



Global Compact Counter-Summit

June 23, 2004

Wednesday June 23, 2004
1:00-6:00 PM
777 UN Plaza, 2nd floor
New York

This event questions the expansion of corporate influence at the UN. We hold this conference, to call on the UN to limit corporate influence, "out of respect for what the UN is; what it has been, and what it can be." (John Cavanagh)

Panel I: Greenwash, Bluewash, and the Corporate Takeover of the UN

Kenny Bruno,
Moderator: **EarthRights**
International

Speakers: **John Cavanagh,** Institute
for Policy Studies
Ka Hsaw Wa, EarthRights
International
Daniel Mittler,
Greenpeace International



John Cavanagh

Picture Credit: Rolf Wermundsen
Norwegian Forum for Environment
and Development

John Cavanagh offered a historical perspective of two recent periods of global corporate activity. In the first period, during the 1970s, Nestle, ITT and Coca Cola symbolized rampant corporate abuse, including the infant formula scandal and the military coup in Chile. As a result, the international public demanded action and national governments moved to limit corporate injustice. The UN set up the Center for Transnational Corporations and governments negotiated towards a international Code of Conduct on TNCs to build a system of mandatory corporate compliance. The second period, during the 1980s and 1990s, saw a rollback of those earlier efforts. The UN code was never completed. Reagan, Bush and Thatcher pursued neo-liberal policies and promoted free-trade initiatives like NAFTA. As a result, corporate power grew unchecked during those years.

But now another turn is at hand and the public is demanding action. People are incensed at the many recent corporate scandals such as Enron, Tyco, Adelphia, ABB, and Parmalat. The Global Compact is not the answer. The nine Compact principles are quite positive, yet the Compact has no binding mechanism to hold corporations accountable to these principles. As a result, corporations hide behind the smoke-screen of the Compact, while continuing to violate the principles that are supposed to be the backbone of the agreement.

Ka Hsaw Wa spoke of the many human rights violations world-wide committed by corporations. Even members of the Global Compact continue to be responsible for massive rights violations. He cited the oil companies Total (a Global Compact member)



Kenny Bruno and Ka Hsaw Wa

Picture Credit: Rolf Wermundsen

Norwegian Forum for Environment and Development

and Unical. Their operations in Burma and pipeline project are examples of such injustice, leading to displacement of people and government repression. The Alien Tort Claims Act (ATCA) in the United States offers a means to bring legal redress in US courts. Victims who are not US citizens can use the US judicial system to sue corporations for injustices committed abroad. Many companies, including members of the Global Compact, have launched a campaign for the repeal of the ATCA, demonstrating that they are not interested in real accountability.



Daniel Mittler

Daniel Mittler attacked the notion that voluntary codes can serve as a method of corporate accountability. Because the Global Compact does not enforce participant companies' adherence to its nine principles, corporations can use their participation as a substitute for real progress, distracting the public from the continuing violation of human rights, labor rights or environmental standards. Public statements by corporate officials do not match the private actions of their businesses. Officials may claim to be changing policies, but without enforcement, their actions on the ground remain unchanged.

The McKinsey evaluation of the Global Compact has reported a change in only half of the companies involved. This is purely a self-reported change, most of which is at the project (instead of the organizational or procedural) level. To illustrate this, Mittler cited the case of Union Carbide in the Bhopal chemical spill. The company has now been taken over by Dow Chemical, but the new owners are not willing to take responsibility for the damage. Though Dow itself is not a member of the Global Compact, financial companies that own or control substantial percentages of shares are members, including Axa, Credit Suisse and Deutsche Bank. Still, they are utterly unwilling to make amends for the tragedy that destroyed the lives of so many people in Bhopal.

Mittler accused Kofi Annan of not following through on corporate accountability. The UN's Johannesburg summit gave the accountability movement new momentum, but there has been little progress since. If Annan is serious about corporate accountability, he should promote a binding, legal process to require governments and corporations to adhere to basic standards of labor, human rights and the environment.

Questions and Comments from the Audience:

Ward Morehouse of the Council on International and Public Affairs said that the UN Charter never mentions corporations. In fact, it talks more about democratic control than corporate accountability. People must rise up and show their frustrations, rather than waiting for laws to be made to protect them. We have to show that the democratic way--what the people want--involves restrictions on corporations.



Picture Credit: Rolf Wermundsen

Norwegian Forum for Environment and Development

One participant said that corporations are required by law to make maximum profits for stockholders. They are caught between human rights and their legal obligation to investors. **John Cavanagh** responded that without laws to promote responsibility, corporations cannot act against such requirements of "fiduciary responsibility." But they also should examine what is "profitable" in the long term. Though unjust actions may be financially beneficial right now, in the long run such actions may lead to financial problems or even corporate ruin.

An audience member talked about a clause that can be added to the regulations that require directors to make money for shareholders. The clause would oblige directors to respect human rights, the environment and labor standards. This would distribute responsibility to actual people, rather than keeping the matter centralized in the abstract duties of the corporation. (For more information on the code for corporate citizenship, please see:

<http://multinationalmonitor.org/mm2002/02july-aug/july-aug02corp4.html>)

Jeremy Hobbs of Oxfam, said that Oxfam (a Compact member) is attempting to bring these arguments inside the Global Compact. There are businesses within the Global Compact that agree with the ideas expressed at this counter-summit, but they need support from outside pressure on four critical issues: 1)performance standards, 2)an ombudsman or mechanism for registering complaints, 3)transparency of practices (including how a corporation becomes a member, and how or why they would be removed from the Compact) and 4)the full adoption of the UN Norms on the Responsibilities of Transnational

Corporations. There are some companies in the Compact that support the Norms, but US businesses have been especially aggressively opposed. Currently, there is no Compact evaluation of which company is violating basic rights, or how the rights are being violated. Interestingly, the Compact has quietly begun to de-list companies that are egregious violators (described as "free riders"), but this process is very mysterious and quiet. There are 600 companies expected at the Summit and 50 NGOs said to be members of the "new" Compact.

Another participant mentioned that Proposal Nine in the recent report of the Eminent Persons Panel on UN - Civil Society Relations refers to a strengthened UN role for business. The report implies that both business and NGOs fit under the term "civil society." We should ask whether business should be considered part of civil society. We should engage corporations in this discussion and seek to develop a "positive agenda" at the UN to protect society against corporate violations of citizens' rights. Though negative campaigning (such as this campaign against the Compact) is very important, positive campaigns, that make constructive policy proposals, are also necessary.

James Paul of Global Policy Forum responded to a question on the UN's finances. He pointed out that large corporations have annual incomes more than a hundred times larger than the UN's. The UN has a very small budget, relative to national or even municipal governments. Its regular budget of \$1.4 billion is smaller than the budget of the Tokyo fire department. The UN is dependent on US funding for about a quarter of its total income. Therefore, the UN is exposed to US financial pressures and threats. This counter-summit supports a UN that is well funded by governments, so that it can remain free of corporate influence and undertake a strong accountability effort.

Debate: Is the Global Compact the Best We Can Do?

Moderator: **Felicity Hill**, UNIFEM

Debaters **John Ruggie**, Harvard University and former UN Assistant Secretary General. Architect of the Global Compact

John Cavanagh, Institute for Policy Studies

Respondents **Claude Fussler**, World Business Council for Sustainable Development

Kenny Bruno, EarthRights International

John Ruggie [pro-Compact] argued that the Global Compact was never intended to be the sole response to globalization. It is the world's largest "corporate citizenship organization" and has had some very positive results. According to



the McKinsey assessment of Compact participant companies:

- 1/2 of the companies are from developing countries
- 2/3 of their contracts are within the developing world
- 1/2 of the companies have changed internal procedures

The Global Compact is renewing the UN from within, helping agencies to collaborate with each other, civil society, and the public. This is only a beginning. It will be strengthened and built upon, but for now, it is a first step. It was never meant as a review mechanism. The UN does not have the capacity to review Compact members' thousands of corporate activities, people, and policies. Additionally the Compact should be supported because:

- 1 - Voluntary initiatives do not get in the way of other, future initiatives. On the contrary, they stimulate discussion and begin to build momentum.
- 2 - The corporate sector is the leader in globalization. We need to be its ally. It does not make sense to distance ourselves from corporations, when they have the power. There is a lot of potential for progressive corporations. They can help with the "huge challenges of governance" – civil wars, corruption and failed states.

John Cavanagh [anti-Compact] said that the US and multinational corporations pose a significant challenge to democracy. Together, they systematically abuse UN regulations. The public is clamoring for change. By not offering enforcement, the Global Compact is trashing the nine rights principles that are the basis of the Compact. Furthering this disgrace, the UN has suggested language for national legislation to protect transnational corporations from being sued for not complying with the Compact's nine (and now ten) standards for human rights. The Global Compact should be downgraded to a "dialogue forum," and the UN should shift its focus to legally binding frameworks for corporate accountability.

Claude Fussler [pro-Compact] said many are now engaging in the Global Compact. It is a campaign to push companies to "do better." It has set a non-negotiable framework for corporate ideals, unlike any in the past. Kofi Annan saw the need to set out a single global standard, to transcend national, sectoral and regional standards. Having this common set of goals is positive, in and of itself. The next steps, of performance reports and audits, are key. Probably 250 companies [out of 1,300] are truly motivated. The next test is to see if we can "scale-up" the Compact as more corporations join and more of these oversight aspects are incorporated. Though this is not a substitute for laws and regulation, it starts the communication process.

Kenny Bruno [anti-Compact] argued that the Global Compact obtains its information from self-reported, best-practice case reporting. Thus the information does not represent the reality and the Global Compact should not be judged based on this biased source. History has shown that voluntary action is not enough. It does not hold corporations accountable. The Global Compact "bluewashes" companies with UN approval, thereby protecting them from much needed scrutiny. Evidencing this failure, member companies maintain the same stances on issues as their non-member industry counterparts. This not only weakens the claim that the Compact is responsible for changing corporate opinions, but also shows how companies are being protected by their membership. Public criticism wanes as people assume that corporations are making efforts to comply with the Global Compact principles.

John Ruggie and an audience participant commented that Total is in fact beginning a dialogue about human rights, but only because they do not feel persecuted in the Compact setting. We cannot turn our back on corporations. In Sub-Saharan Africa, the private sector is helping the people more than their own governments on HIV-AIDS. In the United States, private companies are doing more to address global warming than the US government [audience laughter]. The companies should be commended for this progress. Also, we need to move toward a peer review process, because evaluation would be too expensive for the UN to undertake alone. Just look at what happened in the case of GAP, a company that legitimately tried to reform, but was overtaken by the costs of doing so.

John Cavanagh added that Walmart sets the rules (or lack of rules) because no government body is stepping in to do so. Additionally, peer review processes are not trustworthy and would not be sufficient or credible. Though voluntary initiatives sometimes help, this one is providing a smoke screen for the worst abusers. Public opinion is insisting on change. Many people see corporate accountability as their number one issue. The challenge is to "legitimately level the playing field up." This would allow competition while protecting basic rights.

Billionaires for the Global Compact

Three members of the *Billionaires for the Global Compact*, a new sister organization to the political theater group Billionaires for Bush, came to show their "support" for the Global Compact and "protest" the Counter-Summit. They said they



Billionaires for the Global Compact

Picture Credit: Rolf Wermundsen

Norwegian Forum for Environment and Development

could only carve a few short moments out of their busy schedules of pedicures, massages and country club events. They lauded the Global Compact because, they said, it improves the value of their shareholdings and the size of their dividend checks. Their presence, and sense of humor, were much appreciated.

Panel II: Toward Real Corporate Accountability in the UN System

Moderator: **James Paul**, Global Policy Forum

Speakers: **Irene Khan**, Amnesty International

June Zeitlin, Women's Environment and Development Organization (WEDO)

Simon McRae, Friends of the Earth International



Irene Khan

Picture Credit: Rolf Wermundsen
Norwegian Forum for Environment
and Development

Irene Khan said that there are huge gaps between the goals of society and the operation of corporations. The UN Human Rights Norms for Business deserve more credit and attention. They actually set standards for behavior, which makes them more specific than the Global Compact principles. Compact principles are so vague they are unenforceable. The Norms would set up mechanisms for review and enforcement. They address the major concerns about the Global Compact, by seeking legality, not claiming to be voluntary, and highlighting the insufficiency of national approaches without international regulation. The norms would provide much needed balance between nation state responsibility and corporate

responsibility. There is some opposition from the International Labor Organization (ILO), because ILO is concerned that the UN Norms will water down their own norms. Khan did not think this would be the case.

There are a few actions that must be taken. First, we must emphasize national responsibility. The UN, along with trade unions and non-governmental organizations, have a key role in reminding governments to restrict corporations. Currently, national governments are charged with protecting human rights. Secondly, we must strengthen the monitoring role of international organizations. The first step towards improved corporate accountability must be strong, far stronger than the Global Compact.



June Zeitlin

Picture Credit: Rolf Wermundsen

June Zeitlin said that the Global Compact Norwegian Forum for Environment brought companies into the UN to a far greater extent than ever before. The private sector undermines government attempts at legal accountability. The Global Compact Leaders Summit is one of the only "plus-five" summits now held by the UN, because such meetings are usually said to be too expensive. This is also one of the few UN summit meetings that has completely restricted access and is by invitation only. It is important to review what has happened since Johannesburg. In a review of "public-private partnerships," it was found that 70% of the partnerships were funded by governments, 20% were funded by intergovernmental organizations, and only 5-6% were funded by corporations. This shows a diversion of public money to fulfill old, unfair contracts with businesses, in a covert fashion.

We should challenge these contradictory goals and remind governments that they should not see the private sector as a "magic bullet" for development. Look at the catastrophe of water privatization. What have the companies "learned" at the UN? They have learned to bamboozle the public and use false language, promising much and producing little. The UN should be given more power to review and legally limit businesses, and to create more viable development alternatives.



Simon McRae

Picture Credit: Rolf Wermundsen
Norwegian Forum for Environment
and Development

Simon McRae explained that there is still no way for individuals to seek redress for rights violations by transnational corporations. Friends of the Earth has released an extensive report about the tragic rights violations of the Royal Dutch/Shell oil company. This is the second year that FoE has produced this counter-report to Shell's annual report. Many other case studies highlight the Global Compact's false claims of creating "responsible" corporations. We must push for a role for the International Criminal Court in enforcement and for a more open public discussion of what's really happening.

Corporations should not be lobbying at the UN. They are publicly supporting one thing and lobbying for another. They often use front groups, which can appear to be legitimate NGOs. Their vaunted "free trade" is phony. It won't work; it doesn't work; and it doesn't exist. Rich countries are very protectionist. We need to reform trade and trade laws for proper and fair trade and to aid the development process. Voluntary initiatives

are not the way to do this; they do nothing to improve the situation except create false expectations.

Questions/Comments from the Audience:

One participant brought up the issue of funding sources for the UN and civil society programs. We need more specific regulations about who can contribute, how that money is spent, and what it means to the UN and its programs. Additionally, we need transparency, so that the public can more closely monitor what is going on. [Ed. Note: the UN cannot take funds from companies, but many UN agencies, funds and programs do receive direct support from corporations.]

Another person commented that the World Health Organization (WHO) has just used its legislative, treaty making capacity for the first time, to create a framework on tobacco control. But WHO is taking money from pharmaceutical companies for other programs.

An audience member asked if we had forgotten about personal action and responsibility. We should push people to be more ethical consumers. **Simon McRae** responded that this may be a limited route, with the dangers of letting people feel like they are doing enough simply by shopping in a certain way. While this is an important tool, it must go hand in hand with a push toward sustainable solutions for the future. We must continue to look for connections between global policies and local actions.

Another participant asked about next steps for the Alliance for a Corporate-Free UN. **Kenny Bruno** responded that next steps are under discussion, but individual member organizations have very active programs and advocacy plans. Alliance goals would include exposing excessive corporate influence, pushing for acceptance of the UN Norms, and keeping corporations out of the UN. Some websites that may be helpful are:

<http://www.globalpolicy.org>

<http://www.earthrights.org>

<http://www.business-humanrights.org>

Bruno concluded that there is a need for education about the Global Compact and corporate activity at the UN. We need to continue to get the word out about the activities of US corporations. Don't let them sign up with the Global Compact!