

Viewpoint

The Global Compact: Why All the Fuss?

1 Jan 2003

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Source: UN Chronicle, No.1, 2003

The two largest global development gatherings of 2002—the World Social Forum in Porto Alegre, Brazil and the World Summit on Sustainable Development in Johannesburg, South Africa—focused considerable attention on the issue of public-private partnerships, in particular United Nations business partnerships.

The most high profiles of these is the Global Compact, formally launched in July 2000, which aims to enlist the support of 1,000 corporations over a three-year period. Participants are expected to publicly commit themselves to nine principles associated with environmental protection, labour standards and human rights, and to publicize, on the Global Compact web site, "good practice" examples that demonstrate compliance with these principles.

Opinions on the Global Compact are fairly polarized. Proponents generally see the initiative as an innovative and pragmatic approach that can reform corporate culture by instilling new values and mobilize the resources of big business for social and sustainable development. It is regarded as an exemplary form of "good governance", where cooperation and voluntary approaches win out over conflict and heavy-handed regulation. It is also intended to promote "social" or "organizational learning", where business and other stakeholders learn through multi-stakeholder dialogue, analysis and networking.

Critics of the initiative are concerned that it may be doing more to enhance the reputation of big business than aiding the environment and people in need. They are worried that companies with a reputation for malpractice have been welcomed into Global Compact, and that the conditions imposed on business to comply with the principles are very weak. Companies can pick and choose among the nine principles they want to address and there is no monitoring of compliance. The focus on best practices diverts attention from malpractice, "greenwash" and structural and other factors that encourage corporate irresponsibility or a "business-as-usual" attitude.

Some supporters and critics overemphasize the advantages and disadvantages of the Global Compact. Those who see it as a major institutional development should remember that there are 65,000 transnational corporations (TNCs) worldwide, of which only a few will participate in this initiative and, once, engaged, they have to do relatively little to comply. Furthermore, an increasing number of northern TNCs are already adopting socially responsible initiatives and are unlikely to significantly strengthen or

scale up their efforts as a result of the Global Compact. Indeed, many of the good practice examples submitted appear to involve initiatives that would have been taken regardless of the Global Compact (for example, ISO 14001 certification). “Social learning” and transparency are proving to be more complicated affairs than originally envisaged; more than two years into the experiment, commentary on corporate performance by non-corporate stakeholders is still not available on the web site.

Some critics underestimate the importance of using the UN infrastructure to create spaces, where social, environmental and human rights issues can come to the fore of the international development agenda. This is particularly important in the contemporary era of neoliberalism and free-market dogmatism that has relegated social and environmental issues to secondary status. In developing countries, in particular, the Global Compact can play a role in raising the awareness of business leaders on issues of corporate social responsibility. Furthermore, such initiatives may play a role in reinvigorating certain aspects of international “soft law”, in particular the International Labour Organization (ILO) Core Conventions and the Universal Declaration of Human Rights. In the case of the latter, the Global Compact reaffirms the fact that the Declaration applies not only to Governments but also to corporations. The Compact also resurrects the “precautionary principle” agreed upon at the Earth Summit in 1992. This is important at a time when unproven genetically modified organism (GMO) technology is transforming agriculture and affecting food aid and consumption. It is also useful for the United Nations to centralize within one office the information and an analysis of initiatives taken by corporations to improve their performance.

Perhaps the main problem with the Global Compact is not so much who is involved, its legitimization of big business or even its weak compliance mechanism, but rather the trade-offs and diversions it seems to generate whether by design or default. Three, in particular, stand out.

First, the Compact has come to symbolize the virtues of “voluntarism”, both in the sociological sense that individual actions and values trump structural change and empowerment as the key to development and social justice, and, in the more literal sense, that voluntary initiatives and corporate self-regulation trump stronger forms of regulation involving governmental or multilateral organizations.

The Global Compact office has always stated that the initiative is not meant to be a substitute for other regulatory ones. In practice, however, its high profile has made it the main game in town when it comes to UN initiatives dealing with issues of corporate responsibility. As the energies and resources of UN agencies are increasingly channeled toward partnerships, there seems to have been a decline in efforts to engage in critical research and policy analysis on TNCs and their social, environmental and developmental impacts, as well as on alternative regulatory arrangements. And when alternatives are proposed, the Global Compact has been held up by some as a reason for nipping such initiatives in the bud. Several influential business organizations, for example, have opposed the recent proposal of some non-governmental organizations (NGOs) for an international convention on corporate accountability, as well as that of

the Working Group of the Subcommittee on the Promotion and Protection of Human Rights for a set of “human rights principles and responsibilities for transnational corporations and other business enterprises”. One of the arguments put forward is that such initiatives are not needed because business is already engaged with the Global Compact and that regulatory initiatives would undermine the spirit of the United Nations new entente with big business.

At the Johannesburg Summit, partnership agreements were supposed to complement intergovernmental agreements on how to address the world’s social and environmental problems. There are concerns, however, that the partnership option has let governments off the hook. While partnerships may assist significant numbers of people and communities, such an approach is unlikely to address the fundamentals of unsustainable development and social injustice. These include, for example, gross imbalances in power relations between groups and nations, weak States, the concentration of wealth, the nature of dominant production and consumption patterns, north-south trade and debt relations, and certain macro-economic policies and conditionalities associated with economic liberalization and public sector reform.

Herein lies the second issue. Many partnerships focus on fairly specific corporate policies, donations, micro interventions or governance arrangements, and have very little, if anything, to say about these macro issues. This can be a problem in two respects. Firstly, it ignores situations of double standards where corporations support seemingly progressive interventions at one level, but maintain their support—and lobbying—for macro policies or practices that are socially and environmentally regressive. Secondly, specific partnership initiatives may have undesirable side effects. Concerns have risen that some corporate social projects are bypassing democratically-elected governments in the determination of priorities and procedures, or stretching the administrative capacities of public services to handle, for example, large drug donations, or are focusing on building schools or clinics when the country’s social services may be better assisted by companies simply complying with their fiscal responsibilities. Partnerships may also have implications for local consumption and production patterns as they popularize TNC products that displace local products.

The third issue concerns the politics of change. History teaches us that significant progress towards sustainable human development and respect for human rights usually follows in the wake of changes in power relations, and the strengthening of coalitions and alliances made up of political parties. Governments, international organizations, civil society actors and social forces are concerned with and affected by underdevelopment and social and environmental injustice. If the United Nations is to play its part in this political process, it needs to be sensitive to its relations with civil society. As currently constituted, the Organization’s growing proximity to big business is generating tensions with certain sectors of civil society that are critical of this relation. Such criticism cannot be dismissed as the lone voice of radical single-issue advocacy NGOs. As was evident from the large gatherings of NGOs and grassroots organizations at the World Social Forum and the Johannesburg Summit, it is these voices that are at the forefront of much of the thinking and advocacy on *alternative globalization* that is

gathering momentum worldwide.

In view of the above concerns, it would be a shame if the learning process that is central to the Global Compact did not take on board these trade-offs and contradictions. "Social learning" should focus not only on the technicalities of specific interventions, dialogue and stakeholder relationships but also on the macro issues. At the end of the day, it is these issues that will decide the prospects for sustainable development and social justice.

The present Viewpoint appears in the UN Chronicle, No. 1, 2003. The article is posted with the permission of the Journal.