

The Global Compact

Position Paper of the Friedrich Naumann Foundation

The Global Compact idea was first introduced by UN Secretary General Kofi Annan during the World Economic Forum in Davos in January 1999. It aims at providing incentives for multinational corporations to embrace and actively promote certain shared values and principles defined by the United Nations in the areas of labor standards, human rights, and environmental practices.

The Global Compact is based on the core principles of the Universal Declaration of Human Rights, the "Fundamental Principles on Rights at Work" stipulated by the International Labor Organization (ILO) as well as the ecological principles laid down in Agenda 21 at the Summit Meeting in Rio. It contains nine principles and is directed primarily to companies that do business on the global market:

Human Rights

The Secretary-General asked world business to:

Principle 1: Support and respect the protection of international human rights within their sphere of influence; and

Principle 2: Make sure their own corporations are not complicit in human rights abuses.

Labor

The Secretary-General asked world business to uphold:

Principle 3: 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: The elimination of discrimination in respect of employment and occupation.

Environment

The Secretary-General asked world business to:

Principle 7: 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 was *subdivided into very detailed individual demands* and will be very interesting for the foundation's work in other countries because it touches upon the core topics of "social policy," "open markets," and "principles of subsidiarity" and could jeopardize the entire market-economic and free-trade orientation of the Friedrich Naumann Foundation.

Voluntary Compliance

In principle, the Liberal viewpoint has nothing against voluntary compliance as long as it is indeed a *voluntary* compliance. Even in cases where politicians threaten to enact compulsory measures, voluntary compliance can at least serve to prevent even stricter state-controlled measures.

However, this does not seem to be the case with the recent international agreements and moral commitments *that were made under great political pressure and therefore are not entirely voluntary*.

If, as in this case, the initiative comes directly from the UN, one can hardly call it voluntary. The "self-compliance" is tied to *pre-defined standards that are very detailed and are no longer subject to debate*. The structure of the organization itself is semi-governmental – it is an established and UN funded office, not one financed by the participating corporations themselves.

The self-compliance proposed by international organizations is actually an extremely unstructured continuation of the "politics of consensus" that is, particularly in Germany and in the EU, constantly undermining the market order with its "horse-trading." It is giving rise to the establishment of a core monopoly of industry, politics, and politically dependent NGOs.

This process fits into the new ideological approach of the social democrats, the so-called New Center, which is not only pursued by the German government but constitutes a worldwide political trend. This approach purports to be "liberal" at first, claiming to give priority to "non-governmental" initiatives rather than leaving everything to the state to take care of.

However, this approach increasingly integrates the private sector into public policy. In reality, this is a covert way to centralize new areas that used to be genuinely private.

The UN did not necessarily break new ground with its Global Compact when it enters into structured partnerships with corporations and NGOs. There were already clear indications for such an initiative during the preparations for the climate summits in Rio and Kyoto, sometimes creating strange bedfellows of corporations and NGOs, as in the case of the Swiss corporation Schmidtheiny and the foundation that carries the same name.

The term partnership in action itself is misleading because the structures and guidelines for action are defined by one side – the UN itself. And the UN is subject to most diverse influences, including the NGOs that often have a very dubious authority base. More often than not, they are not really voluntary and independent associations but rather entities that are financed by public funds.

There is a general tendency on the part of the non-governmental organizations to join forces with the private sector. This applies not only to the UN but also to the OSCE and the NGOs in the Balkans where a kind of external government was introduced that is as absurd as it is subtle. The affected people might very soon suspect an "insidious imperialism," probably leading to new tension. At any rate, there is the danger that such an approach does not allow a healthy civil society to grow. Instead, this area is a playground for unworldly social technocrats who are assigned the poorest in the world to play with.

The Role of the United Nations

It arises the fundamental question as to the future role of the United Nations. The idea of a "world government" does not agree with the liberal viewpoint. *Regulations on a global level are particularly dangerous because they consistently exclude alternatives and hence competition. A "structured partnership in action" runs the risk of quickly becoming a semi-governmental structure. If we allow this level to make the rules, we must ensure that the channels of decision are transparent.*

When NGOs demand efficient measures for sanctions in case of non-compliance with standards, the "NG" mask has already dropped – what remains is the "G", as in "governmental." The problem lies in the

legally binding aspect. Standards are set in a fashion that does in no way correspond to the idea of constitutional and democratic decisions. Everyone, particularly in the "NGO scene" who feels a calling joins in the debate. This can indeed be useful in particular cases. However, compliance with the demands of the NGOs must remain voluntary. The United Nations, particularly their numerous subordinate organizations, wrap these demands in the cloak of legitimacy which they do not possess.

The UN itself is still lacking decisive power to enforce its "standards" and those of the NGOs, although this lack of power can be compensated to a certain degree when national governments collaborate. This applies in particular to the Federal Republic of Germany.

In the case of the Compact program the United Nations seem to try to make up for their lack of real power – lamented by many – by integrating corporations into their strategy.

It is in the UN's and the surrounding NGOs' interest to undermine "national sovereignty." Of course, the liberal perspective has no fundamental argument as to why this "national sovereignty" should be defended. On the other hand, we run the risk of creating supranational structures that are even further removed from the citizens and even more inclined to over-regulate. This is why the EU member states are debating whether they should use the principle of subsidiarity more and keep as many competencies as possible on the level of the individual country or even lower tiers of government.

A "supranational sovereignty" – particularly one in which public and private lobbying interests create a monopoly – should never be a substitute for "national sovereignty." *There is a conflict of values between the Global Compact and the high priority that the Friedrich Naumann Foundation assigns to the principle of subsidiarity.*

The Global Compact and the Developing Countries

The danger inherent in the Global Compact is that it might strive toward a subtle form of protectionism that favors the "big" companies in the industrialized nations and places the burden on the "small" ones in developing countries. Strict environmental and other standards are an important factor in the competition over industrial sites. They reduce the cost advantage enjoyed by companies that produce in developing countries. But the bigger problem seems to be the pressure placed on companies from developing countries themselves. Standards help multinational corporations keep competitors away from developed markets. De facto they are cooperating with NGOs who are campaigning against certain products. This would frustrate any autonomous development of the individual economies and increase the dependence upon some Global Players that is constantly criticized by the same NGOs.

What is "Sustainable Development"?

There is no common concept among the non-governmental organizations as to the measures and priorities that lead to a "sustainable development" in developing countries. The term "sustainable development", in itself meaningless and interpreted differently by every one, needs to be clearly defined. But since politics is rarely concerned with "common interests" of all participants in terms of a "sustainable development," this phrase is intended to be a pleasant disguise slogan. Attempts to search for a precise content will probably be in vain. We are talking about implementing interests to the detriment of others. *Do we really need a "common understanding" that goes beyond the canon of democracy and constitutionality?* The actors in the respective countries must be able to determine their future development themselves. This applies to the corresponding standards as well. Behind the desire for a "common understanding" lurks the specter of a "world government."

The Legitimacy of the NGOs

The liberal perspective does not consider the NGOs as legitimized – neither democratically nor in any other way. Of course, the NGOs have the right to represent their members' views and use whatever means to that purpose. But they have no more rights than the ordinary citizen – they are not allowed to interfere with property rights or to take a person's freedom (see globalization foes).

The problem is that the UN and certain governments (the German government among them) have helped to politicize the NGO scene. Most NGOs would not exist without politics. This is why they are constantly making demands (usually quite lucrative for themselves) from politics. The international institutions that are actually working toward more economic liberalization, such as the WTO, are therefore and characteristically enough the main targets of the NGOs' criticism.

Legitimate Topics of the Global Compact

The scope of legitimate topics for such a "compact" should be more restricted. *No one may commit violations against human rights in the limited, classical liberal sense. However, the Global Compact pursues broader goals that are usually of a social or environmental nature.* For instance, it demands "freedom of association," but in reality this actually means "labor union privileges," as becomes apparent in the demand, contained in the Global Compact, for paid vacations for labor union activities.

The positive effects of globalization and the increasingly broad access to world markets must not be foiled by establishing a rampantly growing network of regulations. *The cloak of morality must not obscure the fact that regulations have until now always helped the rich and handicapped those with less income. This applies especially to developing countries.*