

The un global compact politics essay



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The United Nations Global Compact (UNGC) is a worldwide initiative started by the United Nations in order to encourage businesses to take up more sustainable and socially responsible policies, and to also report their implementation. It consists of ten guiding principles pertaining to the areas of human rights, labor, the environment and anti-corruption.

It is the world's largest corporate citizenship initiative - with over 7700 members in 130 countries. UNGC is a unique platform that gives a strategic edge to its participants to advance their corporate commitments to the sustainability. UNGC is endorsed directly by the CEO's. It has been structured as a public-private initiative. The UNGC is a policy framework to advance the development as well as implementation, and also the disclosure of sustainability principles and practices. It offers its participants an array of specialized work streams, management tools and resources, and special programs and projects which have been designed to advance sustainable business models and markets in order build a more sustainable global economy. UNGC has two main objectives: First; " Mainstream the ten principles in business activities around the world" and Second; " Catalyze actions in support of broader UN goals, such as the Millennium Development Goals."

The UN Secretary-General at that time Mr. Kofi Annan in an address to The World Economic Forum announced the UNGC on January 31, 1999. It was officially launched at UN Headquarters in New York on July 26, 2000.

The first two principles pertain to human rights. The next 4 principles deal with labor standards businesses should follow. The next 3 deals with environment protection and the last one advocated anti-corruption.

The Global Compact is a voluntary initiative and a company that wants to subscribe to the Principles has to make a clear statement of support and has to include references in its annual report or in any other publically available documents detailing the progress it has made in adhering to the Principles. The company also needs to submit a brief description of this report to the Global Compact website. If the company fails to submit this description within two years of signing to be a part of the Compact (and after that every two years), the company will be removed from the list of participants. The participants to UNGC intend to lead through good example and setting a high moral tone. The main purpose of the Global Compact is to focus on the moral purpose of business. Kofi Annan summarizes it well in a quote:

“ Let us choose to unite the power of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.”

Then ten principles are as follows:

Human Rights

Principle 1:” Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence”;
and

Principle 2: “ Make sure that they are not complicit in human rights abuses.”

Labor

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 labor”;

Principle 5: “ The effective abolition of child labor”;

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”, and

Principle 9: “ Encourage the development and diffusion of environmentally friendly technologies.”

Corruption

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

Is the Global Compact a Product of Occidental Liberalism?

International regimes are defined as social institutions around which actor expectations converge in a given area of international relations. Being true

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for any social institution, the participant's discretion to act on issues that fall within the realm of the institution is by themselves limited by the international regime. The occidental international economic order that emerged post the Second World War was a highly advantageous combination of factors that led to long and sustained economic growth. The economic power was distributed worldwide in such a manner that it favored an open approach to organizing international economic relations. Worldwide there existed an ideological consensus regarding the role state should play to ensure domestic employment, price stability and social security. The body of economic analysis and policy prescriptions at that time prescribed the governments to act in this manner. Most of the major corporations were national in scope and the international economic relations more or less comprised of transactions amongst separate and distinct national economies. The Bretton Woods institutions, the GATT and the United Nations were the few international organizations that had been put in place to express and support the post WWII compromise of embedded liberalism.

Major changes have taken place in the last half-century that has undermined the effectiveness of this set of understandings and arrangements. However, Globalization is the single greatest factor that has brought about these changes. Globalization has led to a complete disconnection between the world of production and the world of finance leading to an overall change in the system of institutional relationships. This has led to two disequilibria in the world's political economy.

The first disequilibrium exists between the economic sphere, and the broader frameworks of shared values and practices of which the economic sphere is a part.

The second disequilibrium exists within the international governance structures. The major capitalist countries can withstand even the worst effects of this imbalance since they have the domestic and the institutional capacity to protect themselves but the rest of the developing world is extremely vulnerable, and this vulnerability has been further exacerbated by the neo-liberal orthodoxies of the so-called Washington consensus.

Therefore, the international community has to devise the kind of institutional equilibrium that used to exist in the post WWII international economic order. The international community has to focus here on the long-term interaction between two key actors in the global economy, the multinational corporations (MNCs) and multinational Non-Government Organizations (NGOs).

The key players of civil society have started to increasingly target MNCs and the international trading system as leverage to pursue social and environmental concerns. This dynamic interplay between the two creates a potential for to bridge the disequilibrium between economic globalization and the international governance structures.

The United Nations Global Compact is one such initiative that challenges the international business community to help the UN in implementing the social values of human rights, environment and labor.

John Gerard Ruggie who is the Kirkpatrick Professor of International Affairs at the Harvard University's Kennedy School of Government says that the basic problem is that MNCs, acting as 'non-territorial spaces and management', have given rise to 'global governance gaps and governance failures'. Ruggie is well known in academic circles for coining the term 'embedded liberalism', that he uses to describe the post-WWII coupling of multilateralism with the aim to achieve domestic stability; and for having emphasized the 'roles that ideas play in world politics'. He has explored the emergence of such 'gaps in governance' in several of his works (e. g., Ruggie, 1998b, 2003, 2004).

Ruggie helped UN Secretary- General Kofi Annan in designing and establishing the UN Global Compact, as the Assistant Secretary-general and Chief Adviser for strategic planning to Kofi Annan. Without speculating on the importance of Ruggie's role in the creation of the compact, the speech Kofi Annan used to launch the Global Compact at the World Economic Forum in Davos in 1999, strongly suggests that John Ruggie's influence was substantial. It appears that Kofi Annan's suggestion that:

" Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and their political systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long."

Seems to have been directly informed by Ruggie's work on 'embedded liberalism' (e. g. 1982, 1998b)

According to Ruggie (2003), the ten principles of the UNGC are drawn from the Universal Declaration of Human Rights, the ILO's Fundamental Principles on Rights at Work and the Rio Principles on Environment and Development. The UNGC is based on beliefs that have been universally recognized by governments, thus spelling out the goals of the whole international community. The UNGC partners with members of the corporate world and the civil society to reduce the gap between dreams and reality - It aims to become an agency for the promotion of social customs. Thus, UNGC is another measure to the growing number of responses to globalization's challenges that also partner with the private sector.

The Challenge

The UNGC is based on an ideology of the benefits of open markets. Various high-ranking UN officials describe the UN Global Compact as "the only remotely viable means of hauling billions of people out of utter poverty." The term "open markets" sounds nice, but in the real world they translate into the skewed rules created by the WTO that benefit the developed nations at the expense of developing countries, poor farmers, consumers and the environment.

It is apparent that most of the UN officials along with the corporate and government officials believe that globalization is principally beneficial and all it needs is just a bit of tinkering here and there. An editorial in the Washington Post on the UN Global Compact read that globalization only needs a "softener" to dull its sharp edges and increase the allocation of its benefits.

In his speech to corporate leaders in 1999 at Davos, Switzerland, the Secretary General of UN Mr. Kofi Annan warned of a threatening backlash against globalization, he advocated that recognition of human and labor rights, and environmental principles are absolutely essential to avoid any threats “ to the open global market, and especially the multilateral trading regime.” Mr. Annan by proclaiming that globalization must be protected by putting a “ more human face” on it, and by declaring that “ social values” need to be “ advanced as part and parcel of the globalization process,” has clearly taken sides with the corporate agenda at a time when this agenda itself is increasingly under scrutiny.

In order to keep it simple and attractive for companies, the ten principles of the UNDC are basically “ one-liners”. They are just an example of the “ minimalist code” of corporate conduct. The ten principles do not provide adequate guidance to corporations about the conduct that is expected from them and their responsibilities. Most of the UN Global Compact’s ten principles cannot be defined with the precision that is required for creating a practical code of conduct. The ambiguity of the ten principles is in essence counter-productive from the perspective of both the sincere as well as the insincere corporate citizens. The language with which the principles are defined is so general that insincere corporations can easily side step or conform to the principles without doing anything to promote human rights or labor standards.

The Secretary General of UN along with various agency heads have displayed very poor judgment by letting numerous known and proven human rights, labor rights and environmental violators to sign up with the UNGC.

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Specific partners of the Compact include companies like Shell (Oil major), Nike (Human rights violator), Rio Tinto, BP (Oil Major), Novartis, Aracruz, Daimler Chrysler, BASF, Bayer and DuPont (environment troubles).

In a few of these cases, the choices are blatantly violating UN's own guidelines that read, " Companies which violate human rights are not eligible for partnership." Many other companies are part of the compact that are not accused explicitly of such clear violations, but they are giants of industries like oil and petroleum, genetical engineering and heavy chemicals. People broadly oppose the impact of these companies on the community, the workers and the environment. Additionally, the International Chamber of Commerce, which mostly represents big businesses, has been a major force for the corporate side of the UN Global Compact. The International Chamber of Commerce more than often lobbies for diminishing the impact of international agreements that governs their members' behavior-accords that are often brokered by the UN.

One often sees Public-private partnerships being used for specific projects with definite goals. The UN's is however is using this term much more generally. One would normally assume that a partnership is created only when all the partners have the same goals. It's tough to understand why UN is partnering with corporations that have completely different goals.

Modern corporations acknowledge that there are various other stakeholders than their shareholders, but in concrete terms they are only accountable to their shareholders, on the other hand the UN is based on a promise to promote ethical principles and is accountable to the people. Sometimes the

UN and corporate agenda concur; but most of the times they are at odds. The Director of UNICEF Carol Bellamy once said that it was dangerous to assume that the goals of the private sector were somehow synonymous with those of the UN, because they most emphatically were not. It is quite obvious to everyone that it's not possible to forge a partnership with an institution whose interests are antithetical to yours own. It is not possible for the UN to simultaneously regulate as well as partner with the same corporations. It's not that The UN can avoid all interactions with corporations; it has to interact with them when it needs to buy goods and services or to hold the corporations accountable, but UN should take care not to partner with them except when the organizations share its goals.

Every company wants to project certain values and a certain image. Disney wants to represent wholesome family entertainment. McDonald's advertises itself as fast, friendly food. Nike is associated with the joy of sports and Shell, Chevron and BP and other oil companies promote their own commitment to environmental stewardship.

But, to many people, Nike also means sweatshops in poor Asian countries, McDonald's often signifies unhealthy junk food that causes obesity and, Disney means sweatshops and promotion of stereotypes, Shell is linked with various human rights violations and environment destruction, and the whole oil industry is notorious for global warming, greed and abuse of its power.

When Kofi Annan joins the CEO's of such companies on the main stage, or whenever a UN agency partners with such corporations in a joint venture, the message that is sent out to the public is very disturbing. As it is

described in the UNDP guidelines, whenever a UN agency “ is engaged in a public relations activity within the framework of a corporate relationship, a mutual image transfer inevitably takes place.”

The image transfer that takes place tarnishes the pure UN’s image, and gives the chance to big corporations to “ bluewash” their bad image by associating themselves with the UN.” When pharmaceutical majors like Novartis and Aventis are seen by the public as a part of the UN Global Compact, the public gets an impression that the UN has officially endorsed their products despite the enormous controversy surrounding these companies.

The UN represents values such as world peace, security, human rights, environment consciousness and global well being. These values should remain distinct from the commercial values of companies. Once the image of UN is tarnished with corporate logos, the compromising of its noble values may follow.

The most crucial aspect relating to the Global Compact is accountability. The reluctance of U. S. based companies to enlist with the Global Compact focuses on the issue of accountability. In today’s environment of increasing skepticism about the true motives of the corporations, the legitimacy of the UN Global compact comes into question if it operates without a traditional accountability structure.

The Global Compact does not have a monitoring or an enforcement mechanism. This means that the companies that enlist with the Compact get a chance to declare their commitment to UN principles without making any

promise to follow up on them. The corporate partners of the UNGC have made it explicit that such a lax arrangement is precondition for their participation. Maria Livianos Cattui, the secretary-general of the ICC recently said that businesses would not agree to any suggestion that involves external assessment of their performance, whether it is by any special interest groups or by any UN agencies. The Global Compact is not a qualification the corporations have to meet; it is merely a joint commitment to shared social values. It is imperative that the Global Compact does not become a tool by which the governments burden business with prescriptive regulations.

The critics on the Global Compact fall into two major categories and both need to be addressed. Most scholars researching on codes of conduct regard the Global Compact as just another code of conduct without any accountability, it's merely a public relations document. The question that arises is that how can the public know that a business that claims to be following the principles prescribed under the Global Compact is actually doing so? These scholars argue that an independent monitoring group that translates general principles into operating standards with quantifiable and objective measures is the only way to insure that the companies are held accountable.

A much more fundamental criticism arises from the Non Governmental Organizations and other organizations that are critical of economic globalization. Their view is that the Global Compact is a cover-up story that provides legitimacy to an idea, which has yet to prove itself. They argue for the creation of a mandatory legal framework that guarantees that the

companies are held accountable even to the least advantaged in the global economy.

Another difficulty with the accountability issue is the ambiguous nature of the Global Compact's principles on human rights. Is it possible to reach a consensus that genuinely captures the expectations of society? Most of the companies are in broad agreement with the Global Compact's principles relating to human rights, but there is a fear amongst them that enlisting with the Compact would create societal expectations that these companies are obligated to correct human rights abuses. Where and how can a line be drawn on the responsibilities of companies in the area of human rights? Few MNC's have come to understand that it is imperative for them to become proactive and live up to the expectations of society in a global economy, but these companies also understand that these expectations in the area of human rights are often unclear. In the litigious business environment of the United States, companies display reluctance in signing the Compact without having a clear idea of what their responsibilities are and what is their accountability.

The Global Compact is not a state focused corporate citizenship program, but in spite of that nations are amongst the key stakeholders from which the Global Compact requires support. Blackett suggests that it might be necessary to highlight the role of governments in successfully implementing the Compact principles. But till now the UN has failed to work out a proper role of governments in ensuring that the participant of the Compact live up to their commitments. On the contrary, the Shanghai Declaration has suggested that businesses could use UNGC to set demands and exert undue

influence over governments. If this go too far and the businesses start dictating the business of the Global Compact Office and international law generally, then even this partnership might face a crisis of legitimacy among states and other stakeholders.