. Thus, again, indirect counter-proposals tend to crowd-out support for popular initiatives by putting forth policy proposals that represent weaker deviations from the status quo.

As outlined above, the direct democratic institutional framework, in which this regulation (known as RBI) is proposed, is the so-called ‘petition for a popular referendum’ (German: Volksinitiative). By collecting 100,000 signatures within 18 months, Swiss citizens (and organisations) are permitted to initiate popular referenda on constitutional amendments. Hence, these referenda have the potential to create far-reaching competencies for government intervention – in the case of the RBI, in companies’ business conduct. This particular petition has been submitted by an alliance of humanitarian and environmental civil society organisations in 2016. Their demands are outlined in Appendix

Section A.1. However, after its submission the RBI has been stuck in Parliament for a long time (for Swiss direct democratic institutions see Serdült 2014). The reason is that the Swiss Parliament has decided to draft a so-called 'indirect counter-proposal' (see above). The policy-making process, thus, has turned into a strategic game between the petitioners and the different chambers and committees inside the Swiss Parliament (see, e.g. Hofer, Marti and Bütler 2017). In the case of the RBI, both chambers of the Swiss Parliament opted to write a counter-proposal in November of 2017. However, until June of 2020 the two chambers were unable to agree on the content of the counter-proposal to this day – with left and green parties supporting more stringent regulation, liberal and right-wing parties opposing it (see a timeline of negotiations below).

The following subsection lists the proposed initiative text, i.e. what citizens will vote on to ensure compliance of Switzerland with the UN Guiding Principles on Business and Human Rights.

The Federal Constitution will be amended as follows:

Art 101a: Responsibility of business

1 The Confederation shall take measures to strengthen respect for human rights and the environment through business.

2 The law shall regulate the obligations of companies that have their registered office, central administration, or principal place of business in Switzerland according to the following principles:

a. Companies must respect internationally recognized human rights and international environmental standards, also abroad; they must ensure that human rights and environmental standards are also respected by companies under their control. Whether a

company controls another is to be determined according to the factual circumstances. Control may also result through the exercise of power in a business relationship.

b. Companies are required to carry out appropriate due diligence. This means in particular that they must: identify real and potential impacts on internationally recognized human rights and the environment; take appropriate measures to prevent the violation of internationally recognized human rights and international environmental standards, cease existing violations, and account for the actions taken. These duties apply to controlled companies as well as to all business relationships. The scope of the due diligence to be carried out depends on the risks to the environment and human rights. In the process of regulating mandatory due diligence, the legislator is to take into account the needs of small and medium-sized companies that have limited risks of this kind.

c. Companies are also liable for damage caused by companies under their control where they have, in the course of business, committed violations of internationally recognized human rights or international environmental standards. They are not liable under this provision however if they can prove that they took all due care per paragraph b to avoid the loss or damage, or that the damage would have occurred even if all due care had been taken.

d. The provisions based on the principles of paragraphs a – c apply irrespective of the law applicable under private international law.

A.1.1 Arguments

Appendix Figure A.1 shows a screenshot of page 14 of the official voting leaflet (not available in English) sent out by the federal administration to all voting-age Swiss citizens before the referendum on November 29 2020. Such a leaflet is sent out along with the mail-

Argumente **Initiativkomitee**

Die Konzernverantwortungsinitiative fordert, dass sich Grosskonzerne mit Sitz in der Schweiz an Menschenrechte und internationale Umweltstandards halten. Wer weltweit Geschäfte tätigt, muss auch Verantwortung übernehmen. Konzerne, die auf Kinderarbeit setzen oder Flüsse vergiften, sollen dafür geradestehen.

Worum geht es?

Glencore vergiftet Flüsse und vertreibt indigene Bäuerinnen. Syngenta verkauft toxische Pestizide, die bei uns schon lange verboten sind. Und Schweizer Goldraffinerien verarbeiten Rohgold aus Kinderarbeit. Gerade in armen Ländern gibt es oft keinen funktionierenden Rechtsstaat und die Menschen haben kaum Möglichkeiten, sich zu wehren.

Für Schäden geradestehen

Konzerne sollen für Menschenrechtsverletzungen und Umweltzerstörung geradestehen. Betroffene erhalten deshalb neu die Möglichkeit, in der Schweiz auf Schadenersatz zu klagen. Dabei müssen sie beweisen, dass der Konzern für den Missstand verantwortlich ist. Wenn die Schweizer Konzernzentrale angemessene Schritte ergriffen hat, um den Schaden zu verhindern, wird die Klage abgewiesen. Die Initiative wird nicht dazu führen, dass sich Konzerne aus heiklen Ländern zurückziehen. Auch Rohstoffkonzerne können so geschäftig, dass sie keine Menschenrechte verletzen oder die Umwelt zerstören. Wer anständig wirtschaftet, hat nichts zu befürchten.

Wirkungsloser Gegenvorschlag

Auch der Bundesrat anerkennt den Handlungsbedarf. Der Gegenvorschlag ist jedoch eine reine Alibi-Übung. Konzerne sollen bloss Hochglanzbroschüren veröffentlichen. Menschenrechtsverletzungen und Umweltschäden bleiben ohne Konsequenzen.

Figure A.1: Screenshot of page 14 of the official voting leaflet (not available in English) sent out by the federal administration to all voting-age citizens before the referendum on November 29 2020.

in ballot to all voting-age Swiss before every national voting day. The leaflet includes the text of the proposed constitutional amendment, a summary of the proposal, arguments

by both supporter and opponent groups. Appendix Figure A.1 shows the page where proponents' arguments are summarised. The first two paragraphs provide a summary of the proposal from the proponents perspective. Paragraphs three and four argue in favor of introducing corporate liability and against the counter-proposal put forth by the federal council. Translated to English, the first two paragraphs read:

“ The Responsible Business Initiative demands that large corporations based in Switzerland comply with human rights and international environmental standards. Those who do business worldwide must also take responsibility. Corporations that use child labor or poison rivers should be held accountable. Glencore poisons rivers and evicts indigenous women farmers. Syngenta sells toxic pesticides that have long been banned in Switzerland. And Swiss gold refineries process raw gold from child labor. In poor countries in particular, there is often no functioning rule of law and people have hardly any means of defending themselves.”

Appendix Figure A.2 shows an excerpt of the website of the Swiss advocacy coalition for supply chain regulation. During the campaign for the Responsible Business Initiative, the advocacy coalition would publish several of these “examples” of Swiss corporations' alleged violations of environmental standards and human rights on the internet. These articles are only available in Switzerland's main languages German and French. In English, the titles of these articles read as follows (from left to right):

“Syngenta sells highly toxic pesticide paraquat”

“Minors toil in Glencore mine”

“Arsenic poisoning caused by copper production on behalf of the Swiss metals company IXM”

Figure A.2: Screenshot of examples of Swiss corporations’ alleged violations of environmental standards and human rights on the website of the Swiss advocacy coalition for supply chain regulation. Most of the website is only available in Switzerland’s main languages German and French (see www.konzern-initiative.ch/beispiele). Some of the coalition’s website contents is available in English (see www.corporatejustice.ch).

A.1.2 National policies

France, the UK, Germany, and Switzerland have enacted binding regulation. Specifically, the policies in question are: the French *Loi de vigilance*, the German *Lieferkettengesetz*, the UK’s Modern Slavery Act, and the Swiss counterproposal to the Responsible Business Initiative (see above). Norway has also implemented a binding due diligence law, which allows the government to sanction corporations for non-compliance. Finland is expected to follow suit in the next two years. Bills resembling the British Modern Slavery Act are being currently processed in the Netherlands and in Canada. These laws would also allow for fines for non-compliance. In Australia, large companies have to report on working conditions in their production networks.

Similarly, in Japan, companies have to adhere and report based on a corporate governance code (no sanctions regime). In the second half of 2021, the EU is expected to adopt comprehensive regulation of corporate value chains with regard to the environment and human rights. This policy likely will include civil and criminal liability provisions. In sum, even though responsible corporate business conduct in production has become a policy-making priority, the current regulatory approaches differ vastly. The Danish Institute for Human Rights (see <https://globalnaps.org/>) and the Business and Human Rights Resource Centre (see <https://www.business-humanrights.org/en/>) provide details on the scope and stringency of the national policies. For an overview, see also <https://www.nortonrosefulbright.com/en/knowledge/publications/0ed8097a/around-the-globe-business-human-rights-update>.

A.2 Responsible Business Initiative timeline

- April 21, 2015: Responsible Business Initiative registered and starting to collect signatures
- October 10, 2016: Responsible Business Initiative submitted to federal chancellery with 120'418 signatures
- November 2017: Ständerat (upper chamber) committee opts to write an indirect counter-proposal.
- December 2017: Nationalrat (lower chamber) committee decides against indirect counter-proposal.
- February 2018: Nationalrat (lower chamber) committee reconsidering its decision, opts for an indirect counter-proposal.

- June 2018: Nationalrat (lower chamber) accepts indirect counter-proposal.
- October 2018: Ständerat (upper chamber) committee decides to use sub-committee.
- March 2019: Sub-committee result
- March 2019: Ständerat (upper chamber) rejects indirect counter-proposal.
- June 2019: Nationalrat (lower chamber) decides to maintain its indirect counter-proposal.
- December 2019: Ständerat (upper chamber) rejects indirect counter-proposal, drafts own indirect counter-proposal, which approximates initiative demands to a lesser extent.
- March 2020: Nationalrat (lower chamber) decides to maintain its own more stringent indirect counter-proposal again.
- June 2020: Both chambers agree on an indirect counter proposal, which does not substantively approximate the initiative's demands and resembles the Ständerat (upper chamber) proposal. The initiative committee decides not to withdraw the initiative.
- November 29 2020: Date of the referendum. A majority of Swiss citizens approve the referendum (50.73%) (first criteria of a successful referendum passed), but within Swiss cantons and half-cantons, the referendum sees majority support in less than half (only 8 1/2 against 12 5/2) of the cantons and half-cantons (second criteria of a successful referendum failed). In particular, the referendum failed to garner majorities in rural 'swing' cantons the populations of which tend to be politically more conservative. See <https://www.bk.admin.ch/ch/d/pore/va/20201129/can636.html> for the referendum results in all the cantons.

- If not challenged within three months by another referendum, the indirect counter proposal of the Swiss government on regulating Swiss corporations *abroad* will become law. Swiss MNEs with business abroad will be required to report on matters of environment and human rights in their business. Swiss MNEs with business abroad will be required to conduct due diligence and report on their measures in the realm of conflict minerals and child labor. Swiss MNEs will not be liable before Swiss courts. See <https://www.parlament.ch/centers/eparl/curia/2016/20160077/Schlussabstimmungstext2NSD.pdf> for the contents of the law.

A.3 Exemplary choice task

The following text was used to introduce respondents to the conjoint task (our translation from German). The attribute levels as displayed to respondents during the conjoint tasks themselves are shown in bold letters.

“As just mentioned, the first question that arises is whether Switzerland should oblige its companies to greater protection of people and the environment at their locations abroad in any case, or only if other countries do the same.

There are three options here:

Option 1: **In any case, no matter what other industrial countries do.**

Option 2: **Only if Western industrial nations do the same,**

i.e. if countries in Europe and North America, e.g. Germany and the USA, also oblige their companies.

Option 3: **Only if industrial nations worldwide do the same,**

i.e. if countries in Asia, America, and Europe, e.g. China, Brazil, the USA, or Germany, also oblige their companies.

[screen-break]

As said earlier, there is also a second important question. What exactly should Swiss companies operating abroad be required to do under a new law? Here, too, there are three possibilities:

Option 1: **Participation in regular discussions on the subject**

how people and the environment can be better protected abroad, organised by business associations and the State Secretariat for Economic Affairs.

Option 2: **Public, detailed report**

by companies about their locations abroad, which describes the risks to people and the environment abroad and the measures taken by the company to counter them.

Option 3: **Public, detailed report as above and more stringent liability in Switzerland,**

so that companies can be brought to court in Switzerland for damage to people and the environment that they may cause abroad. Up to now, this could only be done abroad.”

In the following, we display a screenshot of a conjoint table and the corresponding questions in original language (German).

A.4 Treatment texts in original wording and response items

Norms treatment:

“The impetus for the debate on a new Swiss law comes from the UN, the ‘United Nations’, to which practically all states in the world belong. The UN has established the following basic standard for the behaviour of companies:

Deutsch v

	Vorschlag A	Vorschlag B
Die Schweiz verpflichtet ihre Firmen:	Nur, wenn westliche Wirtschaftsnationen das Gleiche tun	Nur, wenn weltweit Wirtschaftsnationen das Gleiche tun
Inhalt des Gesetzes:	Beteiligung an regelmässigen Gesprächen zum Thema	Beteiligung an regelmässigen Gesprächen zum Thema

Auf einer Skala von 1 (total dagegen) bis 7 (total dafür), wie stark sind Sie für oder gegen:

	Total dagegen				Total dafür		
	1	2	3	4	5	6	7
Vorschlag A	☐	☐	☐	☐	☐	☐	☐
Vorschlag B	☐	☐	☐	☐	☐	☐	☐

Wenn Sie heute in einer Volksabstimmung zwischen beiden Vorschlägen entscheiden müssten, welchen Vorschlag würden Sie eher annehmen?

Vorschlag A

Vorschlag B

Figure A.3: Screenshot of an exemplary conjoint table as displayed to survey participants in German.

- All countries in the world have a duty to ensure that their companies act responsibly everywhere, including abroad.
- In concrete terms, this means that companies must respect environmental

standards and human rights worldwide.

- It also follows that all people worldwide have a right to compensation for damage caused to them by a company.

Whether and how this UN basic standard is implemented, for example in the form of a new law, is left to the individual countries.”

Low reciprocity, low stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: In any case, Switzerland obliges its companies to provide greater protection for people and the environment abroad. Companies must take part in regular discussions on how people and the environment can be better protected abroad. These talks are organised by business associations and the State Secretariat for Economic Affairs.

Low reciprocity, middle stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: In any case, Switzerland obliges its companies to provide greater protection for people and the environment abroad. Every year, companies must prepare a publicly accessible, detailed report on their locations abroad.

Low reciprocity, high stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: In any case, Switzerland obliges its companies to provide greater protection for people and the environment abroad. Companies must prepare a publicly accessible, detailed report on their locations abroad. In addition, Swiss companies can be brought to court not only abroad but also in Switzerland for damage to people and the environment caused abroad.

Middle reciprocity, low stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: Switzerland only obliges its companies to provide greater protection for people and the environment abroad if other Western economic nations in Europe and North America (e.g. Germany and the USA) also oblige their companies to do so. Companies must take part in regular discussions on how to better protect people and the environment abroad. These discussions are organised by business associations and the State Secretariat for Economic Affairs.

Middle reciprocity, middle stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: Switzerland only obliges its companies to provide greater protection for people and the environment abroad if other Western economic nations in Europe and North America (e.g. Germany and the USA) also oblige their companies to do so. Every year, companies must prepare a publicly accessible, detailed report on their locations abroad.

Middle reciprocity, high stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: Switzerland only obliges its companies to provide greater protection for people and the environment abroad if other Western economic nations in Europe and North America (e.g. Germany and the USA) also oblige their companies to do so. Companies must prepare a publicly accessible, detailed report on their locations abroad. In addition, Swiss companies can be brought to court not only abroad but also in Switzerland for damage to people and the environment caused abroad.

High reciprocity, low stringency: Let us assume that a federal referendum had

taken place and that a new law with the following content had been adopted and would now be implemented: Switzerland only obliges its companies to provide greater protection for people and the environment abroad if other economic nations in Asia, America, and Europe (e.g. China, Brazil, the USA, or Germany) also oblige their companies to do so. Companies must take part in regular discussions on how to better protect people and the environment abroad. These talks are organised by business associations and the State Secretariat for Economic Affairs.

High reciprocity, middle stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: Switzerland only obliges its companies to provide greater protection for people and the environment abroad if other economic nations in Asia, America, and Europe (e.g. China, Brazil, the USA, or Germany) also oblige their companies to do so. Every year, companies must prepare a publicly accessible, detailed report on their locations abroad.

High reciprocity, high stringency: Let us assume that a federal referendum had taken place and that a new law with the following content had been adopted and would now be implemented: Switzerland only obliges its companies to provide greater protection for people and the environment abroad if other economic nations in Asia, America, and Europe (e.g. China, Brazil, the USA, or Germany) also oblige their companies to do so. Companies must prepare a publicly accessible, detailed report on their locations abroad. In addition, Swiss companies can be brought to court not only abroad but also in Switzerland for damage to people and the environment caused abroad.

Respondents were then asked to indicate their agreement or disagreement with regard to a battery of statements on potential policy consequences (on a 5-point Likert scale).

“If a new law had been enacted and implemented in this specific form, do you personally agree or disagree with the following statements? This law...

- strengthens Switzerland’s reputation in the world.
- requires what you should expect from any decent company.
- experts would say is a good solution.
- causes high costs for Swiss companies.
- puts Swiss companies at a disadvantage compared to companies from other countries.
- greatly reduces damage to people and the environment caused by Swiss companies.
- is window-dressing and will have no advantages for people and the environment.”

A.5 Translation of social concern items

The following items are based in wording on the environmental concern scale applied in Diekmann and Preisendörfer (2003), but adapted to concern for living and social conditions in developing countries. The adaptation, however, meant dropping items from the original index, which in a very close adaptation would have lost their meaning. Hence, in our social concern index we asked respondents to indicate agreement or disagreement on a 5-point Likert scale regarding the following statements:

I am afraid when I think about bad social and living conditions under which many people have to live in developing countries.

Watching TV or reading in the newspaper about problems in developing countries, I am often embarrassed and angry.

In my opinion, problems in developing countries are greatly exaggerated by human rights activists.

It is still true that politicians do much too little for better social and living conditions in developing countries.

In favor of people in developing countries, we all should be willing to reduce our current standard of living.

A.6 Appendix Tables

Table A.1: Effect of norm treatment on mechanisms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	strengthens CH reputation	is good behavior	is expert solution	is costly	disadvantages CH	reduces damage	is windowdressing
Norms.Treatment=1	0.02 (0.04)	0.08* (0.04)	0.05 (0.04)	-0.02 (0.04)	-0.07 ⁺ (0.04)	0.04 (0.04)	-0.02 (0.04)
Constant	4.13*** (0.58)	3.54*** (0.54)	2.44*** (0.74)	3.39*** (0.55)	3.15*** (0.61)	2.89*** (0.60)	3.48*** (0.65)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	2906.00	2844.00	2623.00	2806.00	2875.00	2875.00	2851.00
r2_a	0.02	0.05	0.02	0.06	0.05	0.02	0.02
Control_mean	3.76	4.00	3.38	3.44	3.13	3.47	2.78
Control_sd	1.05	1.01	0.97	1.04	1.15	1.10	1.18

Linear regression of norm treatment on support for mechanism (see model header) given average stringency/reciprocity in policy proposal. Standard errors displayed in parentheses. Placebo group mean and standard deviation displayed in bottom rows. Control variables are used where indicated (gender, age group, self-evaluation of personal economic situation, education level, employment status, rurality, language, region of Switzerland, self-placement on left-right scale, party ID, self-stated usual voting frequency).

* (+, **, ***) indicates $p < 0.05$ (0.1, 0.01, 0.001)

A.7 Appendix Figures

Figure A.4: Subgroups effects for conjoint choice by environmental and social concern and by respondents not receiving (upper panel) and receiving (lower panel) the norms treatment. Coefficients based on split-sample regressions for quintiles of the first component of 10 indicators of environmental (Diekmann and Preisendörfer 2003) and 6 of social concern (see Appendix Section A.5)). Left panel shows AMCEs, right panel marginal means. 95% confidence intervals based on respondent-clustered standard-errors are shown.

A.8 External Validity

Figure A.5: The blue bars (N=4813) show the distribution of the environmental concern scale (Diekmann and Preisendörfer 2003) as measured in the first wave of the Swiss Environmental Panel (SEP), a 2018 dual-mode survey based on a random sample of the Swiss population drawn by the Federal Statistical Office (FSO). In comparison, the red bars (N=3010), indicate the distribution of environmental concern among participants in our quota sample drawn from Intervista’s online panel. A global test of the equality of distribution functions (Kaplan 2019) shows that both functions likely do not differ statistically (p-value 0.708).

Figure A.6: Marginal means of conjoint experiment for two dimensions stringency (top) and reciprocity (bottom) with 95% confidence intervals (respondent level clustered standard errors) and rating task.

The graphic below compares Swiss citizens' attitudes towards regulation with regulatory preferences of citizens' from other high-income countries. The graphic draws on ISSP data from the year 2016. The ISSP questionnaire 2016 focused on the "Role of Government". The Figure below shows proportions of responses on binary indicator variables based on the following survey items. The item ordering in the list corresponds to the top to bottom order of the panels in the Figure. Text in square brackets indicates piped text or a battery item. The binary categories are ordered within the Figure panels such that the top category implies attitudes in favor of **more** government intervention.

- On the whole, do you think it should or should not be the government’s responsibility to [impose strict laws to make industry do less damage to the environment]. (4-point scale, “definitely should be” to “definitely should not be”, response categories 2 and below coded as “Pro”)
- In general, how often do you think that major private companies in [country] do the following? [Comply with laws and regulations?]. (4-point scale, “almost always” to “almost never”, response categories 3 and over coded as “Rarely”)
- Listed below are various areas of government spending. Please show whether you would like to see more or less government spending in each area. Remember that if you say ‘much more’, it might require a tax increase to pay for it. [The environment]. (5-point scale, “spend much more” to “spend much less”, response categories 2 and below coded as “More”)
- Here are some things the government might do for the economy. Please show which actions you are in favour of and which you are against. [Less government regulation of business]. (5-point scale, “strongly in favour of” to “Strongly against”, response categories 3 and over coded as “Disagree”).

Overall, we do not observe substantive differences in attitudes towards regulatory policy between Swiss and other high-income countries’ citizens. The only notable difference consists in that Swiss citizens are more likely to think that “firms comply with rules” (63% in Switzerland, 55% in other countries). This would imply that Swiss citizens should perceive self-regulation as slightly more trustworthy. These findings are robust to alternative comparisons (e.g. excluding Scandinavian countries, or non-European countries).

Figure A.7: Proportions on binary indicators of regulatory preferences of Swiss citizens (orange, N top to bottom = 1'025, 1000, 1026 998) and citizen of other high-income countries (green, N top to bottom = 16100, 15430, 16087, 15201). Whiskers denote 95% confidence intervals. High-income countries: Australia, Belgium, Denmark, Finland, France, Germany, Iceland, New Zealand, Norway, Sweden, United Kingdom, United States