The UN Global Compact: Promoting Corporate Agendas or Instilling Corporate Responsibility?
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Abstract:
This case study serves to trigger debate over the existence of UN-corporate partnerships and whether such partnerships are harmful to the integrity and mission of the United Nations. Specifically, the case will discuss the UN Global Compact and emerging affiliations between branches of the UN and transnational corporations, such as UNICEF and McDonalds or UNAIDS and Coca-Cola. A meeting has been organized at the World Economic Forum in Davos, Switzerland in response to increasing controversy over what some claim to be a corrupt, corporate-led globalization. The case will represent three sides, that of the United Nations, corporations (specifically Coca-Cola,) and the NGO, Corporate Watch. Students are asked to read the positions carefully and evaluate how corporate support and influence could be beneficial or harmful to the work of the United Nations. Discussion questions provided at the end of the case study will help generate thoughts and potential solutions about the issues at hand.

Introduction:
The Global Compact, devised at the Word Economic Forum in January 1999 was an UN initiative to unite corporations, UN agencies, and non-governmental organizations (NGOs) around the needs of civil society, “In the pursuit of good corporate citizenship”. Secretary-General, Kofi Annan, saw the need for, “An international framework to assist companies in the development and promotion of global, values-based management”. A voluntary compact was born shortly after to act as a global forum to, “Encourage innovation, creative solutions, and good practices among participants,” and to, “Encourage the alignment of corporate policies and practices with internationally accepted values and objectives”.

Global Compact adopted the following Nine Principles, divided into three categories, as mandatory principles for all member corporations:

Human Rights:
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence;
Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards:
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labor;
Principle 5: the effective abolition of child labor and;
Principle 6: eliminate discrimination in respect of employment and occupation.

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Environment:
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

The Global Compact is based on trust that all members will abide by the Nine Principles. Seventy countries co-sponsored the resolution to adopt the Global Compact. The Compact is now active in thirty nations, most of which are less developed countries. Forty-four companies have agreed to these rules, including Coca-Cola, Nike and Royal Dutch Shell.

The Global Compact attempts to foster an atmosphere of sharing and innovation through the specific partnerships among companies, governments, and NGOs. Participating companies are invited to post their experiences on the Compact’s database in an effort to share how the Compact has helped, hindered, or changed key “managerial decisions”. The Compact also organizes conferences focused on corporate responsibility and encourages members to initiate Projects that will, “Contribute to the realization of one or more of the eight UN Millennium Development Goals and advance at least one of the nine principles”.

Independent of the Global Compact, the UN has collaborated with transnational corporations (TNCs) to help promote the mission of the UN, raise money and increase awareness on issues pertinent to all citizens. For example, Coca-Cola and UNAIDS have teamed up, as have Citibank and UNDP, and McDonalds and UNICEF.

There are several opinions about the UN initiative. One is that the Compact provides an ideal opportunity for the UN to promote corporate responsibility and work together with corporations to improve environmental and labor conditions. However, there is also a strong contingency opposed to the Compact. The criticisms they wage are that by supporting the work and priorities of various corporations, the UN is supporting the “Washington Consensus,” a shared ideology between the IMF, World Bank, US Treasury, and others that believes what is beneficial to Western finance is beneficial to all. Critics believe that the initiative supports and prioritizes western corporate interests instead of the priorities and needs of citizens throughout the world. NGOs are pressuring the UN to include a monitoring framework into the Compact and to retract the clause that permits assigned corporations to use the UN logo in advertising. TNCs that have collaborated with the UN, such as Nike, have been recognized as major offenders of environmental and labor laws, hence should not be supported by or partnered with the United Nations.

These issues are the basis for discussion at the World Economic Forum…

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Setting:
Conversation roars in the large reception room. Hundreds of business suits engage with other business suits, shaking hands and exchanging business cards. The smell of coffee and aftershave waft over the room. An array of newspapers are available on a near by table, many of which portray the Conference’s opening ceremonies amidst a sea of protesters. As usual in Davos, the air is clear and crisp, making for spectacular views of the snow capped mountains and serene jade blue lakes. The commencement bell sounds over the noise of the crowd. People discard their paper cups with the remnants of cold coffee, and begin filing into the large auditorium. After taking their seats, people pour themselves water in the glasses placed at each seat and review the papers within the provided folder. In contrast to the livelihood of the reception room, the atmosphere of the auditorium is one of seriousness. The doors close to the outside world. Several photographers take their positions, conveying the message and spirit of the conference to the outside world. Kofi Annan, Secretary-General of the United Nations approaches the podium. Silence settles over the room.

Secretary-General of the United Nations (Kofi Annan):
Greetings and welcome to today’s forum. As always, the World Economic Forum is a pleasure, and an honor to attend. I would like to recognize the significance of this meeting and the prominence of the people sitting in this room today. In this room sits the representatives of society’s needs and interests, the leaders of the corporate world and the spokespersons for civil society. We are among the privileged that have access to abundant resources. This meeting marks the first initiative to work together and use those resources to promote corporate responsibility and the eradication of poverty.

The corporation is one of the key players in fueling globalization and disseminating the benefits of globalization. As we know, such benefits have been unevenly distributed, leaving the majority of the world in poor health and hunger. The networks of various TNCs are one of the few overarching institutions that have the power to strengthen a nation’s economy, improve employment rates, and increase investment regardless of political alignment. The Global Compact is an attempt to set a standard for corporate behavior and responsibility so that corporate power can be transformed to ameliorate poverty, malnutrition and unemployment, all of which have become ubiquitous in under developed countries.

It has been said that businesses are in large part at fault for today’s inequality and environmental degradation. I would like to discourage today’s forum from debating such issues. Corporations certainly can and should be part of the promotion of proper environmental and labor standards. Through the Global Compact, corporations and the UN can work together to uphold corporate responsibility and increase awareness on issues that affect the global environment. Coca-Cola exemplifies such behavior by joining UNAIDS to help fight the endemic of AIDS in Africa.

The United Nations is the best forum to decipher and establish the role and responsibility of corporations in today’s global economy. Unlike the WTO, IMF, World Bank and other trading organizations, the United Nations does not prioritize neo-liberal economics but rather global well-being. Critics of the ‘Compact’ have criticized the partnership for promoting corporate agendas and free trade. I would like to emphasize that this is far from the reality. The UN sees the perils of free trade, as recognized by the
Human Rights Commission. However, open markets are universally beneficial and undeniably the direction of the new world order. The UN wants to assist in insuring that open markets remain beneficial to all parties. The Global Compact helps to do this by promoting transparency and recognizing a standard of behavior that must be adopted by all participants.

With that said, I would like to address the topic of monitoring. The UN has not enforced a monitoring mechanism in this stage in order to gather further support among corporations.\(^5\) Increasing the size and depth of the alliance will make drafting and enforcing international corporate law easier in the future. We are aware of the glitches in the Compact and we need civil society’s help in working them out. The Advisory Committee of Eminent Persons to the Global Compact, consisting of academics, trade unions, NGOs and leading businesses has been established to ensure that all sectors are represented and pleased with the progress of the Compact. I hope that today will help clear up misconceptions about the Compact and strategize how we may work together to ensure moral corporate practice.

**CORPORATE EXECUTIVE, Coca-Cola:**

Good afternoon Ladies and Gentlemen, esteemed colleagues. It is an honor and a pleasure to speak before you today. As CEO of Coca-Cola and a member of the World Business Council for Sustainable Development\(^6\), my company embraces the opportunity to be a part of the Global Compact. I am happy to be here representing the business community on this issue.

Coca-Cola opened its first international bottling locations in 1906. Since then, we have grown to be the largest beverage provider in the world, providing three hundred brands in two hundred countries. Seventy percent of Coca-Cola’s revenue is made outside of the United States.\(^7\) In effect, Coca-Cola is a global company, and we are well aware of the responsibility we have to promote corporate citizenship.

Through proper practice, responsible businesses have the power to leave the world cleaner, safer and healthier for future generations. Often corporations have better intellectual and financial resources than governments to provide capital and tools for sustainable development. In addition, with civil strife at an all time high, companies can often be more stable and consistent than government in providing employment and health care.

At Coca-Cola, we have focused our resources on helping the UN promote AIDS prevention awareness in Africa. As many of you are aware, AIDS has reached epidemic proportion in Africa. In 2002, the UN estimated that over 29.4 million people in Sub-Saharan Africa are living with HIV/AIDS. In countries in South Africa, specifically Botswana, it is believed that approximately 38.8% of the adult population is infected with HIV/AIDS.\(^8\) These statistics are shocking but true.

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As the world’s largest, most well known beverage distributor, we are exercising our “marketing muscle” to help educate people about the transmission of AIDS. “In Nigeria, Coke has pledged to deliver AIDS testing kits to hospitals. In Kenya, the company is also turning over 30 of its big red Coca-Cola billboards to Kenya's National AIDS Control Council to run an awareness campaign Coke helped develop. More projects will be carried out in Zambia…” In addition, Coca-Cola is concerned about malnutrition in less developing countries and is altering its products to help mothers and children get proper nutrients. “At one plant, Coca-Cola extracts edible protein from whey, a byproduct of a local cheese processing operation, and includes this protein in a nutritional beverage it prepares and distributes” throughout Central and Latin America.

Many other companies have made similar initiatives to better the global community in which they serve. McDonald’s has recently partnered with UNICEF. Together the two entities will promote World Children’s Day. Proceeds from the sale of Big Macs will go to UNICEF branches and Ronald McDonald’s houses. While McDonalds is not a member of the Global Compact, it is exercising corporate responsibility by using its resources and popularity to promote UNICEF’s mission and to help fund children’s causes all over the world. Such partnerships mark a revolution in the UN’s capacity to educate the masses. What names are more universal than that of McDonalds and Coca-Cola? What products have a greater daily consumption rate? The symbol of the UN alongside Coca-Cola advertising will serve to transform consumerism to benefit worthy causes and the UN’s mission throughout the world.

Many have criticized Coca-Cola’s partnership with UNAIDS, believing that corporate agenda has no place in the UN. I would like to clarify that in no way is the UN endorsing Coca-Cola, but rather the the opposite, Coke is helping to endorse and support the worthy work of the United Nations. Contrary to the belief of a selective few, the United Nations and Coca-Cola share a similar vision for the future. If AIDS and malnourishment continue to spread at the current rates, not only will our families and friends be affected, but so will the global market. The use of the UN logo on Coca-Cola’s AIDS education billboards will legitimize the educational efforts of the company as well as our efforts to decrease malnutrition. Furthermore, the more successful the UN-Coca-Cola partnership, the more likely Coca-Cola will renew the partnership and further increase funding towards UNAIDS.

In regards to the Global Compact, there is no need to monitor corporate conditions; it is a waste of time and resources that could be allocated to more urgent causes within the UN. Corporations are familiar with the needs of their workers and actively work to better the community in which they work, whether through subsidized meals at the workplace, subsidized housing or free medical check-ups. Including monitoring into the Global Compact would foster a relationship of distrust and complicate a benign agreement. Mere recognition by the UN serves as encouragement to uphold and encourage corporate responsibility and the Nine Principles. There is no need to alter the Compact’s relationship in any way. Thank you

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10 McGuire, Patrick ‘Corporate Aid Programs in Twelve Less-Developed Countries’, The Conference Board and USAID, 1983 p. 27
Applause sounds as the CEO of Coca-Cola finishes his speech. Movement in the room increases until a woman approaches the podium.

**NGO REPRESENTATIVE, CorpWatch**

Good afternoon. Honorable Secretary-General Annan thank you for hosting this Forum today. On behalf of the organizations that I represent, we are pleased to see that the UN has recognized the lack of corporate responsibility and is strategizing ways to encourage and enforce international standards. However, the weakness and hypocrisy within the Global Compact’s current structure will effectively delegitimize the United Nations while promoting corporations, many of who are notorious for human rights abuses. “A partnership should be entered between parties that share the same goals. Global corporations do not share the same goals as the United Nations.”

In the corporate world, profit is prioritized over all else. Corporate tendencies to profiteer are neither subject to democratic direction nor concerned with improving the very environmental and labor standards that the UN upholds. Since the UN has the aim of being a democratic intergovernmental organization, the Global Compact and the increasing amount of UN-corporate alliances marks a serious detrimental shift in policy. The UN is fooling itself into thinking that by signing the Global Compact, corporate priorities will change.

The UN should act as a watchdog, determined to defend human rights, not as an alliance or tool for corporations to better their public image. “It is not appropriate for the UN to form partnerships with companies like Nike and Shell, companies that violate human rights norms and exploit the worst dynamics of corporate globalization.” By negotiating with the International Chamber of Commerce and giving privileges, such as the rights to the UN logo, to assigned corporations the UN is effectively acknowledging that the Western idea of finance is the ideal method of economics. Furthermore, assigned corporations are in full support of free trade, as endorsed by the WTO. However, the UN Human Rights Commission criticizes the WTO as a “veritable nightmare” for developing countries by creating a trade liberalization that will exacerbate poverty, undermine local farming initiatives, and cause countless human rights abuses.

The WTO encourages a race to the bottom, meaning that corporations are expected to maximize profit by establishing themselves in countries with the fewest restrictions in regards to the environment and labor codes. The UN has condemned such behavior, yet is now collaborating with the very corporations that are notorious for winning this race! What is the UN saying by supporting the same corporations that advocate such behavior? To many it says that the UN agrees with the WTO and the current, inequitable form of globalization. This in itself is a major problem. “The UN should not endorse the WTO vision of corporate globalization, but rather be a counterbalance to it.”

Furthermore, not only are the assigned corporations favorable to free trade, but they also consist of notorious violators of human rights, and environmental and labor

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14 CorpWatch, “Alliance for a Corporate-free UN”.
laws. In a letter to the Secretary-General, Kofi Annan, twenty different human rights organizations pointed out the troubles of aligning with corporations such as Nike, Royal Dutch Shell, BP Amoco, Rio Tinto Plc and Novartis.\(^{15}\) For example, Nike subcontractors are notorious for employing child labor and poor working conditions. Nike does not recognize labor unions, has a poor environmental track record and is considered a leader in the ‘race to the bottom’. These tactics are harmful to the rights of workers and the environment. Shell’s infamous history in Nigeria of collaborating with paramilitaries, canceling contracts with workers and irreversibly harming the environment, has sparked massive rallies and protests against the company. How should Nigeria view the UN Compact with the inclusion of Shell, particularly considering that Shell policy has not improved in Nigeria? To Nigerians it will signify that the UN is in support of Shell’s malpractice in Nigeria. It will signify the UN’s abandonment of protecting universal human rights, as promised in its declaration. Lastly, it will signify a loss of respect for the UN as it partners with the corporate agenda of the West.

Coca-Cola’s record may be cleaner than other participants, however the company is far from apolitical. Coca-Cola has been accused of multiple accounts of discrimination as well as the employment of paramilitary forces to suppress union organizers in Colombia. Despite Coke’s 1991 commitment to use 25% of recyclable materials in all bottles, it still does not use recycled materials in millions of its bottles and cans.\(^{16}\) Furthermore, Coca-Cola’s efforts to privatize water in India and Latin America promise to be disadvantageous to millions of people and violate the UN’s principles of the right to food and water. Despite such behavior, the United Nations has chosen to partner with a corporation that has been labeled by the Responsible Shopping Network and the MotherJones publication as one of the world’s top ten worst corporations. While Coca-Cola’s well known name may help to spread AIDS prevention awareness, it will also help to increase popularity and profits for Coca-Cola, the infamous corporation that hooked “America’s kids on sugar and soda water”. In short, the profit-making decisions of corporations can be inhumane and contrary to UN goals.

Furthermore, corporate behavior is not subject to UN direction, and thus any controversial action could harm the reputation and legitimacy of the UN. For example, in 1965 Coca-Cola decided not to open a bottling franchise in Israel due to the risk of losing its 104.7 million Arab consumers.\(^{17}\) Many Jews saw Coca-Cola’s decision to make Israel one of the few countries in the free world not to have a Coca-Cola bottling franchise as anti-Semitic. In 1966, the Anti-Defamation League sued Coca-Cola for suspicion of supporting the Arab Boycott League.\(^{18}\) Coca-Cola adamantly denied any support of the Arab boycott and reiterated that the decision was solely based on low expected returns in Israel. Nevertheless, Jews all over the world saw this as an act entrenched in anti-Semitism. Would the UN wish to be embroiled in such controversies? Would such controversies detract from the hard-won legitimacy of the UN in international affairs?

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\(^{15}\) CorpWatch, Letter to Secretary-General Kofi Annan, 25 July 2001, file:///C%5CWINDOWS%5CTemporary Internet Files/Content.IE5/VUUHVQ7K/PCD[1].jsp#july20.

\(^{16}\) Co-op America, Responsible Shopping Network, Coca-Cola, 7 December 2002, http://www.responsibleshopper.org/basic.asp?cusip=191216

\(^{17}\) Prakash Sethi, S. ‘Corporations and United States Foreign Policy Conflicts’ in *Up Against the Corporate Wall*, New Jersey: Prentice Hall, 1971, p. 410

\(^{18}\) p. 411
I respect the Honorable Kofi Annan’s request to limit criticism and I do not mean to disregard the good corporations may serve, but I simply wish to show how the work of corporations can be extremely contentious. Corporations’ ultimate goal of maximizing profit does not lead to the highest moral ground, and in effect should not be associated with the United Nations. While the intention of the Compact is not to endorse or promote any of the participating corporations, UN-corporate alliance enables the corporate agenda to sneak in the back door of the United Nations, making the UN vulnerable to corporate priorities and privatization. In a world where corporate power is displacing government power, and where the UN has been weakened by US neglect, the UN may be swayed to compromise with corporate agenda as it becomes more dependent on corporate support and funding. What a tragedy it would be to see UN efforts and ideals privatized under corporate agenda.

In order to revise the detrimental relationship that is formed through the Compact, participating NGOs strongly urge the Compact to adopt monitoring procedures. Without strict monitoring procedures to ensure that participants are complying with the nine principles, “A company with widespread labor or environmental violations may be able to join with the UN in a relatively minor cooperative project, and gain all the benefits of association with the UN without any responsibilities”. The company can appear as if it is contributing to UN goals when in reality, it is preventing their realization. Monitoring and a coinciding legal framework for enforcement will ensure that corporations are not merely using the Compact to ‘bluewash’ their image and defuse the growing backlash against them.

Participating NGOs also strongly urge the Compact to revoke the clause that states, “A business entity may be authorized to use the name and emblem”, of the United Nations. Although the Guidelines state that a corporation can only use the emblem when, “The principle purpose is to show support for the purposes and activities of the UN”, such a right will bolster corporations’ public image, increase sales and benefit a corporation that may not actually be abiding by the Compact’s principles. In addition, many of the participating corporations represent Western culture, particularly American culture, a culture that many peoples throughout the world regard as somewhat imperialist. In short, the UN should not allow advertising to imply that Coca-Cola and the UN are united under the same principles.

“Again, we believe that bringing corporate behavior in line with the universal principles and values of the United Nations is a goal of extremely high importance,” however, directly associating corporations with the United Nations is a hazardous endeavor.

Coffee Break

As the representative from CorpWatch leaves the podium, the crowd begins to murmur. A Coffee Break is announced and people mingle towards the doors. The business representatives relax, smile and continue to exchange business cards. The NGO representatives feel as if they are outsiders, as corporate members unite. After the coffee break, the UN will have to mediate the event and come to a compromise.

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19 Corp Watch, Letter Says Global Compact Threatens UN Integrity, 25 July 2000
20 Corp Watch, Letter Says Global Compact Threatens UN Integrity, 25 July 2000
21 CorpWatch, Letter to Kofi Annan on the Global Compact, 20 July 2000
DISCUSSION QUESTIONS

1. Do you think the idea of UN-corporate alliances is beneficial or detrimental to the work of the UN? Explain the pros and cons.
2. What kind of issues could complicate corporate partnerships with the UN?
3. Do you think there should be restrictions/requirements as to what corporation can work with the UN?
4. Do you think the Global Compact is effective without a monitoring framework?
5. Try and draw how a corporation might advertise/ “bluewash” its image to coincide with the mission of the UN?
6. Do you think any corporation should have the right to use the UN logo in advertising?
7. How could corporations be held accountable if they did break a principle within the Compact?
8. Do you think Transnational Corporations (TNCs) have a role or responsibility in helping underdeveloped nations?
9. Do you think international compacts/treaties are effective in influencing the practice and behavior of TNCs?
10. To what extent should the UN be involved in monitoring corporations?
11. Should the UN collaborate with TNCs in an effort to raise money and awareness about international issues such as poverty and malnutrition?
12. If Economic Development promotes human rights, do you see an UN-corporate alliance as justified?
13. How would you suggest the UN could encourage corporate responsibility without forming an UN-corporate compact?
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Letter to Jessica Mathews from the Corporate Europe Observatory, 10 October 2002
