UN's Global Compact - New Model from an Old Assembly Line?

Kofi Annan's tryst with multinationals has embarrassed the UN. It’s not the first time an intergovernmental body has been humiliated by its efforts to "bond" with transnational power. But it is time to confront companies directly?

UN Secretary-General Kofi Annan's platform appearance with the CEO's of 50 multinational corporations last July to announce a "Global Compact" has given the United Nations nothing but grief. No one knows what the Global Compact will do or how what it does will be monitored. UN officials are at a loss to explain the advantages or the logic behind what appears to be a surrender of authority to global corporations. The Global Compact was ill conceived and should be jettisoned during the Millennium Session of the UN General Assembly that opens today.

This is not the first time the UN has embarrassed itself by kowtowing to transnational business. The last quarter-century reveals a history of silly initiatives. Nevertheless, it remains true that the UN should recognize the immense power corporations wield, and directly confront their threat to democracy, equity, and good governance. Ignoring global companies would be as stupid as granting them an undefined role in shaping UN policies and programmes.

History Regurgitated:

When the UN General Assembly convened the first "political" conference on hunger - the World Food Conference of 1974 - the U.S. delegation spearheaded by Henry Kissinger and Hubert Humphrey told everyone prepared to listen that the solution to world hunger was agribusiness. Given incentives and the now-famous "level playing field", Kissinger and Humphrey insisted industry would grow the food and get it to market for everyone. The corridors of the Rome congress centre were stuffed with American and European business lobbyists peddling tractors, spreading fertilizers, and pumping pesticides to "feed the hungry". Indeed, the only big winner to come out of the confab was not the hungry, but the ICP (the Industry Cooperative Programme) which had corporate employees and offices made available to them in FAO. A.H. Boerma, FAO's retiring Director-General in 1974, was horrified by the corporate influence. Although he himself had a long association with Royal Dutch Shell, Boerma had also been the Dutch Agriculture Minister, and carried a strong sense of the role of intergovernmental organizations and public service. Corporations had their place - but not as moles within UN agencies.

It took until 1978 for FAO's new Director-General, Eduard Saouma - with the backing of the Swedish Government - to expel the ICP. During its time at FAO, however, the small secretariat had considerable influence over all FAO policies, technical assistance, and field programmes - especially those related to agricultural equipment and inputs. Expulsion from Rome was by no means the end of the ICP. Within months, the same staff had morphed into the ICD (Industry Council for Development) and were cuddled cozily within the confines of UNDP in New York.
During the Seventies and early Eighties, the UN General Assembly and UNCTAD both struggled hard to gain some control over the influence of transnational corporations. The creation and rapid demise of the UN Centre on Transnational Corporations (UNCTC) clearly defines the battle lines and timelines of the UN's efforts. By the close of the Eighties, the battle was over, UNCTC was shut down, and corporate influence over the UN was in its ascendancy. Recent revelations from the global tobacco industry describing how it infiltrated the UN and FAO give no doubt as to the power the companies began to wield over intergovernmental negotiations.

The sequel to the 1974 World Food Conference came in 1996 with FAO's World Food Summit. With the corporate drive toward globalization at full throttle, governments and the FAO itself were energetically competing for industry's favours in espousing the private sector role in food security. At one stage, the brief declaration drafted for the Summit contained more references to companies than to farmers, and invoked the "sanctity of contracts" rather than the "sanctity of life". (In the end, this was too much even for the U.S. and Britain and the "sanctity" line was dropped.) Short weeks before the Summit, however, rumours spread that the higher echelons of FAO had concocted a scheme to invite corporate CEO's to the Summit as special guests of the Director-General. In return for million dollar contributions to defray the costs of the Summit, FAO was considering not only having CEO's at the same table as Prime Ministers and Presidents, but also assuring them of direct influence over any policies and programmes related to their businesses that came out of the Summit. The plan was only abandoned when news of it leaked to CSOs. Wiser heads inside the administration were able to counsel against the initiative on the grounds - quite correct - that it would scuttle the Summit.

Now, a new UN Secretary-General has been counseled to make a totally amorphous deal with the companies whose only outcome is to enhance corporate status at the UN and assure corporations of an "in" within the Secretariat. As negative media reactions and complaints from Civil Society mount, the Secretary-General's Office is struggling to downplay the Global Compact and suggest that the tempest they have stirred is only in a teapot. Not so.

**A Place at the Table?**

All this is not to suggest that global enterprises could not in some way, be "at the table". The Global Compact, unfortunately, places them "under the table" where their antics and influence would be difficult to observe. We want them where we can see them. We also need to hear what they have to say. Not because global companies will ever be good global citizens - that's naïve and impossible - but because their power is real and to ignore and not address it is to encourage its growth and increase its threat to the world's poor and powerless. "At the table", some corporate tendencies can be controlled. The public spotlight will have a focal point and will force companies to behave better and act more cautiously. Senior company managers have conceded - sometimes with genuine misgivings - that business controls policy in Clinton's Washington, Blair's London, as well as in Canada, Australia, and Japan. This is no surprise. By giving corporate power exposure and shape, we are not offering them more power, we are creating a social momentum needed to constrain that power - to re-create a better UNCTC, to establish global mechanisms to curtail market and patent monopolies, and the mega-mergers that make headlines today. Environmental, employment, and equity practices of the companies will inevitably be debated and companies "at the table" will have to respond. "At the table" they can no longer hide behind public relations propaganda. There will be a place where they don’t control the message. Where they are in the open.
Why a Forum for Global Confrontation?

The reasons why a Global Compact is the wrong approach

The sometimes courageous struggle within the UN to control corporate power was waged 20-25 years ago. Now, with the Global Compact, the campaign to control has become a lemming's rush to capitulation. Here's what's changed over the decades.

- One-third of the U.S. Fortune 500 companies listed twenty years ago were bought out by 1990 and another 40% were merged by 1995. In the past five years the pace of corporate extinctions has surpassed the loss of livestock breeds.
- In 1980, the UN Centre for Transnational Corporations published a study of the world food and beverage industries identifying 180 companies that dominated highly segmented markets at that time. Today, at least half of these companies occupy roughly the same market power – and UNCTC is extinct.
- Twenty years ago, not one of the world’s 7,000 major sources of planting seed held an identifiable share of the commercial seed market. Today, the top ten seed companies have a third of the world’s market.
- Twenty years ago, the top 20 pharmaceutical companies held about 5% of the world prescription drug trade. Today, the top ten companies control well over 40% of the market.
- Twenty years ago, 65 agricultural chemical companies were competitors in the world market. Today, nine companies have approximately 90% of global pesticide sales.
- Twenty years ago, RAFI was not monitoring the world veterinary medicine market. Today, however, ten companies have more than two-thirds of world sales.
- Twenty-five years ago, the total value of mergers in the U.S., in a single year, soared to $11.4 billion. In 1999, the total value of U.S. mergers was more than $1.7 trillion.
- In 1999, the total value of global mergers and acquisitions approximated 10% of the combined GDP of the entire world, more than $3.4 trillion.
- Twenty years ago, intellectual property was largely a rich man’s sport confined to non-living material. Today, intellectual property monopolies play a role in more than half of all goods and services (living and non) traded across national borders.
- At least 70% of all international patent royalty payments are made between parent and subsidiary companies.
- The number of annual patents applied for in Europe has risen from barely 3,000 per year in the early 70’s to over 76,000 in 1999.
- Ninety percent of new technologies and product patents are controlled by global corporations.

As the new millennium begins, the world’s top 200 corporations account for 28% of global economic activity; the top 500 account for 70% of world trade and the top 1000 companies control more than 80% of the world’s industrial output.

Further, global companies can't be given seats at the table unless civil society organizations are also invited. It would be just too embarrassing. Sharing a common UN identity as "nongovernmental organizations", we would all pile into the room together. This explains the inclusion of a handful of CSOs in the Global Compact. (It also explains the importance of IQ tests to screen out idiot CSOs who don’t know when they are being used.)

Nevertheless, there are a very significant number of CSOs with extensive corporate monitoring and intergovernmental savvy that when working together could exercise considerable influence at any table. In the final analysis, CSOs could - if they can overcome the mystic of corporate strategic thinking that is rarely real and even more-rarely effective - gain more from such fora than CEO's.

Table Manners:

What sort of table? What kind of rules? A place at the table doesn't mean a place at *every* table nor does it imply equal status. In fact, it demands sharply defined rules and roles. The place of governments must be at the head of the table. They ultimately (and with unavoidably greater transparency) must bear the burden of decision-making.
Although companies are – by definition - striving for their own profits, CSOs are supposed to be defending the public interest. CEO’s and CSOs should have a voice, in return for which, each should accept the same transparency and scrutiny we demand of governments. The distinction between for-profit "NGO's" (including corporate associations and consortia that may not make traditional "profits") and not-for-profit CSOs should also be made clear. Trade unions (including farmers and farm workers) and Indigenous Peoples should have their own unique and distinct presence at the table.

One interesting model for this could be the newly constructed Global Forum on Agricultural Research (GFAR) that first met in Dresden this past May. The Forum was created by the Consultative Group on Agricultural Research (CGIAR). GFAR is a thinly-disguised attempt to provide some kind of global governance over the CG's 16 Green Revolution" institutes. Collectively the institutes have no legal identity, but exercise considerable policy influence on agricultural issues. The Global Forum brings together CSOs, CEO's, governments, intergovernmental agencies, and scientific institutes in a dialogue whose conclusions the CG would be foolish to ignore. If anything, farmers and CSOs exercised significantly more influence over the Dresden gathering than did agribusiness. Governments present - who provide 98% of the funding - took heed. Because the CGIAR is not an intergovernmental body, the GFAR is a step in the right direction along a path that should finally see real intergovernmental policy oversight over its scientific works. In a sense, business involvement in this case is leveraging greater governmental control.

While the informality of similar "global fora" for UN agencies would also be attractive, they begin as intergovernmental bodies and have different problems of governance. More formal structures are possible that would not undermine governments. There would seem to be space available in the forlorn Trusteeship Council for all of these factions - and space at the back should be available in the UN General Assembly and in similar halls at FAO, WHO, Unesco, and all the other UN bodies.

Back in the early Seventies as he was working with Maurice Strong to fashion the Stockholm Conference on the Human Environment, Marc Nerfin formulated his analysis of the Three Systems - the Princes, the Merchants, and the People. The People are the critical Third System. Since then, Maurice Strong and others have been advising Kofi Annan on how to bond with the Second System, - the Merchants. Marc Nerfin has gone on to champion the Third System. The ill-fated Global Compact - once formally pronounced dead and buried, could still set the stage for the public establishment of the Three Systems within the United Nations. And that would be a good thing.

For further information:

RAFI recommends the following websites and expresses its gratitude and solidarity with the CSOs taking leadership on this issue:

Corporate Watch: corpwatch@corpwatch.org
CEO (Corporate Europe Observatory): http://www.xs4all.nl/~ceo/index.html
UN Global Compact Website: www.unglobalcompact.org
Cartoon Series:

In support of the excellent work of other CSOs closer to the UN in New York, RAFI has prepared a series of political cartoons critical of the Global Compact. One cartoon will be published each day for the first week of the Millennium Assembly and Summit beginning today. The Global Compact series begins a new RAFI initiative to identify and clarify political issues. Media and CSOs are invited to download the cartoons and reprint them as they wish. RAFI does ask that the cartoon logo and the name of the artist, Reymond Page, be included in all reprints.
The UN's Global Compact

Struggling for a New Identity?