



The Road to the Global Compact:

Corporate Power and The Battle Over Global Public Policy at The United Nations

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For most of the past three decades, multinational corporations viewed the United Nations with growing hostility. Recently, though, the UN Secretary General has invited corporations to become partners of the UN and some fifty giant firms have signed on. This article looks at recent policy shifts and considers how decisions and democracy at the world body will be affected.

The Corporate Offensive of the 1980s

During the 1970s, many newly-independent states joined the UN and began to talk about a New International Economic Order that would distribute the world's resources more fairly. In response, big business steadily grew more critical of the organization and Washington followed the same course. When the Reagan administration came to power in 1981, discussions of the UN in the US capital took on a tone of pious outrage. As the influential Heritage Foundation affirmed in a report of that era: "The war against economic freedom, the free enterprise system and multinational corporations permeates the U.N. structure." "This ideology," the report continued, "... is antithetical to U.S. interests and policies," and it ensures "that developing countries remain perpetually dependent on U.S. and Western aid and perpetually hostile to American values and principles."¹

Heritage, one of the most prestigious Washington think-tanks, helped shape the new conservatism in the early Reagan years and build the framework for a deep

¹ Heritage Foundation, "UN Project Series," April, 1984.

change in economic policy. During the 1980's, Heritage produced more than a hundred reports on the United Nations, denouncing every aspect of the organization and its agencies. Again and again, it warned that the UN favors regulation of global business and promotes "the forced redistribution of global resources."²

The Heritage Foundation's fury at the UN sprang from the new post-Keynesian corporate ideology. As a global market took shape, business and financial executives abandoned an earlier view that favored national regulation and national social protection. These new transnational conservatives sought instead to weaken the state's social and regulatory policy, lower taxes and remove barriers to capital movement, global trade and global investments – a doctrine often called neo-liberalism.³

The conservative strategists at Heritage -- and in other think-tanks and corporate headquarters – confronted a UN resistant to reform along neo-liberal lines. Its policies favored state regulation, economic intervention, and humanitarian social considerations, while its policy-process reflected the view of many states -- including the Soviet bloc, the Third World, the Asian tigers and the West Europeans – most of whom opposed neo-liberal prescriptions. By contrast, Heritage found ready supporters in the US Congress, where the conservative tide was running strong and transnational corporate influence was especially powerful. The Reagan administration warmly embraced the new conservative approach to UN reform, while in London the Thatcher government served as an indispensable international partner.⁴

The Heritage reformers sought to block many UN initiatives that might regulate, restrict, control and even tax transnational companies – such as the Law of the Sea (with its fees for deep seabed mining), the Code of Conduct of Transnational Corporations, the labor rights conventions, and the emerging UN-based environmental regulatory regimes.

Many industry associations established their own anti-UN campaigns or worked through groups like the International Chamber of Commerce, the principal international lobby for transnational corporations. They used their considerable influence with the media and politicians to emphasize the UN's shortcomings and to call for funding cuts and policy changes. The booming arms industry and its

² Ibid., March, 1985.

³ Liberalism in this sense means free market, laissez faire, ideology. In policy circles, neo-liberalism is often tellingly (and a bit ironically) called "The Washington Consensus."

⁴ The partnership is not surprising in light of the fact that the United States and Britain are headquarters of 38 of the world's top 50 trans-national corporations – 76% of the total by number, a share which rises still higher if profitability and market capitalization are used as measures.

friends in the Pentagon wanted to undermine the UN's disarmament work, while powerful oil companies battled the UN's environment and climate change initiatives through such lobbies as the Global Climate Coalition. Many corporations opposed UNICEF's partnership with NGOs to block Nestlé's dangerous baby milk formula and they disliked the UN's investment sanctions against apartheid South Africa.⁵

US tobacco companies were leading members of the anti-UN coalition. Thanks to millions of pages of confidential documents released in recent lawsuits, we now have clear evidence of their campaign. A lengthy report based on these documents, issued by the World Health Organization in the summer of 2000, offers a uniquely-detailed case study of the anti-UN corporate offensive.⁶ The tobacco companies particularly opposed the World Health Organization's program on the health hazards of smoking and nicotine addiction. In the mid-1980s, the tobacco giants launched a secret campaign to attack WHO, discredit its work and reduce its budgets. The report shows how top executives of the world's leading tobacco companies conspired together against WHO, an organization they saw as "one of their foremost enemies" and that they "instigated global strategies to discredit and impede WHO's ability to carry out its mission." The Philip Morris Company, the industry leader, held a strategy session in 1989 in Boca Raton, Florida, where executives planned a world-wide offensive against tobacco critics, identifying WHO as its most dangerous opponent.

The report shows how the companies hid behind a "variety of ostensibly independent quasi-academic, public policy and business organizations" whose tobacco backing was not disclosed.⁷ Using their contacts, they planted stories in leading newspapers. The Wall Street Journal ran a typical attack article in 1996

⁵ The Nestlé campaign is a worldwide boycott of Nestlé products, to pressure the company to cease marketing a powdered infant milk formula that leads to many baby deaths because it is often mixed with impure water. Nestlé markets this formula as safer and better than mother's milk, though the opposite is true. UNICEF, committed to promoting child welfare, supported this campaign. A top Nestlé executive, Helmut Maucher, was President of the International Chamber of Commerce, one of the main centers of the anti-UN campaign. - Sanctions against investments in South Africa, voted by the UN General assembly, were tracked by an annual list published by the Centre on Transnational Corporations. The financial and corporate world saw this as an unwelcome restriction on their activities, especially in an environment of public pressure on companies seen to be complicit with apartheid. Many companies went to considerable expense and effort to restructure their operations, making their ties to South Africa less visible.

⁶ See "Tobacco Company Strategies to Undermine Tobacco Control Activities at the World Health Organisation: Report of the Committee of Experts on Tobacco Industry Documents," (Geneva, WHO, July 2000). The story was carried in many leading newspapers. See e.g. Gordon Fairclough, "Cigarette Firms Tried to Foil WHO, Say Investigators," *Wall Street Journal*, August, 2000.

⁷ "Tobacco Company Strategies," p. iii

entitled "WHO Prescribes Socialist Medicine" which affirmed that WHO "provides justification for the never ending expansion of the welfare state."⁸

The companies established clandestine relations with present and former WHO staff members, hammered the organization with negative public relations, fomented disputes between WHO and other UN agencies about tobacco-related policy and tried to organize developing country representatives by painting WHO policies as driven solely by rich country concerns. They devoted huge resources to these campaigns and used their vast corporate networks in the food business and other non-tobacco companies to pursue their anti-UN goals. This and other corporate campaigns persuaded Washington policy makers that they must "take back" the UN by stamping out its socialistic and redistributive tendencies, crushing its "anti-corporate" biases and populist impulses, and making it a trusty vehicle for globalizing capitalism and particularly for US-based investors and companies. Corporate spin-doctors presented Washington's growing anti-UN spirit as reflecting public disenchantment with the world body, though poll results consistently showed the opposite -- strong public support for the UN, which steadily enjoyed far more credibility among the US public than Congress itself.⁹

Neo-Liberal Propaganda and the Attacks on the UN

The Heritage and tobacco attacks on the UN are textbook cases of neo-liberal propaganda assaults on public institutions. The doctrine claims that the market represents freedom, flexibility, dynamism and democracy, while public institutions are constraining, rigid, immobile, uniform and autocratic. It also promotes the view that private actors are more efficient, better-managed, less costly, less corrupt, more technologically up-to-date and more responsive to public needs through market-derived signals.¹⁰

Neo-liberal propaganda frames the public sphere as the opposite of the private -- inefficient, badly-managed, expensive, corrupt, technologically-backward and unresponsive to public needs. Paradoxically, perhaps, it presents the market as

⁸ Marguerite A. Peeters, "WHO Prescribes Socialist Medicine," *Wall Street Journal*, May 14, 1996

⁹ See Steven Krull and I.M. Destler, *Misreading the Public: the myth of the new isolationism* (Washington: 1999). More recently, a mid-2000 poll of public preferences for the federal budget showed that the US public wanted to increase the UN spending item most in percentage terms, while simultaneously decreasing military spending. This later poll, also carried out by Steven Krull as a joint project of the Center on Policy Attitudes and Knowledge Networks. The results were announced at a press conference on September 27, 2000. For full text, see www.policyattitudes.org

¹⁰ This analysis draws on the work of Pierre Bourdieu, who has written many critical essays on neo-liberalism. See, for example, Bourdieu and Loic Wacquant, "La nouvelle vulgate planétaire," *Le Monde diplomatique*, May 2000, pp. 6-7

the most effective vector of democratic control over the distribution of all (or nearly all) forms of social well-being – the ultimate act of (democratic) self-expression being the purchase of commodities in the market place. By contrast, political process involving citizens' cooperative action, voting, representation, government and the like have been framed as alien, boring, futile and irrelevant.

This propaganda uses the word "reform" to mean reorganization of institutions and even whole societies in a neo-liberal direction – privatization of public institutions, reduction of government budgets, and reduction of taxes. "Welfare reform" and "social security reform," for example, typically mean slashing the budgets of social programs that protect the poorest citizens. "Tax reform" typically means reducing taxes, especially on those with the highest incomes. All these reforms are said to empower ordinary citizens and "reduce poverty," though poverty continues to rise. "UN reform" in this context means weakening or eliminating the organization's more socially progressive programs and remaking the institution so that it supports neo-liberal principles.

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.¹¹ 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.

The Cato Institute, a leading neo-liberal think-tank, joined the Heritage Foundation as a major critic of the UN in the 1990s. It adopted a similar ideological strategy, emphasizing the primacy of unfettered market freedoms. The Cato 1997 Handbook for Congress described the UN as "a miasma of corruption, beset by inefficiency, Kafkaesque bureaucracy and misconceived programs"¹² and called for a 50% unilateral cut in US funding for the world body. A Cato conference participant in 1996 said: "Americans would be better off writing a check to the Red Cross than being taxed to fund the UN." At the same conference, the chief of Cato's "Project on Global Economic Liberty" argued that UN-based programs of economic aid only harm poor country economies, while another speaker attacked UN environmental programs as "retarding economic growth, which is absolutely vital to ecological health and cleanliness." Cato gets its funding from many of the largest US corporations and business associations,

¹¹ The UN core budget is smaller than that of the Tokyo Fire Department and its staff, at all levels, is below 10,000

¹² This and subsequent information on Cato, including quotations, obtained from the organization's web site

including the State Street Bank, Chase Bank, the US Chamber of Commerce, the Investment Company Institute, the Securities Industries Association, the American Council of Life Insurance, the American International Group, American Express, H.J. Heinz Co, IBM and Coca Cola.¹³

The US Government Goes on the Offensive

Though the US public supported the UN, nearly everyone in Washington came to dislike the organization. By the early 1980s, they called it bureaucratic, old-fashioned, cumbersome, costly and ineffective and charged that the UN opposed the spread of "market freedoms" around the world under US "leadership." In 1983-85, the Congress passed several laws that selectively reduced US budget contributions to the UN, "withholding" funds for programs the US did not support. The Reagan administration also delayed the timing of US payment to the UN by appropriating funds nine months late, in the following US budget year. US payments to the regular UN budget, due on 31 January, began arriving in October or November, at the very end of the UN fiscal year. Since the US is the largest UN dues-payer,¹⁴ these and other policy maneuvers resulted in a serious UN financial squeeze, as US debt to the organization rose steadily. The US also forced other member states to agree to US control over the UN budget. By provision of the Charter, the budget is adopted by a two-thirds vote of the General Assembly. The US withheld part of its annual payment, on grounds that the budget vote should be weighted by the amount of each country's contribution. Finally, to head off the crisis, UN members agreed to a new "consensus" approach to budget decisions, giving the US an effective veto. The US then forced the UN to cut its budget by 10%, to dismiss nearly a thousand staff and to pare down many programs.¹⁵

Though the UN made many concessions, Washington only raised its demands further, insisting on additional reforms. This tactic followed a scenario of budget pressure, proposed originally by the Heritage Foundation. After dramatic global political changes led to the breakup of the Soviet bloc and the collapse of Communist governments, US policy turned even more aggressive towards the UN in the early 1990s. Washington was the unchallenged military superpower. And simultaneously, Washington-led economic globalization was undermining regulations and state-controlled economic institutions in the Third World, in

¹³ Although Cato documents do not reveal how much each corporate donor gave to each specific program, it seems reasonable to imagine that most, if not all, Cato's corporate sponsors favored the anti-UN program and that some directly funded its substantial budget on this topic for research, conferences and publications.

¹⁴ UN dues are mainly based on the size of a member state's GNP. The US, with the largest GNP, has the largest dues assessment. Back to text

¹⁵ The US also withdrew from UNESCO in 1985 and it cut payments to other agencies, causing a broad financial crisis throughout the UN system.

Europe and in Asia, leading to shifts in the policies of many governments.¹⁶ Such shifts of power and policy resulted in growing official acceptance of neo-liberalism and the ideology of privatization in every region and every voting bloc at the UN. Further, most governments preferred to avoid a direct challenge to the United States, with its unique combination of military and economic power. Few were ready to actively oppose US policies of withholding funds from the UN and blackmailing the organization into fundamental policy changes.¹⁷

Boutros-Ghali Ends UN Monitoring of Transnational Corporations

Boutros Boutros-Ghali of Egypt assumed office in January 1992 as the UN's first post-Cold War Secretary General. Under heavy pressure from the United States and from lobby groups like the International Chamber of Commerce, he immediately set to work reforming the Secretariat and eliminating programs that drew the most intense corporate ire. His advisors warned that the World Bank and the International Monetary Fund -- both based in Washington and under great influence by the US Treasury -- had a "comparative advantage" over the UN in the economic policy domain and that the UN would lose credibility if it did not scale back its efforts in this area.¹⁸

By March 1992, with only minimal staff consultations and virtually no input from the General Assembly, the Secretary General eliminated many Secretariat posts and programs dealing with social and economic policy. A newly-formed Department of Economic Development had an acronym so telling and embarrassing (DED – sounds like "dead") that its name had to be hastily changed. Most significantly, the Secretary General closed down the respected Centre on Transnational Corporations (CTC), a Secretariat research program that

¹⁶ The US Treasury Department, backed by the UK and to a lesser extent by other rich countries, pressed for a radical reorganization of the world economy. Structural adjustment programs of the World Bank and the International Monetary Fund extracted neo-liberal reforms as a condition for loans to nearly a hundred poor countries. Even rich countries fell into line through pressure from the OECD, the currency markets, GATT trade negotiations and corporate investment decisions. Elected governments everywhere abandoned or sharply modified their mandates when exposed to these intense neo-liberal pressures.

¹⁷ Under these circumstances, the Chairman of the UN Conference on Environment and Development (the Rio Summit), Maurice Strong, invited active business involvement in the conference process, for which the Business Council for Sustainable Development was created. Strong's initiatives at Rio can be seen as important precursors of the later UN-business partnerships. Strong himself is believed to have been a force behind the Global Compact as well

¹⁸ Neo-liberal policy analysts insist that international organizations are in competition with one another to provide services to "consumers" (nations and corporations). Those that do not offer the right services will lose market share to those more favored by consumers. The "comparative advantage" of the Bretton Woods Institutions in this setting appears to be two-fold – their larger budgets and their status as favored by Washington.

supported UN negotiations to prepare a Code of Conduct for TNCs.¹⁹ Along with the Heritage Foundation, the International Chamber of Commerce had long criticized the CTC and the Code and had mobilized its membership to weaken or destroy them.

Since 1990, the CTC developed a series of recommendations on "Transnational Corporations and Sustainable Development" to be submitted to the Earth Summit in Rio in June 1992, for possible inclusion in the final conference document. Corporate lobbyists found this prospect extremely alarming and worked hard to stop it. They also opposed the CTC because it served to collect and publish information about corporations that were breaking the UN investment embargo against South Africa.²⁰ Bowing to these pressures, Boutros-Ghali axed the Centre regardless of its impressive record or its important mission.

The UN's Political Resilience

After the 1992 UN reforms, corporate chieftains and Washington-based neo-liberal policymakers pressed forward with their campaign. They remained as keen as ever to erase its institutions of public oversight and accountability in favor of private, voluntary forms of corporate self-regulation. The UN system remained deeply engaged on global environmental issues, a matter of special concern to oil companies, auto firms, chemical corporations and many others with strong voices in the US capital. The UN's work on human rights also touched the nerve of many companies, since human rights campaigns were beginning to focus on corporate malfeasance -- in Nigeria, Myanmar and other countries -- interfering especially in the politically powerful oil industry and its investment plans for exploration, drilling and pipeline construction.

The UN had proved remarkably resilient to the first round of reforms. UNICEF's progressive research unit in Florence, headed by Giovanni Cornea, vigorously criticized structural adjustment, the main policy tool of the World Bank and the International Monetary Fund, and raised questions about poverty and mortality in the economies "in transition."²¹ At UNDP, the popular annual Human Development Report (first published in 1990) advocated development based on human needs, not just GNP growth. The Secretary General himself outraged the

¹⁹ The CTC as an institution ceased to function, but a few remnants were transferred to UNCTAD in Geneva. These remnants, far from critically monitoring TNCs, became cheering section for TNCs, promoting TNC investment and commending the positive effects of TNCs in the global economy.

²⁰ Insiders say the CTC was punished mainly for three sins: the Code, the Embargo list, and the work it was doing to develop environmental rules. The Center's fourth deadly sin was that it existed and worked to shed light on TNCs, to help develop global rulemaking.

²¹ See UNICEF International Child Development Centre, *Economies in Transition Studies, Crisis in Mortality, Health and Nutrition* (Regional Monitoring Report, no. 2, August, 1994).

new conservatives by proposing global taxes as a solution to the UN's financial crisis in a major speech at Oxford University on January 15, 1996. At the same time, the UN also began a global conference series that addressed the great social and economic issues like the environment, population, women's rights, human rights and social development – all of which produced platforms and programs of action that unsettled the corporate lobbyists. Thousands of active NGO representatives attended the conferences as well, with UN encouragement, making demands and creating networks that were still more worrisome to the magnates of global capital.

Signs of conservative trends within the UN were not hard to find, though. The annual Human Development Report drifted slowly rightwards after 1994 and began to promote economic growth as the main engine of human development.²² The Department of Public Information abandoned its famous progressive filmmaking program under the effect of deep budget cuts. UN agency reports increasingly referred to private investments as the only viable approach to development and poverty-reduction.

Kofi Annan: a Corporate-Friendly Secretary General

Kofi Annan assumed the post of Secretary General in January 1997. Washington had summarily vetoed Boutros-Ghali's campaign for a second term, saying it wanted a more reform-minded helmsman for the UN. Annan, a graduate of MIT's Sloan School of Business, had spent the majority of his career in the UN's administrative and financial departments. Keenly aware of the organization's financial crisis, he saw the need to resolve it through strategic concessions to the largest dues-payer.

After just three weeks in office, Annan made a pilgrimage to Washington to meet with members of Congress, particularly with powerful conservative Senator Jesse Helms. He assured the legislators that he would "streamline" the UN, bringing modern business practices to its management and setting "realistic" goals for its work. He committed himself to further budget and staff cuts. Almost immediately thereafter, Annan traveled to Davos, Switzerland, to the annual meeting of the World Economic Forum, a grouping of the world's foremost corporate chief executives. While in Europe, he also held talks with senior officials of the International Chamber of Commerce.

²² Virtually the entire HDR team, including its founder Mahbub al-Haq, left the project in 1995. Though the much-respected Richard Jolly took over the leadership, political pressures drove the project rightward. Since the report had been originally conceived as an alternative to traditional concepts of economic growth, by conceding that "human development" was best promoted by growth, the project began to lose the *raison d'être* of the enterprise. And by ignoring the human development crisis in Eastern Europe, the project lost its reputation for honesty as well.

The leaders of the World Economic Forum soon offered to connect the Secretary General and a few of his top officials to the Forum's new private video-conferencing system, enabling Annan and his team to converse with the Forum's CEO members as well as a few select political leaders and the chiefs of international institutions like the World Bank. Annan warmly accepted the offer and the Forum installed its WELCOM (World Electronic Community) system in April 1997 at UN headquarters. While the new technology provided the cash-strapped UN with a state-of-the art communications tool, the system worked primarily to connect the Secretary General and other UN leaders with corporate executives, bypassing the intergovernmental process.²³

While signing up for WELCOM, the Secretariat decided to impose a financial charge on NGOs for electronic access to UN documents – a telling coincidence. By this and other moves to restrict the access of NGOs, while widening access for business, Annan and his team made it clear where their priorities lay. The Secretary General's speeches often referred to NGOs as the UN's "indispensable partners" and the real "conscience of humanity." Increasingly, however, the UN leadership referred to "civil society" -- a fuzzy term that embraces business as well as NGOs -- when describing its new enthusiasm for non-state partnerships.

On June 24, 1997, the UN hosted a high-level luncheon to consider the terms for "business sector participation in the policy-setting process of the UN" and "partnering" in UN development assistance funds. In addition to Annan, Maria Livanos Cataui, Secretary General of the International Chamber of Commerce, attended. Participants included ten corporate chief executives and fifteen powerful government representatives including three heads of state and US Treasury Under Secretary Larry Summers. General Assembly President Razali Ismail hosted the luncheon with Bjorn Stigson, Executive Director of the World Business Council on Sustainable Development.²⁴ Millionaire Canadian businessman Maurice Strong, a key figure under several secretaries general and close friend of the White House, is said to have masterminded the initiative. At about the same time, the Secretary General started to promote closer collaboration between the UN and the Bretton Woods Institutions (the World Bank and the International Monetary Fund), calling for "greater coherence" at the policy level. Alarmed NGOs asked whether the UN had abandoned its critique of structural adjustment and of neo-liberalism in order to please Washington and the ICC. UN leaders insisted that "coherence" meant real policy change by the

²³ See Bill Gertz, "Power Brokers' Forum Wires UN," Washington Times, March 5, 1997.

²⁴ For a description of the luncheon by a participant, see David Korten, "The United Nations and the Corporate Agenda," text circulated on the internet, July, 1997.

Bretton Woods duo, as well as better overall "teamwork" between Washington and New York.²⁵

Officials in the Executive Office of the Secretary General believed that the UN "must change or die" and that it must reach out to "new actors" in a globalizing world, beyond the nation-state members. John Ruggie, the Secretary General's Special Advisor, assumed an especially active role in preparing the pro-business initiatives, promoting them and developing a rationale to explain them to the many sceptics in the Secretariat, the UN system agencies and the NGO community.²⁶

The Secretary General wanted the entire UN system to move together in the same policy direction, so he encouraged the heads of UN agencies²⁷ to pursue their own openings to business, urging them to establish partnerships with corporations. In a short time, the UN High Commissioner for Refugees (UNHCR), the UN Educational, Scientific and Cultural Organization (UNESCO), the UN Development Programme (UNDP) and other agencies announced initiatives of this kind.

UNHCR celebrated a partnership with a newly-established "Business Humanitarian Forum," which primarily sought to raise money for the refugee programs. The Forum was founded and chaired by a former Vice President of Unocal, a large US-based oil company accused of human rights violations in Burma, where its pipeline project was said to have driven many people from their homes and caused thousands of refugees.²⁸ UNDP's initial plans for its Global Sustainable Development Facility involved also corporate partners with dubious records, e.g. – Rio Tinto mining company, financial services giant Citicorp, Dow Chemical, Royal Dutch Shell and others. Human rights organizations had recently been particularly critical of Shell because of its activities in Nigeria under the military dictatorship.

²⁵ For more on this subject, see James A. Paul, "UN and the Bretton Woods Institutions: Is More 'Coherence' Needed?" Speech delivered at a conference at American University, February 23, 1999. The record suggests that most of the change has taken place at the UN, not in the Bank or the Fund.

²⁶ For Ruggie's thinking, see his article with Georg Kell (also of the Executive Office), "Global Markets and Social Legitimacy: The Case of the 'Global Compact'" a paper presented at a conference in Canada in November, 1999 and posted on the UN's web site at www.globalcompact.org

²⁷ We use the term agency here to refer to all agencies, funds and other organs in the UN system.

²⁸ Unocal is a partner of the government of Burma (Myanmar) in the Yadana pipeline project which is accused of forced labor, forced relocations and other violations of human rights and humanitarian law.

On September 19, 1997, media billionaire Ted Turner, announced that he was making a \$1 billion contribution to the UN over ten years, to be paid out in increments of \$100 million – the largest charitable donation in history. Turner, who founded CNN television news network, served as Vice Chairman of Time Warner, one of the world's largest media companies. The gift, coordinated with the office of the Secretary General, broadened the UN's privatization strategy. The United Nations would henceforth become a fund-raising charity, seeking to supplement its shrinking income from member states with money from wealthy private individuals as well as corporate partners. Future private donors would include Microsoft billionaire Bill Gates, the world's richest person.²⁹

On February 9, 1998, soon after attending his second Davos gathering, the Secretary General again met with the International Chamber of Commerce in a major conclave in Geneva. This time, there were 25 top corporate executives in attendance, including representatives of Coca Cola, Unilever, McDonalds, Goldman Sachs, British American Tobacco and Rio Tinto. ICC Secretary General Cattai lauded the new relationship. "The way the United Nations regards international business has changed fundamentally," she wrote afterwards in a guest column in the International Herald Tribune. "This shift towards a stance more favourable to business," she continued, "is being nurtured from the very top."³⁰

Following the meeting, the ICC and the Secretary General issued a joint statement declaring that "broad political and economic changes have opened up new opportunities for dialogue and cooperation between the United Nations and the private sector" and committing the two entities to "forge a close global partnership to secure greater business input into the world's economic decision-making and boost the private sector in the least developed countries."³¹

How the UN and the Corporations Understood the New Partnership

Secretary General Annan and his team made it clear that they saw the corporate partnerships as a promising new way to attract political and financial support for the UN, including possible changes in Washington. They also touted the "know-how" corporations could bring to the UN to help it tackle development in the world's poorest countries. The UN leaders saw themselves as "realists" who were ready to deal with slightly unsavory corporations in the same way that they regularly deal with less-than-ideal governments. They believed that a corporate-

²⁹ Gates made a grant to the World Health Organization for its immunization program. Turner himself sought to recruit other billionaires as UN donors.

³⁰ As quoted in Corporate Europe Observatory "The Corporate Co-Optation of the UN," Earth Island Journal, Summer, 1998. Back to text

³¹ Statement on UN web site. See also "Business and the UN: Common Ground", Maria Livanos Cattai, The Journal of Commerce, August 3 1998.

dominated world was already a "reality" and that if they did not accept this reality the UN would be assured of irrelevance.³²

Annan and his team believed that in spite of the enormous power of the corporations, the UN had some cards of its own to play. As the only credible global political body, it could offer a strategic bargain to corporations – a bargain that individual governments had offered at an earlier moment in history. Corporate capital would agree to curb its appetite for accumulation, and agree to some regulation and social protection, in exchange for which the UN would help mobilize public support and legitimacy to defend the corporations against their most critical opponents. Annan warned the business leaders that they must "heed the lessons of history" and beware of the critical social movements now gathering momentum. Concessions would have to be made, he warned, otherwise a "protectionist" and "isolationist" backlash would set in. Amazingly, Annan and his team perceived very little downside risk for the UN. Out of touch with potential critics, the Executive Office approached the new partnership as if it were the magic solution to the UN's mighty problems. The corporate chieftains viewed the partnership from a very different angle, and much more cautiously, but they obviously saw a number of potentially positive outcomes for their companies. From official statements and private conversations, we can identify at least six policy goals that the corporate heads hoped to achieve as a result of their new relations with the UN.

First, they hoped collectively to influence the broad social and economic policymaking of the UN system to minimize regulation, taxation, trade barriers, labor codes and other initiatives that could impair their globalizing business plans. Secondly, and in the same vein, they hoped to influence the UN's ideological production (speeches, publications, briefing papers, meeting agendas and so on), so as to confirm private corporate solutions as being the only ones available and practical in today's world, to frame giant corporations as concerned and helpful world citizens, and to bring an end to the UN system's advocacy of public (non-market) based solutions. Thirdly they hoped to counterbalance and even roll back the influence of NGOs, which they saw as an increasingly dangerous source of criticism and profit-threatening policy alternatives.

In the middle range of corporate goals lay a fourth item -- the desire to shape policies, ideology and regulations of interest to their own particular business sector. For example, the cooperative relationship of the computer hardware company Cisco Systems with UNDP probably helped create an atmosphere in which UN leaders gave prominence to the "digital divide" and the need to close it by making computers available to all the world's citizens. These UN statements,

³² This and what follows is based on both private conversations with high UN officials and public speeches.

absurd in light of the large number of the world's people without adequate food, shelter or drinking water, served the computer and technology industry well. UN enthusiasts joined in a public relations mania that pictured computer-based technical fixes as the solution to the world's social problems. Soaring technology stocks (with Cisco a leader) affirmed the wonders of this "new economy."

A fifth corporate goal sought to promote the public image of particular firms. As corporations adopted the concept of "branding" and "re-branding." during the 1990s, they took this goal ever more seriously. Corporations recognized that their activities often lead to a negative public reputation, harming sales and causing public pressure for government regulation, fines or legal indemnities, and a host of other troubles. The firms thus try to seize hold of their public image and re-create it in terms of positive public values. Critics call this aspect of the UN program "blue wash," suggesting that the UN is lending its good name and reputation to help corporations create a (false) positive image of themselves in the eyes of the public.

Within the UN and its agencies, many staff understood the process. UNDP's corporate guidelines, drawn up in late 1998, note that "when UNDP is engaged in public relations activity within the framework of a corporate relationship, a mutual image transfer inevitably takes place" and they recognize that the agency will "contribute to improving the image of a [partner] corporation."³³ As ICC head Maria Cataui herself pointed out, companies are enthusiastic about working with the UN because of their "determination . . . to be seen to be good corporate citizens."³⁴

Finally, corporations pursued a sixth goal – to directly promote their own products. This was obvious in the case of Ericsson, the Swedish technology company that struck an agreement with the UN to distribute its brand-name mobile phones for use by humanitarian workers in what was called the UN Disaster Response Initiative. Not only did the company garner a positive image, but its products received very positive publicity as well. Cisco Systems likewise boosted its high-speed internet switches and routers with its NetAid partnership with UNDP – described by one newspaper as "a showcase for Cisco's latest Internet technology."³⁵ Hundreds of thousands of fans who logged into the NetAid web site during the fund-raising concert put the equipment to a rigorous test, garnering much public relations attention – far more than probably could have been obtained by ordinary advertising.

³³ UNDP Division for Resources Mobilization and External Affairs "Guidelines and Procedures For Mobilization of Resources From the Private Sector," November 1998.

³⁴ "Business and the UN: Common Ground", The Journal of Commerce, August 3, 1998.

³⁵ Chris O'Brien, "NetAid Benefit Faces Technological Challenge," Mercury News, October 8, 1999.

Firms may have other goals, too, like boosting employee morale and building public support in a wide range of countries as they globalize their operations. Such diverse goals are suggested by a partnership struck in 1999 by Paris-based UNESCO and Rhone-Poulenc, one of France's largest companies. The multi-year project funded by the company aims to restore the Taj Mahal of India, a UNESCO World Heritage Site, badly deteriorated in recent years from air pollution in the city of Agra. The program also seeks to improve environmental conditions in Agra, a step that would promote better health of its citizens. Rhone-Poulenc, faced with intense public criticism for its agro-industrial and genetic research activities, was obviously looking for opportunities to improve its corporate image and "re-brand" itself. By investing a paltry \$237,000 in the Taj Mahal project, the company generated a great deal of good publicity and benefits for its shareholders that might have been impossible to obtain otherwise.

As Caty Forget, representative of the Rhone-Poulenc Foundation, told the UNESCO magazine *Sources*, the grant gives the company an improved image that has to do with "high values, such as respect for the other, heritage conservation, the value of a culture, and identity." She also stressed the building of morale within the company itself. "It makes them proud," she said of the employees.³⁶ UNESCO gained through the protection of a World Heritage Site, but at an obvious cost. An organization whose main responsibility is to promote education is now "educating" the public about the good works of a controversial transnational corporation.

The Global Compact

With dozens – perhaps hundreds – of joint business-UN activities already under way in nearly every UN agency,³⁷ the Secretary General pressed for a new high-profile program that would symbolize the new UN-business partnership. The idea for a "Global Compact" emerged from conversations with business executives in 1997 and 1998, especially with the International Chamber of Commerce. After months of preliminary negotiations, the Secretary General formally proposed the idea at the Davos gathering of the World Economic Forum on January 31, 1999.

The Compact proposes nine principles for corporations in the fields of human rights, labor rights and environmental protection. The principles are worthy but vague. For instance, signatories agree to "make sure their own corporations are not complicit in human rights abuses." The UN promises it will undertake no monitoring. Nor will the companies be under any enforcement procedure or any

³⁶ *Sources*, January-February, 2000.

³⁷ A good article surveying these partnerships is Claudia H. Deutsch, "Unlikely Allies Join with the UN," *New York Times*, December 19, 1999.

formal process of scrutiny. Annan's speech says much about his rationale and also about the bargain he was offering to his listeners: I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.

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.³⁸

Annan went on to argue that globalization could only be assured if it is based on broad consensus and that such consensus would have to be built on efforts to insure the welfare of all. He called on his audience "to embrace, support and enact a set of core values" that would define a new era of corporate responsibility.

The speech contained all the elements of the thinking that had evolved among Annan and his advisors: partnership with business, "values" rather than rules, reminder of the "threat" that grassroots opposition might pose to globalization. The speech succeeded in its purpose. It drew the attention of many corporate executives and it attracted a good deal of positive comment from the media. Through it was unclear how the proposal would be eventually implemented, at UN headquarters the Secretary General soon made it clear that he intended to develop the idea and give it a highly visible form.

From the outset, it was easy for corporate executives to support "values" proposed by the Secretary General, but they worried that he might eventually move toward doing something concrete. The UN team, on the other hand, hoped that through this vague commitment, they could eventually nudge business into a framework that would become (at least slightly) more concrete. Each party moved forward with caution, as follow-up conversations went forward between the UN and the ICC.

NGOs generally were critical or less than enthusiastic. Some agency leaders within the UN system had serious reservations and did not hesitate to say so in public, in spite of pressures from Annan's Executive Office. UNICEF Executive Director Carol Bellamy, one of the few top UN officials with a substantial background in the private sector, voiced serious doubts. In a speech at the Harvard University International Development Conference on April 16, 1999 she warned: "It is dangerous to assume that the goals of the private sector are

³⁸ Text as posted on the United Nations web site.

somehow synonymous with those of the United Nations, because they most emphatically are not."³⁹

But the UN's rush into business partnerships and neo-liberal concessions continued at top speed. With UNDP Administrator Gus Speth's term expiring, the Secretary General rejected the candidate of the European Union, the social democratic Danish development minister Paol Nielson, naming instead Mark Malloch Brown, the World Bank's Vice President for External Affairs. Malloch Brown, a former public relations executive, had served as the Bank's chief apologist. Europeans were furious and UNDP staff shocked. In the months to come, Malloch Brown would reorganize UNDP and bring in a number of orthodox staff, including World Banker Nancy Birdsall as new head the Human Development Report.

On July 8, 1999, Jayantha Dhanapala, Under Secretary General for Disarmament Affairs, called for "creative partnerships" between the UN and arms manufacturing companies in what he described as an effort to control the illicit arms trade.⁴⁰ For those who favored UN controls on all facets of the arms trade, UN partnership with arms manufacturers seemed an outrageous step. In fact, UN guidelines for business partnerships had specifically ruled out relations with arms companies. Annan and his team were already testing the limits they themselves had set.

Eventually, on June 26, 2000, the Secretary General launched his Global Compact at UN headquarters in the presence of chief executives and other top managers of almost 50 corporations, including such large global companies as Daimler Chrysler, Unilever, Deutsche Bank, BP Amoco, Royal Dutch Shell, Volvo, Credit Suisse, Dupont and Nike, all of whom agreed to sign the compact and abide by its nine principles. The Secretary General also had invited a small number of sympathetic NGOs, including Amnesty International, the Worldwide Fund for Nature and the International Confederation of Free Trade Unions. But these NGO "partners" were clearly uneasy at the spectacle. Amnesty International Director General Pierre Sané said bluntly that he didn't think the Compact was credible in the absence of formal rules. By contrast, the corporate participants made it clear that they wanted no rules – and not even the mildest of monitoring.

On the day of the launch meeting in New York, ICC head Cataui warned in an article in the International Herald Tribune: "Business would look askance at any

³⁹ Carol Bellamy, "Sharing Responsibilities: Public, Private and Civil Society," Speech to a conference organized by the Harvard International Development Conference, Cambridge, Massachusetts, April 16, 1999 (text as posted on the UNICEF web site).

⁴⁰ See Thalif Deen, "UN Calls for New Partnership with Arms Industry," InterPress Service Daily Journal, July 9, 1999.

suggestion involving external assessment of corporate performance, whether by special interest groups or UN agencies. The Global Compact is a joint commitment to shared values, not a qualification to be met. It must not become a vehicle for governments to burden business with prescriptive regulations."⁴¹

The protests against the World Trade Organization at Seattle in November 1999 had doubtless given the Secretary General's project a boost. "How prescient he turned out to be," enthused Annan's Senior Advisor John Ruggie, referring to the original Davos speech in January 1999 and the events that followed: "This was 10 months before Seattle."⁴² In the absence of Seattle, it seems unlikely that fifty corporations would have answered Annan's call, even with UN bluewash on offer.

According to the Secretary General's plan, the only test of the companies' compliance with the Compact will be a special UN web site where they will post information – in the form of "best practices." They will control the information flow and the UN will invite the public to examine it and make comments -- chat room democracy. No other test of compliance, much less enforcement, will be available.

UN officials admit privately that corporate scandals could embarrass the organization and that the UN may have to undertake some limited oversight of the companies just in order to avoid such a pitfall. Licensed use of the UN's logo by corporations (one of the partnership plans) can also lead to UN embarrassment, as special rules for corporate use of this image suggest. Many NGOs from all over the world, led by the Transnational Resource and Action Center, have criticized the Compact through letters, publications and public meetings. They have also released a counter-proposal, a Citizens' Compact, that calls for a "legal framework, including monitoring" to govern the practices of the corporations and hold them strictly accountable for their agreements.⁴³ A number of member states have expressed opposition to Annan's project as well, but the Secretary General has not altered his course. The UN's corporate policy strains the organization's relations with NGOs and many governments. In exchange it will likely produce only the most superficial and cosmetic changes in company behavior. The UN could lose its public support if it is seen as scarcely distinguishable from business-dominated institutions like the WTO or the IMF. Secretary General Annan is gambling with the UN's most precious heritage – its reputation as an institution that works for the well-being of the world's peoples.

⁴¹ Maria Livanos Cataui, "Yes to Annan's 'Global Compact' if It Isn't a License to Meddle," *International Herald Tribune*, July 26, 2000.

⁴² UN Press Briefing by Under Secretary General John Ruggie, July 20, 2000.

⁴³ See esp. TRAC, *Tangled Up In Blue: corporate partnerships at the United Nations*, September, 2000.

NGOs and their allies in the social movements, along with sympathetic governments, must do all in their power to reverse this trend. The idea of a Citizen's Compact provides a basis for common action. We must say "no" to a corporate-dominated UN. We must advocate a financially and politically-strengthened UN that is responsive to the needs and demands of ordinary citizens. And we must insist that corporations be subject to citizen control, not the other way around.
