

COVALENCE ANALYST PAPERS

United Nations Global Compact: Impact and its Critics

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In the last two decades the corporate sector has started to play a growing role in the international development. The separation between business and the United Nations has become less significant. One expression of this evolution is the United Nations Global Compact. Kofi Annan, former Secretary General launched this initiative at the 1999 World Economic Forum in Davos. The official start was in summer 2000. Since then, harsh criticism has opposed this project.

This paper will first contextualize this new rapprochement between business and the UN, secondly the main outlines of the Global Compact will be presented and finally an overview of arguments in favour as well as arguments of opponents should provide the reader with more insights about this initiative.

1. Historical perspective on the role of business in the International Development

Traditionally, the United Nations was considered and considered itself as a organisation clearly separated of the corporate sector. In the 1960' this distance became even an "institutionalized animosity" as a lot of developing countries became independent from their colonial powers and joined the UN. These countries were particularly critical about the impact of multinational companies on their economical and human development. The UN used to play the role of a counterpart to the private sector and stipulated an interventionist policy.

This was in a sharp opposition to the Bretton Woods institutions which favoured a deregulation of the international markets.

In the 1990' a new paradigm started to emerge and a rapprochement could be observed. Especially the election of Kofi Annan as Secretary-General strengthened this movement towards further cooperation between the private sector and the UN-Institutions.

This cooperation was based on two approaches: one constitutes of operational public-private partnerships and the other one concerns joint forms of diplomacy, which lead to a shift in the practice of multilateralism.

In this perspective, the Global Compact is an expression of this trend towards closer cooperation between the corporate sector and the UN. Business is not (only) regarded as to be a part of the problem, but (also) as a part of the solution.

2. United Nations Global Compact

The UN Global Compact consider itself to be the world's largest voluntary corporate citizenship initiative, where the voluntary, non-bureaucratic and network-based character has to be stressed.

Their two main objectives are on the one hand the promotion of the ten principles which constitute the theoretical basis of this project and on the other hand, the catalysing of actions in support of UN goals. Their specific mechanisms are Policy Dialogues, Learning, Country/Regional Networks, and Partnership Projects.

The 10 principles refer to 4 different under-categories, which are human rights, labour standards, environment and anti.corruption.

- Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

- Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour;
Principle 6: the elimination of discrimination in respect of employment and occupation.

- Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility;
Principle 9: encourage the development and diffusion of environmentally friendly technologies

- Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Global Compact involves different actors. They are mainly part of the private sector. Furthermore six specialized UN – agencies, apart from the UN secretariat, are particularly active: ILO, UNDP, UNEP, OHCHR, UNIDO, UNODC. In addition NGOs, labour associations, business associations, think tanks and government representatives are part of the initiative. In total, there are over 3800 participants, including 2900 businesses.

The initiative is not based on compliance, however, as a response to harsh critics, the Global Compact developed what they call 'integrity measures'. They should prevent the misuse of association with the UN and/or Global Compact and there in particularly the misuse of the logo. Furthermore they should motivate the members to communicate about their activities in compliance with the ten principles. In case of non-communicating, a participant can be labelled "inactive". A delisting or exclusion of membership is only envisaged in extreme cases of systematic or egregious abuses.

In the following two parts, an overview of the arguments of the advocates as well as of the opponents should provide further insights in the impact and problems of the Global Compact. In addition, it should show the difficulty of a valid assessment of the role the Global Compact plays in the international cooperation today.

3. Advocates

An argument in favor is that this initiatives constitutes "a win-win solution to the problem of world poverty". As the state-centered policies have failed, the cooperation with the private sector would be able to play an important role in the fight against poverty. Underlying is the assumption that the market is able to provide a solution.

In addition, the Global Compact adds "social legitimacy" to the global markets, as the corporate sector is in strong contact with the UN and NGOs emerging of the civil society and thus more transparent and visible to the public. The involvement of this different kind of actors gives a democratic surplus to the practice of multilateralism.

The dialogue opportunity provided by the Global Compact is even more attractive as it remains "free from command and control". By the means of this learning process, dialogue is favored rather than confrontation and sanctions.

Another argument invoked in favour of the less developed countries is "the natural convergence of interests" between developing countries and the corporate sector. These interests concern trade liberalization focused on the protectionist policies of industrialized countries to protect their own markets, especially in the agricultural sector.

After all, the Global Compact gains even greater legitimacy by providing the UN with an opportunity "to move back again to the centre of debates on global governance".

4. Critics

In the following, different aspects of the criticism will be presented. A general point is that this initiative would only provide a superficial contribution to development, but not touch the unequal structures of the system.

It rather serves as a PR tool and helps to disguise the true goal of private enterprise, which is profit making. The UN serves thus as a 'bluwashing' tool.

A main critic concerns thus the nonbinding character of the membership. There is neither a serious monitoring nor any kind of sanctions. In 2004 less than 60% reported taking any action in compliance with the ten principles.

The Global Compact is also seen as a break with the traditional position of the UN on issues of economic policy. As mentioned in the historical overview, the UN had the role of an actor apart and operated an interventionist policy. With the direct involving of the UN in the corporate sector's activities,

the UN would thus lose this privileged position, which contributed largely to the legitimacy it gained, also from developing countries. This might thus lead to a deterioration of the UN's reputation and make the UN a less reliable partner for NGOs and other partners particularly in developing countries. The rapprochement would also bring up a new power relationship between the corporate sector and the UN which results in a weakening of the UN. First, the UN lacks of resources compared to the private sector and additionally, the non binding mode of operation confers the companies a lot of freedom and leave to them the final decision how far they want to go in the implementation of any measures. This reduces the effects to minimal solutions which have to be accepted by the UN without having any possibility to intervene.

Furthermore this initiative is seen as an expression of what critics call "global corporatism". There are a lot of stakeholders but none of them is directly accountable to the public about their performance. Critics also disagree about the positive effect for the developing world as most members are from developed countries.

Another point often revealed by opponents is the ambiguity between micro interventions and macro issues. At the surface companies would support small projects without assessing the global impact and at the same time they would be lobbying behind the scenes against general binding frameworks, which would allow in fact more transparency and a farseeing and sustainable approach to the development issue.

Another argument concerns the Global Compact's side effects. The participants stress that they consider this initiative as being complementary to other measures. The opponents though deny this and stress that the voluntary approach serves rather as a substitute for a binding code of conduct for transnational corporations than as a complement.

5. Conclusion

Reviewing these two standpoints, it should be emphasized that there are positive and negative aspects which both are justifiable. The involvement of the private sector can provide resources and knowledge, which can not be generated only by government policies or by UN agencies. Also the voluntary aspect is not to be condemned immediately.

However, the performance of this initiative has to be regarded critically as the question is whether those companies which have reported compliance with the ten principles did that due to their participation in the Global Compact or whether they would have done it anyway. This question is not easy to be answered and shows the difficulty when it comes to assess the real impact of the UN Global Compact initiative.

However, even if it does not have any direct positive effect, as long as it does not do any harm, it could be considered not to be a big issue. But that is exactly the point of a lot of criticism, as opponents argue that it serves as an excuse not to take any binding measures. Again this is difficult to assess. Fact is that there have not been taken any binding measures since the launch of the initiative. But would have been taken any without? This has to be doubted.

At the moment there is no consensus about a framework in the field of corporate responsibility, neither among countries nor in the business community. Thus maybe it is better to have a voluntary initiative and hope that it is going to do real effects than to have nothing.

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