Power, Interests, and the United Nations Global Compact

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Abstract

Architects of the United Nations Global Compact argue that this "learning network" will encourage transnational corporations to adhere to international norms. The arrangement grows from a recognition that power in the international system is shifting from states to non-state actors, and in particular to transnational corporations. Because states are currently charged with enforcing international agreements, this power shift creates an important dilemma for international law and for global governance more generally. This chapter explores the structure and operation of the Global Compact to evaluate its impacts on corporate practices and global governance. It argues that the failure of the Global Compact to address power imbalances among global actors limit its ability to bring corporate practices into line with global human rights and other norms. More importantly, the Global Compact marginalizes civil society actors in ways that undermine the legitimacy of the global institutional order. Effective and democratic global governance will require attempts to strengthen the authority of public institutions and civil society vis-à-vis corporate actors.

Numerous analysts identify fundamental tensions between two competing visions of how the world should be organized (Ayres 2004; Elson 2004; Khagram 2004). On one side are economic globalizers, who believe the best way to improving the human condition is through economic growth and the creation of globalized markets. On the other side is what I have referred to elsewhere (Smith 2008) as "democratic globalizers," or collections of individuals and organizations articulating preferences for a global order governed by principles of human rights and democratic governance. Table 1 displays the key participants, goals, and values that underlie each vision.

Table 1 about here

As Elson observes, "[t]he human rights system treats people as ends in themselves, valued simply because they are human beings. The corporate profits system treats people as instruments for making money, valued through a financial calculus of profit and loss" (Elson 2004:45). Although many proponents of the business model might argue that they, too, value human rights, they view unregulated markets and the economic growth as the only effective means of obtaining such rights. Human rights and environmental protection are seen as “trickle down” effects of a growing economy. Democratic globalizers counter such “market fundamentalist” (Stiglitz 2003) arguments by pointing to evidence contesting the links between market liberalization and growth and observing the undemocratic nature of markets (Cavanagh and Mander 2004; Couch 2004; Gray 1998; UNDP 2005). They want an economy that is governed by social norms of equity, human rights, and sustainability. In other words, rather than treating society as a support system for the global economy, they want global governance that subordinates the economy to the needs of society (Chase-Dunn 2006; Elson 2004; Munck 2002; Polanyi, 1944).

These two competing visions have come into sharp contrast during the late 1980s and 1990s, as the economic globalizers succeeded in advancing their vision of globalization in important ways (Sklair 1997). In the process, they generated new threats to democracy and other social values, thereby fueling the mobilization of opponents to their market-dominant model of global integration. By the late 1990s, meetings of global trade and financial ministers were met with massive public protests by citizens demanding a stronger role in determining national and global economic policies (Broad and Hecksher 2003; Rucht 2003). The editors of this volume have urged us to explore the possibilities for reconciling these two visions of globalization, noting that "it is important to bind business to global policy processes in such a way that the interests of business and citizens more generally are aligned to the maximum extent possible" (chapter 1, p. 1).

The Global Compact (GC) is an initiative that was ostensibly designed to help with this alignment of interests by integrating businesses into the United Nations Framework as “partners.” Elson describes this approach as representing a "third way" politics that has emerged in the early 21st century to advance cooperative “partnerships” between governments and private sector actors to address global problems. This approach “see[s] no fundamental contradictions between the hope of human rights and the exigencies of competitive capital accumulation” (Elson 2004:46). Proponents of the Global Compact say it can give a “human face” to the global market. But given the different starting assumptions and goals of the two competing visions of democracy, and especially in light of evidence that sees global markets as contributing to rising inequality and environmental degradation (Khagram 2004; e.g., UNDP 2005), we must ask whether the Global Compact is really up to the task with which it is charged. If market expansion contributes to the economic and political power wielded by transnational corporations, and if no effective system of governance is being built to monitor and mitigate the harmful effects of globalized markets, then the Global Compact merely helps enhance corporate dominance and to legitimate anti-social corporate practices.

In the introduction to this volume (p. 2) the editors argued that civil society efforts to counteract corporate dominance in the global system should emphasize negotiation and compromise with business actors as a means of generating durable forms of global governance. While certainly nonviolent negotiation is preferred to more destructive forms of confrontation, the United Nations and governments have an important role to play in helping foster the kind of negotiation and compromise that can lead to sustainable and humane global governance. Analysts and practitioners need to recognize the tremendous inequities in power that will prevent business “partners” from participating in negotiations that they see as harming their ability to maximize profits. If, as many analysts argue, it is the profit-seeking logic that drives corporate practices that contribute to rising social inequality and ecological degradation, then the only remedy is to alter the balance of power between corporations and other global actors. This won’t happen with civil society sitting down at the negotiating table with Fortune 500 CEOs. If our aim is to advance models of global governance that better protect human rights and ecological sustainability, we need to think creatively about how to engage corporate actors in ways that don’t privilege the profit motive over other social goals and don’t enable the private sector to overwhelm the voices of civil society and advocates of a public sphere. This chapter describes the GC and evaluates its implications for global democracy.

The Global Compact

The Global Compact must be seen as part of a longer-term effort by proponents of neoliberal globalization to transform global power relations in ways that advanced their vision of economic globalization. The office was created after a long effort led by neoliberal proponents to discredit the United Nations and reduce its role in economic policy making. By the 1970s, Northern business actors found their economic interests challenged by a majority of UN member states –many of which were former colonies— that was articulating demands for a "New International Economic Order." They worked with Northern governments –especially the United States-- to mute the political impact of Third World governments by transforming the structure of the world body in important ways. First, they worked with the U.S. government to eliminate in 1991 the UN's Center on Transnational Corporations, which had been working to enhance Southern governments' leverage in dealings with TNCs and to develop a code of conduct to regulate corporate practices. They also transferred much responsibility for global trade negotiations from the UN Conference on Trade and Development to the global financial institutions (see, e.g., Bennis 1997; Karliner 1997; Sklair 2001). At the same time, the World Bank and IMF were helping advance a debt crisis among Third World governments that created a system of economic subordination that thwarted the political ambitions of global South governments (Bello 2003; McMichael 2003).

Neoliberal proponents also worked through cultural institutions in the United States to discredit and undercut legislative support for the United Nations. Beginning in the 1980s, elite social movement organizations[1] like the Heritage Foundation and Cato Institute published hundreds of reports, op-eds, and other documents admonishing the world body. As Paine observed:

> Over the course of more than two decades, neo-liberal propagandists have defined the UN as an inefficient and unresponsive bureaucracy, threatening to impose itself on the world's people. Again and again, editorial writers and newscasters have repeated the term "vast, bloated bureaucracy," even though the UN staff is actually quite small. The mass media and the universities embraced these views,

> especially in the United States, and think-tanks sponsored by wealthy individuals and transnational corporations actively developed and disseminated them. (2000).

These efforts succeeded in generating Congressional support for measures to withhold U.S. payments of dues and other assessments to the United Nations, plunging the organization into serious financial crisis during much of the 1990s. The economic stranglehold wielded by the United States allowed it to secure important concessions from the world body, including the elimination of the Center on Transnational Corporations as well as the appointment of a Secretary General more favorable to U.S. economic interests.

Kofi Annan, a graduate of MIT's Sloan School of Business, worked to transform the UN's relationship with the business community throughout his tenure as Secretary-General. In addition to attending private meetings with corporate leaders and the International Chamber of Commerce, Annan regularly attended the World Economic Forum, an annual gathering of corporate and political elite. He launched a plan to promote business "partnerships" with the UN body, and encouraged all UN agencies to cultivate innovative partnerships with business as a means of securing new resources and legitimacy for the organization. The Global Compact became a central part of this strategy to bring businesses into the UN orbit, and Annan used his office to amplify attention to the initiative.

The Global Compact, or GC, seeks to promote global governance of corporate practices through normative pressure. It works to sensitize corporate leaders to the values and norms of the UN system and to encourage them to implement its ten "core principles" in their corporate practices. GC Partners must agree to:

1) Support and respect for the protection of internationally proclaimed human rights;
2) Take steps to ensure that they are not complicit in human rights abuses.
3) Uphold the freedom of association and the effective recognition of the right to collective bargaining;
4) Eliminate all forms of forced and compulsory labour;
5) Work towards the effective abolition of child labour;

6) Eliminate discrimination in respect of employment and occupation;
7) Support a precautionary approach to environmental challenges;
8) Undertake initiatives to promote greater environmental responsibility;
9) Encourage the development and diffusion of environmentally friendly technologies; and
10) Work to eliminate all forms of corruption, including extortion and bribery.

To participate in the GC, a company must: 1) send a letter to the UN Secretary-General expressing support for the GC and its principles and an intention to integrate GC principles into the corporation's day-to-day operations; 2) publicly advocate for the GC and its principles in its publications; 3) publish in its annual report a summary of how the company is working to advance the GC principles; and 4) participate in GC policy dialogues and operational activities.[2]

The GC essentially seeks to create "learning networks" made up of corporate, civil society, and governmental actors that work to sensitize corporate leaders to the values and norms of the UN. Corporate "partners" are asked to submit case studies of how they've attempted to implement Global Compact principles, and "the hope and expectation is that good practices will help to drive out bad ones through the power of dialogue, transparency, advocacy and competition" (Ruggie 2002). The UN uses its convening power to help bring civil society and governmental actors together to discuss ways to improve links between business practices and human rights. Examples of "best practices" are highlighted on the GC website as models for other corporations to follow.

The GC organizes regular "Global Policy Dialogues" on globalization and corporate citizenship to help partners internalize human rights and other global norms. Such meetings are held in cooperation with other UN agencies and some civil society groups. In addition to these annual meetings, the GC supports network-building between corporations and local and national associations working to promote socially responsible corporate practices.

What is quite clear from the language of GC proponents and from the literature on the GC website, however, is that the GC does not aim to challenge the market ideology that is inherent in predominant models of economic globalization. To the contrary, it draws heavily on the market logic and seeks to make the UN a more direct proponent of global markets as solutions to contemporary crises. As he promoted the initiative, Kofi Annan justified the GC saying that, in the political arena the UN can "help make the case for and maintain an environment which favours trade and open markets" (quoted in Martens, 2007). In advance of its 2007 "Global Leaders Summit," the GC posted a link to a Goldman Sachs report touting the competitive advantages seen by companies implementing social and environmental practices into their operations.[3] UN press releases for the Summit claimed that the event was about "building the markets of tomorrow." And key GC architects John G. Ruggie and George Kell routinely use pro-market language to promote their cause, including this interesting justification: "[o]ne can readily appreciate why corporations would be attracted to the Global Compact. It offers one stop-shopping in the three critical areas of greatest external pressure: human rights, environment and labor standards, thereby reducing their transaction costs" (2000:20).

Without rejecting out of hand the market model of economic development, we can and should ask whether it is the role of the UN to advocate so directly for this model, especially at a time when it has come under considerable scrutiny for its failures to promote human well being and environmental sustainability. Why is it that the GC was only introduced *after* serious challenges to economic globalization have emerged? Should any government adopt a single model of development without establishing mechanisms to critically evaluate its costs and benefits and to adjudicate among the arguments for and against alternatives? A further problem with the blatantly pro-market agenda of the GC is the fact that studies it has commissioned of its partners demonstrate that it is these very market principles that are limiting the ability of partners to integrate GC goals into their business operations. A study of GC partners by McKinsey done in advance of the 2007 Global Leaders Summit showed that CEOs of corporate partners listed the following most common reasons for not systematically implementing GC principles (respondents could list multiple answers):

- "Competing strategic priorities" (43%)
- "Complexity of implementing strategy across various business functions" (39%)
- "Lack of recognition from the financial markets" (25%)

- "Failure to recognize a link to value drivers" (18%)

When we read between the lines of business-speak, it is clear that all of these items signal that it is the very principles driving global market competition that undermine the ability of the GC to affect corporate behavior. Somewhat surprisingly, the fourth most common answer provided by CEOs to this same question was a desire for a set of common standards of social and environmental responsibility. This suggests that even these business leaders recognize the need for more government regulation to counter market pressures on social and environmental goods. The pro-market bias of the GC, however, prevents it from addressing the structural or systemic causes of the harmful practices it purportedly seeks to limit.

While its corporate partners are the centerpiece of the GC, the program also invites participation from civil society organizations (including labor) and academic institutions at the international and increasingly the national and local levels. It seeks to promote greater cooperation between businesses and civil society groups as a means of enhancing corporate social responsibility, and has encouraged the formation of local networks to support the GC principles. However, the success of the GC at engaging active civil society participation has been limited, mostly by the refusal of business partners to accept more transparency and openness in their reporting on their implementation of GC principles. Civil society partners and critics of the GC alike have urged the UN to establish mechanisms for independent monitoring of corporate practice rather than to rely solely on the claims of corporate partners about how their practices support human rights and environmental sustainability. But the business community has steadfastly rejected any monitoring scheme, insisting that the GC remain a purely voluntary program. As a result, the GC has not seriously challenged "partners" whose practices clearly violate the GC and other UN principles.[4]

Although some improvements have been made to the GC in response to critics, the Global Compact remains problematic for many observers (both inside and outside the United Nations) because it allows corporations to claim an allegiance with the UN without requiring verifiable measures to ensure that the behavior of corporate "partners" is consistent with UN norms. Business leaders have refused to allow monitoring of their practices, and the GC has not made an effort to push for such measures. Thus, while businesses can gain favorable publicity by joining the Global Compact, they assume no costs, since compliance is voluntary. “Even [George] Soros noted that [the Global Compact] was nothing more than corporate image whitewash” (quoted in Robinson 2004:171). Activists dubbed the program “blue wash,” since it allows corporations to hide unscrupulous behaviors behind the UN’s blue flag (TRAC 2000). Many member governments also remain highly critical of the GC. This is in part because the process by which the initiative was adopted involved no consultation with member governments from the Global South, and it amounted to an end-run around the UN General Assembly. Critics see the GC as a decoy that corporations and their allies are using to obstruct efforts in the UN to more effectively govern their practices (Elson 2004).

The Global Compact and Global Democracy

The editors of this volume have rightly argued that we need to improve the ways we think about democracy and business at the global level (chapter 1, p. 2). They propose a definition of democracy that emphasizes participation, transparency and accountability. Certainly these are crucial elements of any democratic arrangement, and they provide useful yardsticks against which we can measure the democratic content of the GC. Our editors have also addressed the question of power, and certainly any discussion of the impacts of the GC on democracy would be incomplete without serious attention to how it affects the distribution of material and symbolic resources that allow different groups to shape policy outcomes.

GC Impacts on Global Power Relations

The introductory chapter introduced several dimensions of power that are relevant to our consideration here. Behavioral power is the ability of an actor to intervene in political processes to obtain policy outcomes favorable to its interests. The discussion above of the historical context of the GC illustrates the power neoliberal globalizers have had within global political institutions, and how they used this power to create the GC and ensure that it operates in ways consistent with their interests. This power grows mainly from their vastly disproportionate control of financial resources, which allow business leaders to devote time and resources to monitoring political developments, crafting draft resolutions and proposals for policy initiatives that advance their interests, and influencing the agendas as well as the perspectives of policymakers. The ability to hire full-time lobbyists and legal assistants to determine how proposed international agreements will impact class interests gives neoliberal globalizers a substantial edge (to say the least) in advocating for their interest on the global stage. In contrast, even governments have difficulties supporting technical staff to protect their interests in global negotiations (Ostry 2007).

The GC itself may help amplify the behavioral power of transnational corporations by enhancing their formal roles and legitimacy as "partners" in global governance. This is because the United Nations has invited corporate involvement in its operations from a position of weakness rather than strength. It has sought to entice corporate players into the UN by offering them use of the "UN brand" to help them market their products and services (Kell and Levin 2002; Ruggie 2002). It has acquiesced to corporate pressure and refused to establish corporate monitoring procedures in order to secure corporate acceptance of the GC program. And it has allowed corporate players to thwart discussions about other initiatives to more effectively govern corporate practices by claiming that such discussions duplicate efforts already being taken in the GC (Bendell 2004; Hobbs, Khan, Posner, and Roth 2003; Martens 2003).

Within the GC, then, corporations have become players that should be consulted about policy rather than regulated by it. The GC explicitly disavows any responsibility for monitoring or ensuring corporate compliance with global norms, thereby allowing the persistence of a governance gap with respect to the application of international law. Since international law as it is currently written applies only to states, only states can be held accountable to it. However, as corporations have eclipsed the power and capacity of many states,[5] they have become both capable of serious violations of international law and immune from prosecution for such violations.

While it strengthens the power of corporations, the GC simultaneously diminishes the power of civil society. By privileging corporations as central players within the United Nations, the GC helps marginalize civil society voices while promoting the idea that “the business of government is business” and that the “business of business is government” (Hertz 2001: 166). In other words, to justify their failure to take on a role of governing corporations, the GC has helped make corporations appear as legitimate representatives of broad public interests who deserve a special role in global decision making. Civil society actors, in contrast, have been marginalized and overshadowed in the United Nations because of their inability to compete with the agenda-setting and ideological capacities of a more readily coordinated community of business actors.[6] To further marginalize civil society actors from engagement in global economic policy discussions, the GC co-sponsored with corporate partners a purportedly scientific study of NGO accountability that was harshly (and unfairly) critical of NGOs that challenged economic globalization and that offered a decidedly pro-business perspective on the role of civil society (Smith 2008: chapter 4).[7]

In addition to behavioral power, the GC also fails to challenge and possibly even strengthens the structural power of business actors. Structural power was defined in chapter 1 as flowing from the dependence of governments on economic growth; the ability of businesses to pit governments against each other in competition for investment dollars and jobs; and from prevailing business-friendly cultural and institutional tendencies such as individualism, consumerism, uncritical support for economic growth, and hostility towards public sector. Again, by providing corporations with a privileged position within the UN system without requiring verifiable compliance with UN norms, the GC provides tacit support for the model of economic organization that reinforces corporate power over public institutions and that subordinates public policy to markets. Elson refers to this as the "privatization of relations between the UN and big corporations,” which she defines as “a process wherein UN agencies no longer see it as their role to strengthen member-states in their dealings with corporations, but rather facilitate the self-regulation of corporations and promote bilateral deals between UN agencies and corporations that bypass member-states" (Daly 2002; 2004:52-3; Mander and Goldsmith 1996).

While some might argue that the “learning networks” established within the GC can contribute to changes in the values and practices of corporations, nothing in the current procedures of the GC is likely to lead to any serious challenges to the cultural and competitive logics that define how corporations behave. While corporate players might clean up their images and possibly even some of their practices, in the end they still operate in a global economic system that values profit over other social values. Because the UN has engaged the business community as a supplicant rather than as a king, the GC is unlikely to advance global democracy or serve as a model for global economic governance. To do so, it would have to intervene to alter the balance of power among global actors—in particular to strengthen the hands of governments and civil society relative to corporations and to subject markets to democratic governance.

GC Impacts on Democratic Practices

Clearly power is closely related to the following discussion of the procedural impacts of the GC as they relate to global democracy. Disempowered actors are less able to participate, to demand transparency in the practices of more powerful actors, and to hold more powerful actors accountable to international norms. Thus, to the extent that the GC fails to remedy the significant inequalities of power between corporations and civil society and between corporations and governments, it is not likely to significantly advance these three measures of global democracy. Nevertheless, it is worth devoting some attention to the question of how the GC might impact each area.

Does the GC enhance participation in global policy making? The first question we must ask is whether the GC provides opportunities for more people to be involved in policy discussions related to how global and national economies are organized. A related but often neglected question in this regard is how particular institutional arrangements affect the possibilities for *economic* participation, or the opportunities for people to exercise real choice in decisions about how they participate in the economy (see, e.g., Miller 2006; Mander 1996; Daly 2002).

The first question about the participation in policy debates is somewhat difficult to address for two reasons. First is the lack of detailed information about the extensiveness and representativeness of participation in GC policy dialogues and in the local GC networks. A second problem is that we are unable to evaluate whether the GC model is better at expanding participation than some alternative model for governing corporate practices. Nevertheless, I will try to present some evidence about the participation in economic policy dialogues that can be attributed to the GC.

The GC currently claims –after nearly seven years of operation-- to have 3800 participants, including around 2800 active businesses. GC proponents argue that these business partners would otherwise be disengaged from the UN system and their practices regarding human rights and other global norms would remain outside of the UN arena. But when we consider that there are more than 70,000 transnational corporations worldwide with hundreds of thousands of affiliates and millions of suppliers (Manalsuren 2007; Utting 2007:699-700), this figure represents a mere drop in the bucket of the potential corporate participants in the GC. Moreover, critics of the GC note that the program's focus on the larger, transnational companies and their national affiliates overlooks the corporate trend towards subcontracting production to small, localized enterprises that engage more precarious forms of employment and the casualisation of labor (Utting 2007: 700). In short, corporate participation in the GC represents a very small tip of a very large iceberg. While some might argue that it is better to engage these few than none, we might also ask whether alternative institutional arrangements—i.e. those not dependent upon corporate acquiescence but upon government authority to regulate corporate practices and empower citizens--could achieve greater corporate participation.

We should also consider what participation in the GC actually means in qualitative terms. Do large corporations really take their obligations as partners in the GC seriously? There is some evidence that speaks to this question, and not very favorably. For instance, in 2007 the GC released its first study of participants, which was based in part on an analysis of an anonymous, online survey. The response rate achieved by the survey was just 15% (400 companies), far lower than most respected social science studies and also much lower than one would expect given the symbolic and material resources that were behind the study. Also, since 2006, the GC has withdrawn the memberships of 778 partners for their failure to file the requisite performance reports. Given that there are now just 2800 corporate partners, this is a rather high attrition rate. The recent study of the GC reported that of participants who were in the program for more than two years, 45% of Northern and 65-70% of Southern partners are "inactive" or "non-communicating."[8]

Civil society participation in the GC is similarly miniscule. As of July 2007, around 900 participants in the GC were from civil society, labor, and academic organizations. Just 36 "global" NGOs were listed as civil society partners to the GC. These included some groups more closely aligned with the corporate and government sectors than with civil society, such as the World Economic Forum, the New York Office of the High Commissioner for Human Rights, and Danish Institute for HR, among others. A much larger list of several hundred "national" NGOs were listed, but it is not clear what their "participation" means.[9] This figure is a similarly tiny proportion of the many thousands of civil society groups that have participated in global conferences and the hundreds of thousands of participants in the World Social Forum process (Smith and Karides et al. 2008; Willetts 1996).[10] We should note, too, that this number is especially low, given that one important inducement for civil society participation in the GC is the promise of funding from corporate partners, which are encouraged to engage in joint initiatives with civil society groups to help implement the GC principles.[11]

The next important question that is often neglected in discussions of democracy is the extent to which particular institutional arrangements promote or limit more expansive participation in economic life. Most market proponents assume that free, open markets provide equal access to all participants, but considerable evidence challenges this assumption (see, e.g., New Economics Foundation 2006; UNDP, 2005). If economic globalization is the process of integrating local and national economies into a single, globalized market, then it effectively involves the transfer of economic control from local to global level actors. When countries organize their economies to respond to global markets, they shift land and other resources towards production that is responsive to global rather than local demand. Thus we find growing numbers of countries with tremendous food production capabilities suffering from national food insecurity (McMichael 2004, 2003). The choices of jobs available to residents are also lost, as globe-trotting companies can cross borders in search of the cheapest workers, following the economic notion of "comparative advantage." Daly describes the (il)logical conclusion to policies that emphasize specialization for global market competitiveness:

> In Uruguay, for example, everyone would have to be either a shepherd or a cowboy in conformity with the dictates of competitive advantage in the global market. Everything else should be imported in exchange for beef, mutton, wool, and leather. Any Uruguayan who wants to play in a symphony orchestra or be an airline pilot should emigrate. (Daly 2002:3)

The rise of precarious labor and the casualization of labor, which has been enabled by the weakening of unions under economic globalization reflects a considerable loss in the ability of citizens to participate in the economic and social lives of their communities (Klein 1999; Moody 1997; Munck 2002). To the extent that the GC fails to challenge the power of the corporate sector and even lends legitimacy to the market-oriented model of economic globalization, it helps to reduce the effective participation of civil society.

Does the GC enhance transparency in global decision making? The GC should in theory contribute to greater transparency in global affairs by requiring corporate partners to provide information about how they are trying to implement global principles. As is stated above, partners are required to submit annual "communications on progress" (COPs) to the GC website. We can also assume that they have an incentive to do so, since it can contribute to favorable public relations and corporate visibility with little cost. Table 2 shows the numbers of COPs filed by corporate partners to the GC between 2002 and 2007.

Table 2 about here

Table 2 shows that the number of corporate partners complying with the GC reporting requirement appears to have peaked in 2005 at just over 1200. In 2006, despite a presumed growth in the numbers of GC corporate partners, the number dropped to under 1000 reports filed, and the numbers for 2007 don't seem to be on track to reverse the decline.[12] Similarly, the number of reports that were deemed notable as models of how to report on progress and/or how to implement GC principles[13] declined sharply since 2003, the first year for which complete records were available.

This record raises questions about the ability of the GC to generate greater transparency in global economic governance. Given that partners are not required to demonstrate that their actual practices match the claims made in these reports,[14] their failure to submit reports in a timely way is rather surprising.

Complicating the question of transparency, moreover, is the absence of any attempt by the UN to monitor the extent to which corporate words match their deeds. As Utting notes, most independent analyses have found a "[s]erious gap between stated intentions and actual implementation of [corporate social responsibility]" (Utting 2007: 700). Most civil society partners have remained highly critical of the absence of monitoring and enforcement of principles, and Ramesh Singh, chief executive of ActionAid, a major development NGO, called the project a happy-go-lucky club for its reliance on purely voluntary compliance (Capedevila 2007). The UN's Special Rapporteur on the right to food, Jean Ziegler, called for active resistance to the GC because it was being used as a public relations operation by major TNCs (Capedevila 2007). In short, it is clear that if the GC does not establish measures that enhance the credibility of corporate claims, the value of COPs for enhancing transparency is minimal to none.

Beyond these details of reporting and monitoring compliance with global norms, we must also ask about the extent to which the GC framework allows for full transparency in terms of the discussion of the relative merits of market-based development models for the global community. Utting notes the irony of the fact that companies might be deemed model citizens in terms of their performance measures as outlined by corporate social responsibility schemes, while at the same time they are "lobbying forcefully for macroeconomic, labour market and other social policies associated with forms of labour market flexibilisation, deregulation […] that can result in the weakening of institutions and systems of social protection" (Utting 2007: 701). Schemes like the GC might generate some improvements in corporate practices "without questioning various contradictory policies and practices that can have perverse consequences in terms of equality and equity" (Utting 2007: 701). The GC thus obfuscates the social impacts of corporate practices.

Does the GC enhance accountability of powerful actors? Political accountability can be defined as "being obliged to explain one's actions to others and being held responsible to a broad-based public" (Wapner 2002: 59).[15] While the failures of transparency described above suggest that little is being done through the GC to facilitate accountability of powerful actors, there are other elements of the GC that we can examine in an attempt to assess its prospects for strengthening accountability in the global system.

A look at the history of the GC provides insights into its failures as a mechanism for increasing global accountability. As was mentioned earlier, the GC was formed at the initiative of the Secretary General, and largely due to pressure from a single—albeit very powerful—UN member state, the United States. While the move was certainly within the realm of the Secretary General's authority, it bypassed the usual procedures for establishing new offices to address important global problems. The General Assembly is the body authorized to launch major initiatives, and certainly any substantial UN project would require the support of most of its member states. More importantly, it ensured that the GC would not be shaped by the preferences of a majority of member governments that had already signaled their interest in strengthening the UN's ability to regulate TNCs and strengthen member governments' negotiating power relative to them. And although the GC operates in their name, the GC is not accountable to member states.

This failure of accountability to the full membership of the UN in questions about how the UN should relate to global corporations has prevented the GC from being linked with other UN negotiations and conventions. For instance, References to the GC were deleted from final declaration at the Copenhagen +5 Social Summit (Elson 2004:51). And a search of the UN website revealed that the only references to the Global Compact were by the GC office.[16] Given that the GC is being promoted as the key process for addressing the crucial question of how to apply international law to the practices of transnational corporations, we would certainly expect more widespread incorporation of the GC program into the wider UN system. The fact that, seven years after its launch, it remains such an isolated entity shows that it has little legitimacy within even the UN itself.

Another important failure of accountability in the GC is that there is no procedure for verifying the claims made by participants, nor is there evidence of an attempt to develop one. The GC website indicates that the office makes no attempt to verify the accuracy of claims made in partners' Communications of Progress, but it does not provide space for even its own civil society participants to comment on corporate partners' claims.[17] Under pressure to remedy this serious shortfall, the GC adopted a series of "integrity measures" in 2005, which included a provision allowing third parties to report serious violations of the GC principles to the GC office (Global Compact 2005). However, the new measures provide only for internal negotiations among GC and corporate entities involved, preventing complainants from making public statements regarding the matter "until it is resolved." So while there is some effort to hold GC members accountable, the audience of accountability—and its potential impact on corporate practices-- is extremely limited.

The GC's limited attempt to hold partners accountable means it will not have a substantial impact on the practices of its corporate partners. And the evidence we have to date suggests that this expectation is being borne out, as "relatively few of the over 2500 participating companies provide comprehensive evidence of compliance with the 10 principles" (Utting 2007:704). And a study of GC participants conducted in 2004 found that only 6% of participating companies were taking actions that they would not have taken if they remained outside the initiative (Blair, Bugg-Levine, and Rippin 2004).[18]

Another problem the GC introduces is that it is undermining other efforts to advance a more rigorous model for effective corporate governance within the United Nations that builds upon existing foundations. For instance, the GC completely bypasses existing arrangements, such as the International Labor Organization, which already has established norms relating to the treatment and rights of workers. By establishing a completely separate framework of reference, the GC shifts the attention of policy makers away from efforts to strengthen existing normative commitments and mechanisms for improving compliance and towards the building of entirely new institutional arrangements. In this case, it is serving to marginalize important elements of the UN – including member states--from discussions of global governance.

The proposed "Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights" (UN Draft Norms for Business) are being advanced by a coalition of civil society groups including Rights and

Accountability in Development (RAID), Amnesty International, and the Economic Social and Cultural Rights Action Network, together with other corporate accountability groups and coalitions (International Network for Economic Social and Cultural Rights 2005; Amnesty International 2004). The initiative has support within the United Nations and from some member governments.[19] The Draft Norms for Business have already been adopted by the UN Sub-Commission on the Promotion and Protection of Human Rights, a first step in achieving a binding international treaty.[20] But the GC draws substantial attention away from the need for more regulation of corporate activity and it is used to justify arguments by corporate actors that self-regulation works and that mechanisms beyond the GC are unnecessary. Because the GC involves no oversight mechanism, it can provide no credible evidence that voluntary compliance actually works, but it has, nevertheless, effectively slowed down efforts to promote changes in corporate practices. Although GC proponents argue that the initiative is designed to complement and promote stronger regulatory mechanisms,[21] they haven't done much to either support specific initiatives like the draft Norms for business or to encourage their "partners" to accept these, and most evidence points to the contrary.

Discussion and Conclusion

The above analysis shows serious limitations of the Global Compact as a model for global governance of business. These limitations emerge largely from the fact that the project itself results from the disproportionate power of corporations relative to other actors in the global system—including governments and international officials, as well as civil society. I conclude from this analysis that a more democratic and more effective system of corporate governance is impossible without efforts to address the inequities of power in the global system.

The GC is not likely to provide a solid foundation for change in this direction, in part because it is founded upon and shaped by these very power inequities that allow violations of social and ecological norms to continue. It reflects the disproportionate "behavioral power" of business, since corporate lobbyists were able to design the project as an attempt to pre-empt other initiatives within the United Nation to regulate the practices of transnational corporations. They advanced the initiative outside normal UN procedures by enlisting the United States government in its effort to promote a more corporate-friendly United Nations. Thus, the behavioral power of business over-rode the interests and preferences of a majority of UN member governments. Without efforts to bring legitimate authorities into discussions of global corporate governance, the GC can only rely on the continued dominance of corporate power over other global players. Nevertheless, it seems that such power is coming under growing challenges, and the introduction of the GC itself came largely as a response to such challenges.[22]

The GC could be created with such weak mechanisms for ensuring accountability to UN member governments and to the global public because it was launched at a time when proponents of neoliberal globalization were able to exert a highly disproportionate influence on global policy. I noted above how the U.S. played a key role in pressing the UN Secretary General to launch the GC initiative in order to pre-empt other attempts to regulate transnational corporations. It is also important to note that the GC initiative was launched at a time when corporate power relative to workers had been rising sharply as a result of global neoliberal policies. In many countries, the percentage of national income going to corporate profits had risen while workers income from wages and salaries declined (O'Brien 2004, 2002; Utting 2007)**.** This growing inequality of power between corporations and civil society actors reflects an aspect of structural power, and it further diminishes the possibilities for effective accountability in global economic governance. Any attempt to remedy the accountability gap in the GC would require steps to alter the inequalities between corporate actors and workers around the world.

But the GC is also problematic if our aim is to enhance prospects for human rights and environmental norms, given that it is grounded in and replicates the *structural power* of business actors. I discussed above how it reinforces the market ideology and undermines arguments of those criticizing neoliberal approaches to global integration. It fails to question the assumption that governments' main task is to promote economic growth, and therefore it reinforces the power of large corporate actors vis-à-vis national governments. It also fails to address the more systemic problem of how the globalization of markets encourages standards-lowering competition between governments in the areas of human rights and environmental protection. Effective governments are necessary for defining and enforcing international norms, and thus global institutions such as the UN must work to reverse this imbalance of power that has undermined national and global governance.

Another area of corporate structural power the GC has reinforced is the promotion of business-friendly cultural and institutional tendencies within the United Nations. It has allowed corporate partners to develop privileged relationships with governments, and to use these relationships to shape the global agenda and marginalize the voices of less powerful actors (Korten 1997a; 1997b). In fact, the initiative itself is a conscious effort to integrate business ideologies into the United Nations. Thus, it has supported the values of individualism, consumerism, and uncritical support for economic growth, while promoting and even legitimating hostility towards the public sector.[23] This undermines possibilities for allowing civil society to become an effective counterweight to corporate domination of society.

A key idea behind the GC is the notion that contemporary society requires more complex, networked forms of governance to address the problems we face today. Governments alone cannot solve these problems, and they must work in conjunction with civil society and corporate actors.[24] The initiative envisions a system of "checks and balances," whereby civil society groups would be expected to "substitute" for governments to help enforce the "self regulation" by monitoring corporate practices. (Kell and Ruggie 2000). And although civil society groups are being asked to help govern this system, they are given no resources or support in doing so. In fact, the GC itself has both actively and passively served to weaken civil society groups by helping to strengthen the hand of corporate actors while -- in order to sustain corporations' interests in partnership-- actively working to constrain and to delegitimize the many groups that are critical of its corporate "partners." How, for instance, can the public make sense of the discrepancies between claims of NGOs and those of corporate UN "Partners" when the GC refuses to implement procedures for monitoring compliance with GC norms and refuses to evaluate competing claims and evidence?

Similarly, governments are also being asked to contribute resources to the efforts of corporations to strengthen their voluntary compliance with GC principles, but they are not being provided with the material or symbolic resources necessary to be leaders for global norms.[25] The exclusion of the UN General Assembly from the process of creating the GC initiative also challenges the authority of member states relative to corporations, who were being invited to consult with UN Secretariat officials about global corporate governance matters while the UN General Assembly was closed out. It is hard to imagine that many member governments will want to support the GC after having their own authority rebuffed in this way.

What are the alternatives for global corporate governance?

A key failure in the GC is not its notion of how networks of actors can produce learning and improve corporate practices and governance (Martens 2007). Indeed, if it actually did facilitate networks where corporate actors, states, and civil society groups would actually "*share* power," it could be effective. But the crucial flaw in the initiative is its failure to ask how the networks it promotes can achieve a system of "checks and balances" *without confronting fundamental imbalances of power* that undermine transparency, accountability and democracy more generally (Knight and Smith Forthcoming). For instance, the failure of the GC to incorporate any mechanism for monitoring corporate compliance with its principles means that the "learning network's" system of "checks and balances" can never be balanced. As GC proponents rightly point out, "[o]f course, the Global Compact will never be capable of preventing companies from issuing misleading statements..." But they nevertheless "encourage the public to consult official Global Compact literature and to perform its own due diligence when possible" (Kell and Levin 2002). By bowing to corporate resistance to any mechanisms for ensuring compliance, the GC has limited the capacities of civil society groups to counter-balance the enormous influence of corporations.

Given the extremes of global inequality, the checked-and-balanced, network learning process envisioned by Ruggie and his collaborators is doomed to failure unless it is accompanied by efforts to fundamentally reorganize power relations within the network and the wider global system. This seems an enormous task, but it is one that only the United Nations and its member governments can hope to undertake. But it is unlikely to happen within the GC framework, and it seems the best approach is to move beyond any discussion of the GC in favor of processes that have emerged from a more representative process within the United Nations. The process of governing global business practices should begin with an authoritative mandate that grows from a transparent and democratic process, and thus the GC framework needs to be abandoned. The idea that businesses should be "partners" with the UN suggests an inappropriate parity of status not only between corporations and the UN but also between corporations and governments. Civil society groups have a far longer track record of helping support and advance the values and aims of the UN Charter, and they should not be marginalized by a misplaced optimism that corporations can be taught to be better global citizens (Beausang 2003; Smith 2006)?[26]

If we seek a global order governed by principles of democracy, human rights, and sustainability, we need to look critically at how existing institutions reinforce this vision as opposed to the market-globalization vision of neoliberal globalizers. The UN must see itself in the role of helping states govern transnational businesses, and an important step in this direction is to alter the modes of thinking that force discussions about respect for human rights and other global norms to be "refracted through the calculation of corporate profits" (Elson 2004:60-61). This will require a conscious effort to reorganize political power in the global system so that civil society and national governments are empowered, charged with the task of promoting and protecting a culture of peace and human rights over the existing, growth-oriented model of social organization.[27] This follows the analyses of Karl Polanyi and of many contemporary analysts who argue for a "re-embedding" of the global economy in a system of norms and values that emerge from a democratic global society (Elson 2004:60; Munck 2002; Smith 2008). Substantial material and authoritative resources must be shifted towards states and civil society if this is to happen.

The Global Compact is ultimately an arrangement that privatizes relations between the UN and transnational corporations, thereby insulating corporations from public scrutiny while tying the hands of the UN, thereby limiting its capacities to ensure the implementation of international law and norms. It is reflects an elite model of governance, which assumes that business leaders and policy experts are best equipped to determine how society should be governed, and that democratic processes and public scrutiny are inefficient and counter-productive to the task of governance.[28] While such a model may be appealing in many ways, it cannot survive over the long-term, as it will ultimately be challenged for its lack of legitimacy. While its goal of educating and providing corporations with models for better corporate practices may indeed help realize the principles it promotes, without a structure that subordinates corporations to governments and to public scrutiny and democratic accountability, it will not significantly affect corporate practices to bring the interests of business and citizens into greater alignment.

Table 1: Competing Visions of Globalization

	Economic Globalizers	**Democratic Globalizers**
Core policy goal(s)	Promoting economic growth	Promoting human rights
Key Proponents	Some TNCs Currency speculators Financial & media outlets IMF/World Bank/WTO	Some states Some civil society activists National and transnational social movement organizations
Principal Goals/ Values	Market liberalization/ competition Market expansion Consumerism	Social solidarity, cooperation, equality Ecological sustainability Participatory democracy
Role of Government	Should be minimized	Should be used to manage equitable distribution of goods/resources and to protect natural environment. Should be subject to democratic control,
Justifications for positions	Economic growth will eventually benefit all	Respect for human rights as means and end of policy; Global interdependence and notions of shared humanity

Table 2: Global Compact
Communications of Progress (COP) Filings
2002-2007

	2002	**2003**	**2004**	**2005**	**2006**	**2007***
Number of COPs filed	35	206	696	1204	977	377
Percent notable COPs	0	68%	11%	7%	4%	1%

*2007 figures are reports filed as of July 20, 2007.
Source: www.unglobalcompact.org/

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End Notes

[1] This term is used by Sklair (1997).

[2] Nongovernmental organizations or NGOs, in contrast, must go through an elaborate accreditation process that is subject to review by a committee of member state representatives. They must demonstrate for this committee that their work contributes to the work of the United Nations, among other requirements.

[3] The GC website announcement proclaimed that “an increasing number of business leaders see corporate responsibility as a way to compete successfully and to build trust with stakeholders – and that sustainability front-runners in a range of industries can generate higher stock prices.

[4] In 2005, the GC responded to these criticisms by establishing “integrity measures” that specified that GC partners that failed to file the required reports to the GC would have their memberships suspended Global Compact. 2005. "Global Compact Integrity Measures.". It also established procedures through which complaints could be filed against partners for alleged violations of GC principles. I address this further later in the chapter.

[5] Of the world’s top 50 economies (based on revenues) in the early 2000s, just 15 were national governments and 35 were corporations (Sklair 2002).

[6] The fact that business actors share a common interest in securing global rules that enable and enhance their ability to accumulate profits makes if far easier to coordinate their global strategy—even without formal efforts to do so—than it is for civil society groups that are poorly funded and focused on a wide array of issues.
[7] The study, "The 21st Century NGO: In the Market for Change" was co-sponsored by a business lobby, Sustainability, the UN Global Compact, and UN Environment Programme, along with business "partners" such as Dow Chemical.
[8]An active partner is one that has produced a COP within 2 years of joining the Global Compact or within 1 year of its previous COP.
[9] A review of the list of civil society participants as well as of some of these participants' websites suggests that their identification with the GC may have come from their participation in policy dialogues and other GC-sponsored events. In other words, it is more the convening power of the UN than the compelling nature of the GC program that appears to be inducing civil society participation in the program. Many groups have signed public statements criticizing the GC for its failure to monitor corporate practices.
[10] The numbers of participants in the most recent (2nd) Global Compact Leaders Summit in 2007 showed similar patterns of participation. A total of 1,027 people registered for the Summit -- 638 from companies, 95 from government entities, 76 from international organizations, 65 from international business organizations, 62 from international NGOs, 45 from academia, 28 from the Global Compact network, 13 from foundations and five from international labor organizations.
[11] For instance, civil society groups can receive corporate grants for running training programs for business leaders in environmental sustainability or human rights protection.
[12] This pattern mirrors analyses by other scholars (see, e.g. Bendell 2004; Martens 2003).
[13] Notable COPs are chosen because they represent "emerging best practices in communicating progress." In particular, these COPs include notable examples of one or all of the following: 1) a statement of continued support for the Global Compact from the Chief Executive Officer, Chairperson or other senior executive; 2) references, links or descriptions of policies, commitments, and systems the company has created in order to implement the Global Compact principles in its operations; 3) a description of actions taken in implementing the Principles and/or in furthering broader UN goals; 4) indicators that are used to determine success and/or failure in meeting the company's corporate citizenship goals; 5) information about progress made and/or future plans with respect to all ten Global Compact principles; 6) a description of how the COP is being disseminated among the company's stakeholders.
[14] The GC website includes a disclaimer noting that the accuracy of partners' claims is not verified by the GC.
[15] Wapner discusses accountability as it relates to governmental and civil society actors, but his conceptualization and analysis is applicable here as well.
[16] The search was conducted on July 19, 2007. Examples of the handful of items that this search of the UN website produced include an office of procurement document urging all vendors to join GC, and a press release promoting a new, 'GC-branded' Sri Lankan tea.

[17] In contrast, the ILO has online business and social initiatives database that includes corporate claims as well as third party evaluations (Elson 2004). If the aim of the

GC is to make corporate practice conform to global norms, it is crucial that some effort be made for greater accountability, and the ILO practice can serve as a model.

[18] The McKinsey survey included 311 respondents, drawn from around 1800 GC partners (a 17% response rate). No further details are known about the survey methodology, and therefore it is impossible to determine the possible effect of selection bias in survey results. I suspect that respondents would be more engaged in the GC process and more likely to report its impact on practices, and therefore this very low figure suggests that the GC is not having much impact on corporate practices. Responses relating to how GC participation affected partners' practices were as follows: No changes in practices since joining: 33%; Change would have occurred anyway 27%; Change would have happened, but participation significantly facilitated change 34%; Change would have been difficult to implement without participation 4%; Change would not have happened without participation 2%.

[19] Many civil society partners in the GC support the Global Norms for Business, arguing that the GC should be seen as simply a first step towards a more comprehensive system of corporate governance. They argue that serious steps are needed to monitor the practices of companies to ensure compliance with international law.

[20] The Draft "Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights" (E/CN.4/Sub.2/2003/12/Rev.2 26 August 2003) was prepared in the UN Sub- commission on the Promotion and Protection of Human Rights, the broader UN Commission on Human Rights has challenged the legal standing of this document since it did not explicitly commission the draft.

[21] For instance, its recent first Annual Report stated that the program aims to continue to revise and strengthen its communication practices in order to "Positioning the Global Compact as a frame of reference for other initiatives and explore stronger linkages with implementation, accountability and certification schemes." (p. 54) It is uncertain, how serious this statement is, given the limited corporate participation in even the existing minimalist, voluntary codes and the vociferous corporate opposition to any more binding arrangements.

[22] In his statements launching the GC initiative, Kofi Annan made this point explicitly. He argued that corporations had to limit their more destructive practices and take other steps to manage their public image, as massive protests were growing at the sites of global financial meetings of the G8, World Bank, and later the World Trade Organization.

[23] For instance, as was discussed above, the GC co-sponsored a "study" of NGO accountability by a corporate PR firm, SustainAbility, which challenged the legitimacy of all NGOs that questioned market-based globalization. And in their defense of the GC initiative, John Ruggie and Georg Kell have offered dismissive caricatures of the GC's civil society critics as "small, radical, and single-issue" NGOs that are bent on confrontation rather than cooperation (Kell and Ruggie 2000).

[24] This is an argument being advanced in numerous places, and is sometimes expressed in terms of "public-private partnerships." Some more critical analyses emphasize the ways networks can be structured to address the need for more democracy both in terms of citizen-state relations and in inter-state contexts (Korzeniewicz and Smith 2000; United

Nations 2004; World Commission on the Social Dimensions of Globalization 2004; Slaughter 2004).

[25] See the "Summary of Ministerial Roundtable on the role of Governments in promoting Responsible Corporate Citizenship" from the 2007 Global Leadership Summit of the Global Compact (at **http://www.globalcompact.org/docs/summit2007/** Role_of_Governments_Chairs_summary.pdf)

[26] Beausang analyzes partnership arrangements between private and public sector actors, showing that asymmetries of power make such arrangements problematic for development. She sees a need to enhance the role of international agencies and NGOs relative to corporations in the GC structure and to incorporate disincentives for noncompliance into the GC.

[27] For details about the UN-supported concept of the culture of peace, along with its defining features, see http://www3.unesco.org/iycp/.

[28]Scholar and activist David Korten likened the arrangement to fascism: "The defining structure of fascist regimes is a corporate dominated alliance between big business and big government to support the expansion of corporate empires" (quoted in Millen et al. 2000).