Transnational Corporations and the UN Galaxy

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The changing character and increasing complexity of the *problematique*\(^2\) of the relationship between TNCs and nation-states has been reflected in the way the various entities of the UN galaxy have perceived and performed their mandate and faced emerging challenges during the past half-century. With respect to TNC-host country relations and particularly FDI and the related subject of corporate conduct, two competing institutional paradigms have persisted - one legalistic, the other moralistic. Followers of the legalistic approach have argued that, in order to be efficacious, rules of conduct and behavior must have legal teeth, i.e., courts, cops, and penalties. Moralists, on the other hand, have relied on less formal incentive structures, e.g., mutual benefit, good citizenship, corporate social responsibility, engagement, dialogue, and the learning process.

New York and Geneva have formed the axis for United Nations activities on TNCs, and UNCTC and UNCTAD in these cities have played pivotal roles. However, other UN agencies, scattered worldwide, have played their specific, and sometimes significant, roles. Each is part of the United Nations constellation that has contributed to knowledge and understanding about TNCs and FDI, and contemplating the relative merits of these alternative approaches, as they have discharged their respective duties. To fully comprehend the magnitude of the system’s role in enhancing this knowledge and understanding about TNCs, a brief review of these institutions is necessary. Within their particular natures and mandates, each has added value, and continues to contribute to a better appreciation of the subject. If a global compact, accord, convention, or rules of engagement to TNC activity are ever to emerge, it will most likely be a result of the confluence of these seemingly disparate efforts.

An exhaustive review and analysis of the two organizational focal points for matters dealing with TNCs and FDI – UNCTC and UNCTAD – have been done elsewhere\(^3\). The present essay surveys TNC-related work undertaken by other UN

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\(^2\) The term is short-hand for the bundle of complex issues which form the relationship between nation-states and TNC.

agencies. The International Labor Organization (ILO) has made significant contribution to the work on labor issues; over the last thirty years or more, its studies on “multinational enterprises and social policy” have led to a particularly noteworthy policy statement, the “Tripartite Declaration”, to be described later. The guardianship of intellectual property rights under the World intellectual Property Organization (WIPO) dates to the Paris Union of 1883 and the Berne Convention of 1886. Work of the World Health Organization (WHO) has dealt with topics such as the marketing of breast milk substitutes by TNCs and the convention on tobacco control. As its name implies, the United Nations Industrial Development Organization (UNIDO) has been particularly interested in the extent to which, and the ways in which, TNCs help promote the industrial restructuring of developing countries. Other UN entities which are part of this constellation are the United Nations Educational, Scientific and Cultural Organization (UNESCO); United Nations Environmental Program (UNEP); United Nations Development Programme (UNDP); United Nations Children’s Fund (UNICEF); and the three Bretton Woods institutions - the World Bank, International Monetary Fund and GATT, [later, the World Trade Organization (WTO)]. The last of these may yet be thrust onto center stage. The future of this constellation will be later examined in light of 21st century developments, the pressures of globalization, and the initiatives under way to, once again, “reform” and “restructure” the United Nations system. Each of these UN entities has left its own indelible mark, reflective of its mission and culture. Some have seen their relations vis-à-vis TNCs as a practical one; others have been driven more by advocacy. A glance at the agenda of each reveals continuity at the systemic level, as well as differences in approach, strategy and tactic between constituent parts, and some important changes over time.

There are some thirty UN agencies that interface with TNCs. Nearly a dozen of them have a more intense interest in TNC/FDI matters, thus forming what we will refer to as the United Nations galaxy. Each member of this system has, in some way or other, contributed to our understanding of the interaction between TNCs and the countries which are host to their activity. However, the exact nature of the relationship depends on three contextual parameters, the stakeholders, the issues and the time. By virtue of its mandate, each agency deals with a set of discrete issues each of which necessitate certain
stakeholders’ involvement. For example, pharmaceutical TNCs are more likely to have a stake in health initiatives designed and implemented by the World Health Organization (WHO) than, say, TNCs in the information and entertainment services which would be more likely to have a greater stake in policies that impact trans-border data flows and information services.

Time, the third element, impacts the relationship between TNCs and host countries and the role each UN agency plays; the players, the issues, the agenda, and the overall tone and tenor change with time. In addition, the inter-organizational dynamics, that is, the interface between and among these members, and their common interests around the common cause has a potential impact on policies that may emerge from each agency. The constellation of UN agencies with a stake in the subject of TNCs and FDI is illustrated in Figure 1.

This paper identifies the key members of this galaxy – setting aside the UNCTC-UNCTAD component - and reviews their respective roles, with emphasis on the International Labor Organization (ILO), the World Health Organization (WHO), and the World Intellectual Property Organization (WIPO). After a more cursory look at others in this constellation, we will end with an analysis of the UN Global Compact, an initiative launched by Kofi Annan in 1999 designed to bring together TNCs and other organizations to follow some minimum set of voluntary behavioral standards rooted in the very existence of the UN spirit and anchored in its many declarations, resolutions, and mandates, most notably the Millennium Development Goals, which have come to serve as an anchor for all parts of the UN galaxy. See Annex table for MDGs.

The International Labor Organization

The International Labor Organization (ILO) was established in 1919, the same year as the Paris Peace Conference and the Versailles Treaty that ended World War I, and two years after the October Revolution in Russia. When the United Nations was created in 1946, the ILO became its first specialized agency. Through its unique tripartite

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4 The structure and functions of the organization were laid out in its Constitution which was drafted by a Committee comprised of representatives from Belgium, Cuba, Czechoslovakia, France, Italy, Japan, Poland, the United Kingdom and the United States, under the chairmanship of Samuel Gompers, head of the American Federation of Labor (AFL). See www.ilo.org.
structure of governments, workers and employers, the organization seeks to promote social justice and internationally recognized human and labor rights insofar as they relate to commercial transactions between employers and employees. The ILO Charter states that universal peace can be achieved only if based on social justice, and labor conditions characterized by “injustice, hardship and privation to large numbers of people” could produce “unrest so great that the peace and harmony of the world are imperiled”. Indeed, in the opinion of Kari Tapiola, one of ILO’s four executive directors under Director-General Juan Somavia, the creation of the ILO arose from the social injustices and tensions in the workplace had fuelled “conflict, revolt, revolution and war”.

By 1939, the ILO had already covered issues regarding hours of work, employees’ minimum age, workers’ compensation, workplace safety, insurance, and abolition of forced labor in some 67 separate Conventions. The original declaration had already established that:

- Labor is not a commodity;
- Freedom of expression and association are essential to sustained progress;
- Poverty anywhere constitutes a danger to prosperity everywhere; and
- The war against want requires national effort, supported by concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments.

These principles were reaffirmed in the 1944 Declaration of Philadelphia (see Box 1) on May 10, 1944, the details of which are set out in Box I. The Declaration laid the groundwork for the incorporation of the ILO into the newly-born United Nations system. Franklin Roosevelt, then US Secretary of Labor headed the US delegation to the convention, which reaffirmed the initial 1919 mandate. The Declaration was a potent expression of the conviction that labor rights were high on the agenda of this international organization, and that “the failure of any nation to adopt humane conditions of labor was an obstacle in the way of other nations which desire to improve the conditions in their own countries”.

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5 The author interviewed Kari Tapiola, the executive director of ILO’s Standards and Fundamental Principles and Rights at Work in 2003 at the organization’s headquarters in Geneva.
The Communist slogan “workers of the world, unite!” may have remained unfulfilled by the creation of ILO, but the philosophy underscoring it undoubtedly gave impetus to the cause that the organization was to champion. At least that is how the Soviet bloc viewed the organization’s mission. After all, it was the only major international organization in which “workers” which Communism saw as its natural ally, were directly represented on equal footing with firms and governments.

This organization formulates international labor standards in the form of Conventions and Recommendations, setting minimum standards for basic labor rights, including the right to organize, collective bargaining, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work-related issues. The ILO also provides technical assistance in vocational training and vocational rehabilitation, employment policy, labor administration, labor law and industrial relations, management development, cooperatives, social security, and labor statistics and occupational health and safety. It’s Director-General in 2006, Juan Somavia (see Chapter 4 on UNCTC) believes that its tripartite structure, unique among UN agencies, has workers and employers participating as equal partners with governments.  

Box 8.1: The Philadelphia Declaration

The Philadelphia Conference on May 10, 1944 made it the solemn obligation of the International Labor Organization to further among world nations, programs which will achieve:

- (a) full employment and the raising of standards of living;
- (b) the employment of workers in the occupations in which they can have the satisfaction of giving the fullest measure of their skill and attainments and make their greatest contribution to the common well-being;
- (c) the provision, as a means to the attainment of this end and under adequate guarantees for all concerned, of facilities for training and the transfer of labour, including migration for employment and settlement;

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• (d) policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection;
• (e) the effective recognition of the right of collective bargaining, the cooperation of management and labour in the continuous improvement of productive efficiency, and the collaboration of workers and employers in the preparation and application of social and economic measures;
• (f) the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;
• (g) adequate protection for the life and health of workers in all occupations;
• (h) provision for child welfare and maternity protection;
• (i) the provision of adequate nutrition, housing and facilities for recreation and culture;
• (j) the assurance of equality of educational and vocational opportunity.

Source: www.ILO.org

Whether indeed harmony has always been the order of the day is an open question. Even if that is the case in early 21st century, it was not always so. A former Director-General Francois Blanchard recalls the tough 1970s, marred by “the oil crisis, unemployment going up sharply in Western countries, and poverty spreading everywhere in the world”, as the context within with the organization was attempting to arrive at its own “very heated discussion in the International Labor Conference and also in the governing body of the ILO on topics ranging from conditions of work, of course freedom of association, but mainly poverty and unemployment”. It was in this context that the problem of Multinational Corporation was brought up, especially at the insistence of the trade union federation, according to Blanchard. He elaborated further:

In the governing body we have a group of 14 workers representative of major trade unions in the world who became very vocal about the conduct, so to say, of multinational corporation—a notion, a concept which emerged very sharply and dramatically from this economic context, namely the fear expressed on all sides about the future and about the problems of the working people. The discussion started in the ILO in extremely difficult circumstances because the employers group was extremely reluctant to enter this debate the workers groups were pushing hard and governments extremely were divided. The USSR came back into the ILO in 1954. And the USSR and its allies were trying to use the ILO as a platform”.

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The organization had witnessed much tumult during its early years - in the interwar period that E. H. Carr called the “twenty year crisis”. As the ILO was being born, the world was recovering from war, soon to slide into protectionism and depression, only to be thrust again into a second world war. After World War II ended, the ILO became caught in the middle of the East-West rivalry. Its tripartite structure consisting of governments, employers, and labor, became both its strength and its weakness. Because Soviet bloc countries made little distinction between government and labor representatives, since all means of production was government-controlled, it was difficult to distinguish between the two stakeholders. This became an added complication for the organization.

On its fiftieth anniversary in 1969, ILO received the Nobel Peace Prize. In 1977, the United States created a minor crisis by withdrawing its membership and financial support. The US was not pleased with what it considered left-leaning propensities, and the fear, real or imagined, of Soviet infiltration into the organization’s ranks. It returned to the fold in 1980, during Ronald Reagan’s first year as President.

As the activities of TNCs and FDI grew, so the ILO also began to take interest in their implications for labor and human resource development. However, it was not until the 1970s, when the organization went into high gear. At its 1971 General Conference, the ILO adopted a resolution on the “Social Problems Raised by Multinational Undertakings”, which, \textit{inter alia}, set out a program of work, including studies, conferences and consultations involved its three constituent groups. At the same time, organized labor in the United States and Western Europe also began to expand beyond national confines. Trade unions such as the US-based United Auto Workers (UAW) and its Canadian and European affiliates set out to improve workers’ conditions by collectively striving to harmonize labor practices. Under the auspices of

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7 See E. H. Carr, \textit{The Twenty Year Crisis} (???)

8 This however, was far from being unique. More often than not, the United Nations is staffed by government-appointed people, dressed as trade union members, journalist and other outwardly “private” citizens. In June 2006, ILO encountered a similar situation when the Islamic Government of Iran sent a government employee disguised as the labor representative to the ILO.
trade unions, numerous meeting were held with TNCs such as Philips, General Electric, Shell, Nestle, and Grace.  

At its 185th Session in Geneva, February-March 1972, the ILO Governing Body decided to convene a meeting on the subject of TNCs and social policy. A group of 24 experts drawn from governments, employers, and workers’ groups attended this meeting in Geneva in October and November of that year. In a brief series of seven conclusions, the group recommended that more data be collected and more studies be conducted on the subject. In its penultimate paragraph, the experts requested the Governing Body to instruct the ILO Director-General to undertake “a study of the usefulness of international principles and guidelines in the field of social policy relating to the activities of multinational enterprises, and the elements and implications”…. It added that if this study were to prove that they were feasible and useful, the Governing Body should initiate action to establish them.  

It is interesting to note that the ILO expert group’s reference to “principles” and “guidelines” and the tone of its recommendations stands in sharp contrast to those of the Group of Eminent Persons that were to come two years later. The ILO was content with voluntary guidelines in the hope that they would subsequently take the form of law as member countries ratified and adopted them, the ILO route to the regulatory approach.  

While ECOSOC and UNCTAD were perhaps most heavily involved members of the UN galaxy, as noted in Chapters Four and Five, the ILO was making its own contribution to capacity-building, knowledge-creation and policy with respect to TNCs or, in ILO parlance, multinational enterprises – MNEs - and FDI. Its work included a number of studies which started in the late 1960s and continued into the 21st century. Abebe Abate, an ILO officer who was involved in the early work related to the topic,
related\textsuperscript{12} that, even before the General Assembly resolution led to the creation of the UN Centre, the ILO’s International Institute for Labor Studies had carried out a number of studies on industrial relations and TNCs, which led to subsequent ILO work.

Once the UNCTC was established, the ILO constituents, the organization itself and particularly its Governing Body, came to believe that the ILO should deal with the labor and social aspects of TNC activities.\textsuperscript{13} The interest in the ILO work was as keen from workers as it was from governments, especially developing country governments. Employers were more ambivalent, but were involved nonetheless. Although the Soviet bloc countries were present during these discussions, there was much more interest from the G-77 countries because they believed that their political independence was being undermined by their strong economic dependence on former colonizers and their allies. Consequently, these countries viewed TNCs with a degree of suspicion, as if they were surrogates for the erstwhile colonial masters. As Abate, Blanchard and other ILO staff saw it, this was the crux of the problem in the 1970s. The sentiment was subtle but was nonetheless there.

Between 1969 and 1974, the ILO conducted a number of studies, established working groups, and held meetings of experts on the subject of multinational enterprises\textsuperscript{14}. These studies convinced the staff that something had to be done to contain the "negative" influence that MNCs were having on governments and the economy of developing countries. As a result of these studies and formal and informal discussions

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\textsuperscript{12} Interview with the author, Geneva, in 2002.
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\textsuperscript{13} A parallel can be drawn between these structural dynamics and those at the UN’s Centre for Development Planning, Projections and Policies (CDPPP) within the Department of Economic and Social Affairs (DESA). The CDPPP had, similarly, engaged in background research which, in turn, laid the foundation for much that followed in the GEP and the Commission on TNCs and the UNCTC.
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\textsuperscript{14} The definition of the subject under study and its terminology became a point of discussion. The term “multinationals” was considered more appropriate than other alternatives. The whole discussion of terminology was according to Abate, a matter of considerable debate. Various members of the ILO tripartite working groups believed that when a corporation operated in a country other than its own, it was subject to the laws of that country. Therefore, because “transnational” might connote an overreaching influence in areas other than business, it was an inaccurate term. Because a corporation operated in several countries, it had more than one nationality and therefore “multinational” was more appropriate. Similar considerations went into choosing “corporation” over “enterprise”. Trade union representatives thought the term “enterprise” had fewer negative connotations than “corporation”. In retrospect, this discussion of terminology may appear arcane yet it reveals the differences in perspective among the stakeholders at this time.
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among interested parties, a consensus emerged to have a “voluntary code” that could be enforced and monitored and to propose a “declaration” addressed to employers, including TNCs, governments, and workers’ organizations.

Thus was born the Tripartite Declaration. Early contributors to the development of ideas included François Blanchard, a French scholar-diplomat who had worked at various international organizations before taking the leadership position in ILO in the later 960s. He had strong ideas about labor relations and the role of employment in economic development.

Early ILO studies, all within the context of “multinational enterprises”, focused on “wages and working conditions” and their impact on “employment and training” (1976); “social and labor practices in the Petroleum industry” (1977); “employment effects in developing countries” (1981); “technology choice and employment generation in developing countries” and “safety and health practices” (1984); “women workers in developing countries” (1985); and “multinationals and employment: the global economy of the 1990s” (1993).

Examples of later work related to multinational enterprises include those under the “Multinational Enterprise Programme Working Paper Series” on subjects such as “technological and regulatory changes affecting multinational enterprises in telecommunications”; “export processing zones in the Philippines”; “export processing zones in Bangladesh”; and “multinational enterprises in the courier service industry.”

Some periods have seen a flurry of publications; at other times they have been scant. On the policy front, by contrast, the ILO has made steady progress, coming face-to-face with adversarial and controversial issues such as child labor and right to work. Consistent with the ILO’s overall mission, each study adds knowledge about TNC practices and their effects on employment. Whereas a superficial similarity can be noticed between these studies and similar ones undertaken by UNCTC/UNCTAD, OECD or the World Bank, the ILO focus has, naturally, always been on labor.

15 As of mid-2006, the 1997 “Multinational Enterprises in the Courier Service Industry” by S.C. Wisniewski was the last of over 80 studies in the series.

16 See “Survey on the principles concerning MNEs and social policy” [ILO GB 280/MNE/1/1 -280th session.}
The ILO’s first major policy publication, which led to the formulation of the Tripartite Declaration, came in the form of a 1973 study, *Multinational Enterprise and Social Policy*. This was to the ILO what the 1973 background report for the Group of Eminent Persons, *Multinational Corporations in World Development* was to ECOSOC in New York. As noted in Chapter Four, the latter laid the foundations for the United Nations organizational architecture related to TNCs. Similarly, most, if not all, subsequent work on TNCs within ILO can be traced to this 1973 report on the impact of TNCs on workers.

In a style resembling its ECOSOC counterpart, this ILO report drew upon submissions by governments and labor, its own in-house expertise, and upon scholarly work. For example, pioneering studies of labor and employment-related aspects of MNEs had been done in the US by Raymond Vernon and his colleagues and students at Harvard, and by other US scholars including Jack Behrman, Robert Hawkins, Duane Kujawa, and Stephen Magee; and, in Europe by John Dunning, W. B. Reddaway, Danny van den Bulcke, and Sidney Rolfe among others. These studies had generally concluded that the international expansion of TNCs, partly driven by differential labor costs around the world, had had a positive impact on employment in both home and host countries although different sectors were affected differently.

The ILO report examined the nature and growth of TNCs, their geographic and industrial concentration, their impact on labor and employment, types of headquarters-subsidiary arrangements, technology transfer, and the structure of trade. It attributed the “emotional responses” that TNCs had evoked “in all areas it has touched – political, fiscal, economic and, not least, social” to the complexity of the relationship.[p. 24] It emphasized both mutuality and conflict of interests between firms and nation-states. The report was succinct and even-handed, devoid of the rhetoric that had spilled into some of the earlier debates.

The report devoted a chapter to the effect of TNCs on manpower in both home and host countries. It concluded that, in the absence of detailed and rigorous case studies,

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17 Three studies by the ILO between 1961 and 1963 had shown labor costs to be minimally important as a factor to invest abroad. See ILO, *Multinational Enterprises and Social Policy* (Geneva: International Labour Office, 1973), pp. 73-4.
the only warranted generalization was that TNCs could be exemplars of enlightened and effective management in their labor relations and employment development programs in developing countries. The employer-employee relationship, if based on fairness and reciprocal respect, could benefit both the firm and the host country. [p. 62] The report dealt with work conditions and their international harmonization and the impact of cultural differences on them, and on wage parity, welfare facilities, and living conditions. The articulation of fair international labor standards was a persistent theme of the report and became enshrined a quarter century later in the 1998 Declaration on Fundamental Principles and Rights at Work, which updated the original declaration, and placed particular emphasis on the abolition of child labor, to be discussed later.

The original 1973 study concluded that more work was needed on how TNCs impacted on working conditions and how industrial relations might function in a multinational context. Appended to the report was a 60-page summary by the expert group on the relationship between TNCs and social policy, its composition, and its recommendations. Earlier, the expert group had consisted of eight representatives from each of the three pillars of the ILO, employers, employees, and governments. Observers from UN agencies, other international organizations, and employee and employer organizations also participated. 18

**The Tripartite Declaration**

After a multitude of background studies and months of discussion, in November 1977 and negotiations, in November 1977, the governing body of the ILO adopted a statement of principles on TNCs and labor-related issues. The declaration was unique in

18 These observers included those from UNCTAD, FAO, Economic Commission for Europe (ECE), OECD, International Confederation of Executive Staffs (ICES), International Confederation of Free Trade Unions (ICFTU), World Confederation of Labour (WCL), World Federation of Trade Unions (WFTU), International Federation of Commercial, Clerical and Technical Employees (IFCCTE), International Federation of Petroleum and Chemical Workers (IFPCW), and International Organization of Employers (IOE). TNCs, as employers, were sometimes seen as reluctant partners. Francis Blanchard, former ILO Director-General said in a 2002 interview with the author: “To be absolutely blunt, I think they [MNEs] didn’t want to get close to the ILO for fear of being summoned … to correct their [social] distortions they introduce through their labor practices”. Personal interview, 2002.
having been blessed by it three groups of stakeholders – governments, employers and employees. From this tripartite vantage point, the ILO had been concerned with certain social issues related to TNCs for many years. Noting efforts underway within the UNCTC and OECD, it established a series of guidelines for its three stakeholders. This “Tripartite Declaration”,19 noted the “substantial benefits” to home and host countries that result from the activities of TNCs, through FDI and other means. Its aim was to encourage positive contributions TNCs can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise, taking into account the United Nations resolutions advocating the Establishment of a New International Economic order. This last phrase, while giving expression to the sentiments of developing countries, incurred the wrath of Western governments by linking the document to the divisive and confrontational concept of the NIEO. The Declaration also addressed other specific and relatively non-controversial matters pertaining to labor relations, including employment promotion, equality of opportunity and treatment, employment security, training, safety and health, industrial relations, freedom of association and the right to organize, collective bargaining, consultation, examination of grievances, and settlement of disputes. Each statement was grounded in one (or more) previous ILO conventions or recommendations, thus giving the instrument further legal legitimacy. Even if this Declaration was not used by governments to create its national laws on labor matters, at the very least, it served as an educational tool.

The administration and implementation of the Declaration proved to be a more difficult task as the organization became caught in political tensions that arose from East-West rivalry. The ILO began developing a series of training programs around its basic principles. More significantly, some provisions of the Declaration did indeed find their way into the national legislation of various countries, albeit in varying degrees. Meanwhile, the organization continued the task of fine-tuning labor standards, through capacity-building, dialogue and research. As with similar initiatives, the Declaration took

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19 At over 4300 words, this was a rather lengthy document, signifying the importance the organization attached to the matter.
on a life of its own. A review process was initiated to monitor adherence and to report on progress to the ILO governing body.

**The 1998 ILO Declaration on Fundamental Principles and Rights at Work**

Some two decades after the initial Declaration, the ILO governing body as well as its leadership under Juan Somavia concluded that changed global labor relations required a revisiting. Worsening conditions of work caused by outsourcing, lay-offs, and footloose industries demanded a commensurate response on behalf of labor. Thus, in 1998, the Declaration on Fundamental Principles and Rights at Work (Rights at Work) were adopted as an update to the original 1976 Declaration. It reaffirmed the rights of workers to collective bargaining and free association, but put the spotlight on the abolition of child labor and of employment discrimination. Seeing the cloud of protectionism hanging over the global economy and the stalled multilateral trade negotiations, it also cautioned states against the use of labor standards as a pretense to engage in protectionist policies.

The Rights to Work declaration was a commitment by governments, employers and workers’ organizations to uphold basic human rights of freedom of association and the right to collective bargaining; the elimination of forced and compulsory labor; the abolition of child labor; and the elimination of discrimination in the workplace.

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**Box 1. The 1998 ILO Declaration on Fundamental Principles and Rights at Work**

1. Freedom of Association and Protection of the Right to Organize
2. Right to Organize and Collective Bargaining
3. Forced Labor
4. Abolition of Forced Labor
5. Discrimination (Employment and Occupation)
6. Equal Remuneration
7. Minimum Wage
8. Worst Forms of Child Labor

Source: ILO.org
Since 1998, the ILO has sought to put these ideas into action by maintaining an active interest in areas of extensive TNC involvement, particularly where this involvement might give rise to conflicts between management and labor. It conducts training for all three stakeholders, but more often to developing countries seeking advice on labor-related matters. It also dispatches missions to mediate labor-related disputes or complaints. Mission reports are submitted after the conclusion of an official visit, but, due to the sensitivity of the parties to any negative publicity or repercussions, reports on such meetings are usually confidential. Nevertheless, this type of hands-on activity demonstrates areas where theory and policy meet.

Between its establishment in 1919 and 2006, the ILO had adopted nearly 200 separate conventions, covering the entire spectrum of labor relations, which are collectively called “core labor standards”. The organization has been more frequently embroiled in controversy than UNCTAD not only because of its views on labor-related issues but, more importantly because many of these conventions lead to regulatory action at the national level. It was thrust in the midst of a crisis in Myanmar in 2001 when it took on the issue of child labor - the 8th Convention of the 1998 Declaration. A year earlier, two Myanmar workers, Aye Myint and Su Su Nwe, had lodged complaints of forced labor with the ILO and the Myanmar government. The ILO field officers pursued the matter even though they received death threats. Enraged, the government threatened to withdraw from the ILO. ILO leaders were angry, and its Governing Body expressed “grave concern” and “firmly rejected” what it viewed as “attempts to influence the ILO’s position through various forms of pressure and intimidation”. After negotiations involving Myanmar’s UN ambassador in Geneva and an ILO mission to the country in 2006, the Myanmar government decided to cooperate rather than to withdraw. However, the situation was unchanged, and the matter was placed on the agenda of the International Labour Conference at its annual general assembly in June of that year. Thus, some five years after the aggrieved workers had filed their complaints, the ILO continues to exercise its soft power on their behalf. In his 2006 report to the ILO Governing Body 20

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written before the Conference, Director-General Somavia acknowledged that the only way there could be progress on this matter was through the cooperation of the government of Myanmar. His statement confirmed the supremacy of the nation-state vis-à-vis the international organization.

The ILO has also been involved in other complaints filed under article 26 of its Constitution. One was its 2004 investigation into whether the government of Belarus had violated the ILO convention of 1948 on freedom of association and protection of the right to organize as well as the 1949 collective bargaining convention. The ILO Governing Body expressed concern that Belarus not only had not cooperated; but that the country was on a path toward the elimination of all remnants of an independent trade union movement. The ILO initiated an investigation of similar complaints filed against Venezuela that charged it with violating the same conventions on freedom of association and collective bargaining.\(^{21}\)

The Myanmar case and others illustrates the extent to which a voluntary international organization can project its limited “soft power” vis-à-vis nation-states, a power itself that emanates from this tripartite group of stakeholders. The government, as part of this group, ideally can be a balancing force by virtue of its representing all citizens. Moral suasion, awareness, and education among stakeholders may be the most that can be expected.

In summary, while the Tripartite Declaration has proved its staying power, it has also been tempered in accordance with changing times. The governing body issued a revised version of the Declaration in 2000, widening the social content of the original document to take account of the changes in the global economy and the added emphasis on social responsibility issues. In 2004 a Committee was established to oversee the implementation of the Declaration. The Organization has also spearheaded other proactive initiatives under Somavia, including the establishment in 2002 of a World Commission on the Social Dimensions of Globalization. To be sure, the organization has

\(^{21}\) Ibid
had to navigate a delicate path, not an easy task given the tripartite structure of eh organization and the diversity within each of the three groups. Jill Murray, one of these critics of TNCs, worked within the ILO system at ACTRAV - the Bureau of Workers’ Activities. She observed:

In an important decision in 1988, the Committee on MNE clarified the "balance" which the Declaration seeks to strike between the interests of MNEs and member states. …….. To take the view that the minimizing negative social repercussions per se fulfils the overall purpose of the Declaration is therefore not correct…..Such action must also … contribute to economic and social progress.

Murray concluded that the ILO Declaration cannot be used to redress misuse of MNE power, even when such power is used in breach of the Declaration itself. Nevertheless, in 1998, the Governing Body produced a major follow-up initiative, discussed above, namely the Declaration on Fundamental Principles and Rights at Work, demonstrating both the persistence as well as the resilience of the ideas first articulated in 1977.

Director-General Juan Somavia has summed up the contributions of the ILO this way:

In many respects, the whole ILO convention system on workers’ rights, which is negotiated here because we have legislative capacity, … is adhered to on a voluntary basis because you have to ratify a convention for it to become a commitment—it is a mixture of international decision-making plus national decision-making, … [and it] has been very successful because it is the basis of most labor legislation in the world.\(^\text{22}\)

On the structure of the ILO, Somavia believes:

The strength of the ILO structure [lies in the fact that] the people sitting in the governing body for the employers represent the international organizations of employers, which … [are] active in [more than] 130 … countries…. And the fourteen workers, most of them come from the International Confederation of Free Trade Unions (ICFTU), and the World Confederation of Labor, who represent in total about 220 million organized workers throughout the world. So these are real democratic structures in terms of the fact that the people who get here are elected by their peers. (Somavia interview with Tom Weiss, 2001, P. 65)

Such is also the case with the Global Compact, the UN Secretary-General Kofi Annan’s initiative to cajole TNCS into good corporate citizenship, discussed more fully later in this chapter. However, first, we examine the legislative approach taken under the World Health Organization to curb tobacco use, advertising and trade. It is an example of an alternative approach to the ILO Tripartite Declaration, relying more on national legislation than soft power, taking a regulatory rather than a normative approach.

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\(^{22}\) Source: Somavia interview with Tom Weiss, p. 60.
The World Health Organization (WHO)

As the global guardian of public health, the World Health Organization has wrestled with TNC issues on a number of occasions. This specialized UN agency, established in 1948 to promote health, especially in developing countries, has challenged the marketing practices of manufacturers of breast milk substitutes, thereby bringing about changes in how TNCs market their products to poor rural inhabitants of Third World countries. On medical matters, it has called to task the world’s pharmaceutical giants by drafting codes of conduct. On another global health matter - smoking - it has focused attention on tobacco companies. Although there are other examples of the interface between WHO and TNCs, these three deserve particular attention.

The Framework Convention on Tobacco Control

It has been long recognized that tobacco smoking is a serious health hazard. The thousands of deaths associated with tobacco-related illnesses and staggering health care costs demonstrate tobacco’s deleterious health effects in unequivocal terms. Extensive research by the US National Institutes of Health, the World Health Organization, and court rulings in several countries, provides further confirmation. The history of efforts to control tobacco consumption and the advertising, production, manufacture and trade in tobacco, is lengthy and amply documented.23

The hundreds of millions of individual smokers constitute the main stakeholders. Next are the producers, manufacturers and traders of tobacco. As guardians of public health, national governments and international agencies must also be included as stakeholders, as their mandates are to protect the health and welfare of their constituents. The latter organizations include the United Nations, through its specialized agency, the WHO. Ancillary groups – consumer associations, civil society organizations and other interest groups - are active at the margin. Each of these groups then, in one way or another, have a stake in the outcome of the tobacco initiatives, be this the livelihood of tobacco producers and their workers, governments that bear the costs of health care and

forgo tax revenues lost when consumption declines, and tobacco users, whose health (and choice) may be at risk.

Although the harmful effects of tobacco have long been known\textsuperscript{24}, the attack on the tobacco industry began in earnest when individuals and groups brought suit against US tobacco companies in American state and federal courts, seeking reimbursement for health care expenditures incurred to treat their citizens’ tobacco-related diseases. In 1985, a subcommittee of the US House Committee on Energy and Commerce, held hearings on the harmful health effects of tobacco. Ten years later, Dr. Jeffrey Wigand, who had worked for the multinational tobacco manufacturer and distributor, Brown and Williamson, became a celebrated whistle-blower when he revealed that tobacco companies had, over the years, withheld information from the public, and had “spiked” their products to render them more addictive, and incidentally, carcinogenic.\textsuperscript{25}

Over the following decade, other states, groups, and individuals brought suit. As defendants, tobacco companies lost many battles, succeeded in a few, and had some cases against them dismissed.\textsuperscript{26} Private and public agencies like Blue Cross/Blue Shield, the Food and Drug Administration, and the Federal Trade Commission each instituted litigation. This protracted tug of war between the tobacco companies and their opponents continued with mixed effects. Some companies like Liggett declared bankruptcy; some diversified; some further internationalized; and others developed aggressive and combative counterstrategies.\textsuperscript{27}

In 1997 tobacco manufacturers and a group of state attorneys-general in the United States reached a nationwide settlement of all claims - the Tobacco Resolution. It contained some of the same elements that ultimately found their way into the master

\textsuperscript{24} As early as 1964, a US Surgeon-General’s report stated unequivocally that smoking causes cancer. See Buckley (2004).

\textsuperscript{25} Dr. Wigand later became the subject of The Insider, a movie based on his campaign against tobacco companies where he had worked as a scientist for many years. His personal web site http://www.jeffreywigand.com/insider/vanityfair.html chronicles his campaign, including testimony before the US Congress and WHO’s World Health Assembly. See also Brenner (1995).

\textsuperscript{26} See Sagafi-nejad (2005)

\textsuperscript{27} It was reported that a tobacco TNC had placed advertisements on health benefits of smoking in some countries, arguing that, by lowering life expectancy, smoking would save treasuries money that they would otherwise spend on elder care. This story was reported to the author about Poland. SOURCE?
settlement, namely consent by tobacco companies to refrain from certain behavior deemed harmful to citizens’ health, including advertising. A year later, a Master Settlement Agreement was reached between forty-six states, the District of Columbia, and Puerto Rico and major tobacco companies, including Philip Morris, R. J. Reynolds Tobacco Co., Brown & Williamson Tobacco Corp., and Lorillard Tobacco Co. in which the companies agreed to pay $246 billion over the ensuing 25 years in exchange for liability releases on past and future damages. Tobacco manufacturers unsuccessfully challenged the constitutionality of the Master Settlement, but the US Supreme Court affirmed its legality in 2002.

It was not long before the issues raised by litigations in the US percolated into the international arena. In 2000, following the recommendations of a United Nations inter-agency task force, the World Health Organization took up the challenge of investigating and publicizing the harmful effects of tobacco at the global level. The Organization’s objective was to seek a global solution to a worldwide health hazard. Armed with its own studies and those of numerous medical researchers around the world, the WHO warned smokers, governments, and tobacco companies that smoking had become “the single biggest preventable cause of death”. It estimated that in 2003, there were 1.3 billion smokers worldwide, half of whom were expected to die prematurely of a tobacco-related disease.28

Efforts by the WHO to develop global rules to curb the advertising, promotion and sales and smuggling of tobacco products soon bore fruit. In May 2003 the Framework Convention on Tobacco Control (FCTC) was unanimously adopted during the 56th World Health Assembly in Geneva by the WHO member nations. It was the first international legal instrument negotiated under the auspices of the WHO, aimed at curbing the global spread of tobacco products. By the June 29, 2004 ratification deadline, 88% of the member nations had become signatories to the Convention. Of these, thirty became “parties” to the treaty by virtue the subsequent steps of ratification, acceptance, approval, formal confirmation, or accession.29

29 The United States objected to certain of its provisions, and did not endorse the draft until May 10, 2004. See WHO, “Updated status of the WHO Framework Convention on Tobacco Control”,
The tobacco industry was united in its opposition to the WHO initiative. When the 191 nations of the WHO began negotiations in 2000 on FCTC, the world’s seven largest global tobacco companies, including Philip Morris and Japan Tobacco\(^30\) were attempting to preemptively develop a voluntary pact. However, this pact was superseded by what transpired under the World Health Organization. The industry association’s web site\(^31\) did not explicitly refer to the WHO or the FCTC. Instead, it focused on tax revenues collected by governments from sales of tobacco products. The tobacco companies’ response to the FCTC was a resilient and positive one comprised a complex mixture of strategies, akin to their post-Master Settlement behavior. These companies showed considerable resilience in the face of these hostile political and social environments by employing various strategies that have resulted in an industry performance on a par with, or better than, the manufacturing industry as a whole.\(^32\) One such strategy was product diversification. Several tobacco manufactures diversified into food and other products. Another was expansion through global acquisitions – particularly in Central and Eastern Europe and China.\(^33\)

Philip Morris, the largest, pursued a twin strategy of product and geographic diversification, aggressively diversifying its product portfolio by acquiring food, beverage, and other companies while also restructuring into Philip Morris International and Philip Morris USA to more effectively expand in the global market.\(^34\) However, even

\(^{30}\) Philip Morris and Japan Tobacco had a combined market share of 40.5% of the international cigarette market; this estimate was made by the Wall Street firm of Solomon Smith Barney as reported by Branch (2001).

\(^{31}\) See WWW.the-tma.org.uk

\(^{32}\) According to services which monitor company performance, including Hoover, Moody’s, Dunn & Bradstreet, RMA, and Mergent, the performance of the “tobacco and beverages” industry – using return on assets, operating profit margin or other performance criteria - have often been above industry norm. See Jones (1997).

\(^{33}\) Philip Morris into Hungary, Russia, Czech Republic, Lithuania, Ukraine, Kazakhstan, China, Poland, Portugal and Mexico; British American Tobacco into Hungary, USA, Uzbekistan, Russia, Poland, Cambodia, Mexico, and Turkey; and RJ Reynolds into Russia, Ukraine, Kazakhstan, Azerbaijan, Turkey, Poland, Hungary, Tanzania, Finland and Romania. See Jones (1997), Joossens and Ritthiphakde (2000).

\(^{34}\) See www.PM.com
as it diversified its product profile away from tobacco, the company expressed its agreement with some FCTC objectives. In its own words:

Among the areas where we share common ground with the WHO are the prevention of youth smoking; reasonable restrictions on marketing; efforts to continue to inform the public about the health consequences of smoking and the benefits of quitting; regulation of the content of tobacco products; package labeling requirements; reduction and elimination of cigarette smuggling; and reasonable restrictions on smoking in public places.\(^{35}\)

Other major players have pursued similar strategies,\(^{36}\) although R.J. Reynolds Tobacco Company (not to be confused with R. J. Reynolds, Inc.) was silent with respect to the FCTC. Others including BAT and Japan Tobacco faced the Convention head-on. Japan Tobacco, which traces its heritage to 1898, was reconstituted after its purchase of R. J. Reynolds, Inc. in 1999. As manufacturer of three of the world’s most recognizable brands - Camel, Salem, and Winston – in 2004, Japan Tobacco controlled three-quarters of the Japanese tobacco market.\(^{37}\) The company testified and provided other documentation to challenge the premises of the FCTC:

We represent not only our 45,000 employees worldwide, but also millions of people who depend on us for their livelihoods – tobacco growers, suppliers, and retailers…. While we are willing to cooperate and work with the WHO, the principle of "proportionality" demands that the impact of a proposed regulation needs to be proportional to its expected benefit. The FCTC fails to meet this key test.\(^{38}\)

BAT echoed many of the sentiments expressed repeatedly by others in the industry:

As the producers of a legal product we assert the right to communicate with adult consumers and also the right to participate in international trade. We take issue with the notion that the world in the 21st century is faced with a tobacco “epidemic” that is “spreading across national borders”… that international tobacco companies are … “spreading the epidemic” and that advertising is claimed to be the “tool” to do so…. [T]obacco use was widespread in all countries in the world for centuries, well before the advent of either international tobacco companies or mass market advertising.

We have always recognised the right of governments to regulate tobacco products at a national level…. We believe that it is our right to participate in the regulatory process, and we are concerned about efforts to preclude our participation or to undermine our legally protected fundamental rights. …. If there is to be a convention, it should for the majority of issues be limited to non-binding guidelines for national governments.

\(^{35}\) See WWW.PMFCTC.com/ Retrieved October 20, 2002

\(^{36}\) See WWW.BAT.com and www.RJRT.com.

\(^{37}\) Perhaps significantly, its international headquarters is in Geneva, home of the WHO.

...[W]e do recognise the role of the WHO in supporting governments with health policy advice based on sound science... [and] it is appropriate for the WHO to advise on tobacco control measures within its field of expertise.\(^{39}\)

In this statement, BAT recognized a role for the WHO, but one more limited than that envisioned by the FCTC. The industry was, nevertheless, steadfast in its belief that it had rights, too, and that only governments can regulate, so any international accord can not be more than voluntary. These arguments have the echo of similar debates when, a quarter century earlier, codes of conduct were being crafted for TNCs under the auspices of the UNCTC. Here the path to regulation, emanating from national governments, percolating up to the international level, taking the form of a Convention, which in turn worked its way down into the national level and takes the form of national legislation, meant that the process had come full circle and ended in a tangible instrument armed with legal teeth.

While the tobacco companies appeared to have accepted the underlying premise of the FCTC, namely, the harmful health effects of tobacco, and have shown some willingness to move toward the fulfillment of the Convention’s goals, it is clear that there is some disagreement in the industry as to how far the FCTC should go in curbing companies’ production, marketing and distribution, traditionally the domain of private enterprise. Most, if not all, tobacco companies oppose a binding international instrument proposed by the FCTC. Secondly, others prefer to invoke the widest possible spectrum of stakeholders or stress basic rules of competition in a free market system, and individual choice. Thus there is no “intra-stakeholder unanimity” on how to countenance this external challenge. This was evidenced by some companies breaking ranks during the litigation process.

This uneasy, if not hostile, environment continues to cast its shadow over the tobacco companies. In 1999, the US Justice Department had begun preparations to file a massive suit in US federal court, again charging tobacco companies with conspiracy to defraud consumers by denying the dangers of smoking, and by deliberately marketing cigarettes to underage youth while knowing about the causal link between smoking and

disease. After five years, federal prosecutors brought this action for damages in September 2004, demanding that the companies “disgorge” $280 billion in “ill-gotten gains”. Based on the 1970 Racketeer Influenced and Corrupt Organizations (RICO) Act, originally aimed at the Mafioso, the action was certainly one of the, if not the, largest judicial assaults ever launched by government on a legal industry. Plaintiffs’ attorneys sought $120 Billion in damages, charging tobacco companies with making claims that light cigarettes were healthier. If convicted under this law, companies would have to pay triple damages of $260 billion.

Tobacco companies responded vigorously, denied the charges, and went on the attack as they had in earlier court battles. It is noteworthy that press coverage of this case did not mention the WHO or its Framework Convention on Tobacco Control (FCTC). A federal appellate court later reversed the decision. Yet the legal battle continued on several fronts through the US court system. Meanwhile, the WHO continued its efforts to seek ratification of the Convention by member-nations, while the tobacco industry fought a series of court battles in the United States and other countries. Remarkably, no tobacco companies went bankrupt. On the contrary, as noted earlier, the industry enjoyed an above-average profit margin in an increasingly hostile environment.

**WHO vs. Nestle**

Several years earlier the World Health Organization was embroiled in a well-published controversy involving the marketing and distribution of infant food products. In the 1970s, Nestle, the giant Swiss TNC, was accused by activists in Western Europe and North America of engaging in unfair and unethical marketing practices in developing countries, primarily Africa, where it sold its powdered milk and other infant food products. Critics claimed that the company engaged in deceptive marketing practices by dressing its sales force in white doctor-like garb, giving free samples to induce mothers to change from nursing their babies to feeding them infant formula, and bribing doctors to advocate breast milk substitutes. Activists, primarily in Western Europe and North America, mobilized and initiated a worldwide boycott of Nestle products. Concerted

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40 See Buckley (2004).
campaign was spearheaded by Douglas A. Johnson at the Newman Center in Minneapolis, Minnesota, who organized Infant Formula Action Coalition (INFACT) and sought a widespread consumer boycott of all Nestle products. The grass roots campaign in the US, Germany and various other countries to boycott Nestle turned out to be very effective. Organizers argued that children fed infant formula had an infant mortality rate three times as much as those breast-fed; beside; breast milk also served as a natural contraceptive; and poor and illiterate mothers diluted the milk to stretch their meager income, causing diarrhea and other childhood disease. Other claims included the charge that Nestle dresses its sales personnel in nurse-like attire, giving the impression that formula food was medically acceptable, especially since some doctors, at the instigation of the company, also tried to convince mothers and hospitals to switch to powdered milk.

Nestle vehemently rejected these accusations at first and asserted instead that it was producing a product that was inherently safe and health, while also helping developing countries’ economic development by promoting hygiene, scientific dairy farming, education and the creation of jobs. The intensity of the campaign caused some newspapers to ask whether the campaign, and claims than “Nestle kills babies” was fair. Under pressure, the company reversed its position and, with the assistance of the World Health Organization, and the nongovernmental organizations that had championed the boycott, worked toward change.

In 1981, WHO, in cooperation with UNICEF, Nestle, and other breast milk substitute manufacturers, crafted a voluntary code of conduct which established a number of parameters for marketing these products, especially in developing countries. As a gesture of good will, it agreed to establish an independent auditing committee, headed by the senior US Senator Edmund S. Muskie of Maine, who had just stepped down from the

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41 The company’s aggressive campaigns included the 1975 publication of Nestle in the Developing Countries, a 228-page book which it circulated widely to deflect criticism and to put forward its case. The cover of the book reads: “While Nestle is not a philanthropic society, facts and figures clearly prove that the nature of its activities in developing countries is self-evident as a factor that contributes to economic development. The company’s constant need for local raw materials, processing and staff, and the particular contribution it brings to local industry, support that fact that Nestle’s presence in the Third World is based on common interests in which the progress of one is always to the benefit of the other”. [Cover page] The book outlined company’s work in Mexico, Malaysia, India, the Philippines and elsewhere to improve dairy farming and a host of other activities.

Senate and subsequently from a short stint as US Secretary of State. The company agreed to allow these outside auditors to monitor its compliance with the agreement. Some of its key provisions are set out in Box 2.

**Box 2. Key provisions of the 1981 WHO code on the Marketing of Baby Food**

Companies may not:

- promote their products in hospitals, shops or to the general public;
- give free samples to mothers or free or subsidized supplies to hospitals or maternity wards;
- give gifts to health workers or mothers;
- promote their products to health workers: any information provided by companies must contain only scientific and factual matters;
- promote foods or drinks for babies;
- give misleading information;
- contact mothers through baby milk company sales personnel;
- produce labels which are not in a language understood by the mother and which do not include a clear health warning;
- show baby pictures on baby milk labels;
- produce labels with language that idealizes the use of the product.


Critics seemed pacified by these steps, at least temporarily, although they did insist on continued adherence to these marketing restrictions by milk substitute manufacturers. Soft power seems to have hit Nestle hard, proving that results can be achieved this way, a route perhaps less difficult than through national legislation. In recent years a new wave of protest, albeit not as vociferous as the earlier ones, has been gathering momentum, but does not seem to have the voracity of earlier protests.

**Other WHO Contributions**

Similar controversies arose with respect to the manufacture of AZT, an anti-HIV
drug in the 1980s. Pharmaceutical companies were pressured by NGOs, with some cajoling by the WHO, into complying with a code of conduct for the marketing of pharmaceuticals such as AZT. In 1988, WHO developed “Ethical Criteria for Medicinal Drug Promotion”, based on a survey by Jean Boddewyn, a professor at Baruch College. Ten years later, the code still was found to be useful and thus was revised and updated. In 2006, under the aegis of WHO, GlaxoSmithKline agreed to lower the price of its HIV/AIDS drug in developing countries inflicted with AIDS epidemic.

These two examples demonstrate a continuing interface with the World Health Organization and TNCs as both increasingly view collaboration as more beneficial and productive than confrontation.

**UN Global Compact**

Unlike the WHO initiative on tobacco, where the approach is regulatory, and the focus on control through legal teeth, the Global Compact initiative is normative, relying on the voluntary cooperation of TNCs. It is also intended as a general instrument and not specifically directed to any particular group of TNCs. Although the two UN efforts had similar aims - aiding developing countries and encouraging good global corporate citizenship, they differed on issues of rights and responsibilities and on tone and tenor. The WHO involvement in tobacco control was an essentially unilateral and confrontational approach, carried out in national legal courts through litigation (in the US) and legislative fiat. The Global Compact is first and foremost an ethics-based concept and instrument.

As the new millennium approached, United Nations Secretary-General Kofi A. Annan had seen the transformations in the economic and social structure wrought by globalization and its discontent as both a warning and an opportunity. The warning was the violent reaction of a coalition of erstwhile disparate groups against globalization and the international trading system typified by the demonstrations in Seattle in September of that year. The opportunity was to aim for a general consensus on the fundamental

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43 AZT is a drug used for antiretroviral therapy (ART) and was the first drug approved for the treatment of HIV. It was first manufactured by GlaxoSmithKline. The company’s patent on AZT expired in 2005.

conditions under which global commerce, in all its forms, might be peacefully and productively conducted.

On January 31, 1999, at the World Economic Forum in Davos, Switzerland, the Secretary-General challenged the world business leaders there present, the elite of global capitalism, to rise to their social and ethical responsibilities by joining the United Nations in a global compact. The UN was ready to take the lead in this endeavor, and the TNCs and other large firms were invited to join this partnership mission, a compact to promote “responsible” global capitalism\(^{45}\) answer basic human needs in the areas of human rights, labor, and the environment. Annan advocated the principle that corporations can do well by doing good.\(^{46}\) The original nine Principles of the Global Compact in these three areas were grounded in one or more of the fundamental principles that constituted the *raison d’etre* of the 1948 United Nations Universal Declaration of Human Rights. A tenth principle, which addressed the problem of corruption, was added in June 2004 after the United Nations adopted the Convention against Corruption.\(^{47}\) These ten principles\(^{48}\) are listed in Box 3.

**Box 3. Global Compact: The Ten Principles**

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of ten principles in the areas of human rights, labour, the environment and anti-corruption. These principles were derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development, and

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\(^{46}\) This notion is reminiscent of the maxim appropriate to many early American Quakers who came to Philadelphia to do good but, ultimately and inadvertently, also did well.

\(^{47}\) After some two years of negotiations, the Convention was adopted by the UN in November 2003 and was open to member countries for adoption in Merida, Mexico. It will enter into force once 30 countries have ratified it. See UN, 2003. [http://www.un.org/News/Press/docs/2003/soccp270.doc.htm](http://www.un.org/News/Press/docs/2003/soccp270.doc.htm).

\(^{48}\) The ten principles of the Global Compact are detailed on its web site, where each principle is hyperlinked to additional information and details. See [WWW.UNGlobalCompact.org](http://WWW.UNGlobalCompact.org)
Human Rights

- **Principle 1**: Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2**: make sure that they are not complicit in human rights abuses.

Labour 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 labour;
- **Principle 5**: the effective abolition of child labour; and
- **Principle 6**: the elimination of discrimination in respect of employment and occupation.

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

Anti-Corruption

- **Principle 10**: Businesses should work against all forms of corruption, including extortion and bribery.

Source: UN Global Compact web site:

In furtherance of the Compact, a special section of the Secretary-General’s office is responsible for providing general background information, nurturing new partnerships, developing case studies, and arranging dialogues throughout the world, all with a small staff and modest budget. Georg Kell[^49], the director, reports directly to the Kofi Annan, his chief mentor in this effort. The operational phase of the Compact was launched at UN Headquarters in New York on July 26, 2000. Chaired by the Secretary-General, the

[^49]: It is impossible to talk with Kell, who zealously champions the Compact’s ten principles, without feeling his energy and catching his enthusiasm.
meeting brought together senior executives from some 50 major TNCs and other leaders of labor, human rights, environment, and development organizations. The Compact, undertaken in partnership with each of the UN agencies, non-governmental agencies (NGOs), and other stakeholders, is based on dialogue and discourse. It is also linked to the UN’s broader Millennium Development Goals, a “global partnership for development” which were enunciated in September 2000 and aiming at the eradication of poverty and hunger, universal primary education, gender equality, reduction of child mortality, mental health improvement, combating HIV/AIDS, malaria and other diseases, and environmental sustainability. See Box 8.xxx: Millennium Development Goals. Means for achieving these goals included trade and foreign direct investment.

Once the Global Compact was launched, UN staff began to propagate the concept and encourage companies to participate. In its 2001 pilot phase, companies were asked to enunciate their strategy for conforming to the tenets of the Compact by submitting specific examples in their business operations that touched on one or more of the principles. Forty-two companies submitted statements which indicated that they were addressing one or more of the nine principles. British Telecom (BT), for example, stated that it was addressing all nine principles, while Indian Oil Corporations, Ltd. indicated that it had implemented several principles through its community development activities which emphasized health care. Global companies such as BASF, DaimlerChrysler, Deloitte Touche Tohmatsu, Dupont, Royal Dutch/Shell, SAP, UBS and Unilever each described their corporate involvement in one or more of the Compact’s principles.

Since the Compact’s first progress report in 2001, it has continued to gain support. Hundreds more companies and organizations have engaged in the Compact and it has embraced more partners from business associations, labor, civil society, academia, cities, and even stock exchanges. A list of companies that have joined the Compact shows

50 See “About GC: Overview” at www.UNGlobalCompact.org

51 The goals were enunciated in September 2000, when the 191 members of the United Nations pledged to achieve them. Besides the office of Secretary-General, other UN bodies with a defined role in the Millennium Development Goals include the United Nations Development Programme (UNDP), International Labor Organization (ILO) and UNCTAD. See www.UNGlobalcompact.org., and www.un.org/millenniumgoals/.
its multifarious nature; these corporations come from both developed as well as emerging market economies and developing countries. They consist of large and well-known TNCs such as Bayer, BMW, BASF, DaimlerChrysler, Deloit Tohmatsu, DuPont, Nike, Royal Dutch/Shell, SAP and Unilever, as well as those lesser known.

As Global Compact gained momentum, it developed monitoring and reporting mechanisms for companies and other organizations that had endorsed its tenets. One such instrument was a self-reporting system. Critics of the approach had argued that companies may be quick to endorse the ten principles, but slow to implement them, driven by a desire to gain endorsement and publicity, or what the Economist called “blue-washing”.52 The response came in the form of a reporting system we call “grey-listing”; by listing companies that had signed on but failed to report on exactly what they were doing in compliance with the terms of the Compact, the United Nations was, well, grey-listing them. Public display of such indiscretion (or non-compliance) could itself serve as an instrument of moral suasion. While this is an interesting approach to exercising soft power, the jury is still out on its efficacy. The incorporation of Compact tenets into company practices is a welcome and positive development, but it is too early to tell whether it will influence corporate conduct in the long term. More systematic research is needed to gauge the effects of these tactics. Champions of the Compact have vigorously employed the power of moral suasion, through “grey-listing”, to convince TNCs to join, but skepticism still persists.

Since the original aim of the Global Compact was to create a consensus among major players in the global network of economic activities, the UN has reached out to organizations beyond TNCs, including civil society organizations interested in labor, environment, and human rights. Proponents argue that the Global Compact at least provides a response to some of the negative consequences of global capitalism that cannot be remedied by legal means, thus paving a path toward the betterment of mankind, the same noble goals that underlie the existence of the United Nations.53 Moreover, the

52 See Economist, xxxx.

53 See Kell and Ruggie, 1999.
Compact is a “multi-stakeholder initiative” consistent with the exigencies of today’s global economy. Its critics argue that it is, at best, a benign but toothless effort. Some companies that have not joined the Compact claim that they already adhere to their own or their industry’s standards and codes of conduct, and therefore see little advantage in joining. Other critics claim that some TNCs join to reap public relations benefits, without subjecting companies to rigorous scrutiny.

Debates on the relative merits of voluntary versus mandatory, legal versus moral, normative versus regulatory instruments to control the activities of TNCs, date back to the 1970s, such as the work on codes under UNCTC and similar efforts under UNCTAD on a technology transfer code. As noted elsewhere, those initiatives ultimately led nowhere. Global Compact takes a normative path, one anchored on corporate social responsibility. We shall return to this dichotomy after a cursory look at some of the other activities going on in other parts of the UN galaxy.

**UNESCO and TNCs: Demand for a New International Information Order**

In the 1970s, developing countries had called for a New International Economic Order (NIEO). About the same time, some countries in this group pursued a parallel demand for a New International Information Order (NIIO). The United Nations Educational, Scientific and Cultural Organization (UNESCO) became the forum for discussions relevant to this new demand. Many developing countries believed that many, if not most, information systems were biased toward developed countries, and therefore these global information and media corporations were NIIO’s primary targets. Attacks on cultural imperialism and cultural pollution were commonplace in developing countries, and some of the more radical governments believed that state control of national media was necessary to guide the development process without external pressures. Non-democratic leaders are known for disdain for a free press. But, emboldened by the

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55 Articulating this cynical view, the *Economist* used the term “bluewash”. See *Economist* (2004)

56 See Sagafi-nejad with John H. Dunning, *op cit.*
success of their OPEC brethren and the passage of the NIEO declaration, potentates tried to seize the moment to curb free press and exercise control over the media, in the name of sovereignty and protection of their people from foreign influence. This was one of the early reflex reactions against globalization; mass media was blamed for encouraging “consumptive emulation” and the revolution of rising expectations.

Western countries were understandably unenthused, as were members of the global media. But neither governments nor the media took the matter seriously, attributing it instead to a few Third World dictators (like Idi Amin) who were threatened by a free press; and steam soon went out of the debate. Ultimately the movement fizzled and the term NIIIO was not to be heard from again – except as a brief footnote in the history of rebellion against the encroachment of foreign influences and globalization.

**Bretton Woods Institutions: World Bank and International Monetary Fund**

The World Bank and International Monetary Fund are specialized agencies of the United Nations. These two Bretton Woods institutions have also impacted FDI and TNCs. We will explore the role of the International Finance Corporation (IFC), the World Bank subsidiary most directly involved with private investment. Unlike the Bank, the IFC is permitted to lend money for private projects and, in fact, take equity positions in them. This brings the Bank – through the IFC - in direct contact with TNCs.

The third of the Bretton Woods institutions, the World Trade Organization (WTO) succeeded the General Agreement on Tariffs and Trade (GATT) in 1995. The domain of the newly configured organization expanded relative to its predecessor. The Marrakech Agreement that ratified the Uruguay Round of trade negotiations already included investment issues under its trade-related investment measures (TRIMs) and Trade-related Intellectual Property System (TRIPS) and the General Agreement on Trade in Services (GATS). Under the Doha Round which launched the latest round of multilateral trade negotiations, investment was given even greater emphasis. This development signifies an expanded role for WTO, and will be further discussed in Chapter Nine.

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57 The term was first used by Peter Evans. See his book cited in my dissertation.
UNIDO and the Lima Declaration

The United Nations Industrial Development Organization (UNIDO), was created to promote industrialization “on the ground” in developing countries. Its focus has also brought UNIDO in direct contact with TNCs, although there is scant reference directly to these entities in documents of the organization. The need for action toward industrialization in developing countries was galvanized by the Lima Declaration of 1976. Since then, and with several restructuring efforts, especially after the fall of Communism, the organization has continued to provide training and technical assistance to developing countries.

Food and Agricultural Organization (FAO)

Based in Rome, and another agency in the UN galaxy, the FAO has been at the forefront of global food security since inception. It works with private sector partners across the agricultural and food chain as well as fertilizer manufacturers and big grain commodity trading companies. The organization can have a potentially significant role in achieving the Millennium Development Goals which aim to eliminate hunger by 2015.

Think Tanks: UNITAR, UNRISD, ITC

The United Nations Institute for Training and Research (UNITAR), based in New York, has been active in the areas of training programs and research. The Institute produced a series of case studies on technology transfer in the 1970s, including an overview by Walter Chudson. Later it gave refuge to scholars such as Sidney Dell, who had earlier been the UNCTC director of the UN Centre for Transnational Corporations, as noted in Chapter Five. In more recent years, the Institute has again emerged as a center for intellectual contributions on a variety of fronts, including work on codes of conduct and other facets of activities of TNCs. Research activities at UNIAR have ebbed and flowed depending on personalities, issues, and funding.58

The same can be said about the United Nations Research Institute for Social Development (UNRISD) in Geneva, another autonomous UN agency engaged in multidisciplinary research on the social dimensions of contemporary problems affecting

58 See www.UNITAR.org.
development. Working with a network of national research centers, UNRISD has conducted research on such topics and civil society and social movements; democracy, governance and human rights; identities, conflict and cohesion; social policy and development; and technology, business and society. One of its recent publications is a resource guide on regulating TNCs, an annotated list of recent initiatives at corporate, national and international levels to regulate TNCs.\(^\text{59}\)

The International Trade Centre, a partnership between WTO and UNCTAD, and tasked with conducting training programs for developing countries on trade issues, is yet another example of inter-agency collaboration, and one with a reasonable degree of success. Drawing on expertise from both parent institutions, but working with a good deal of autonomy, the Institute has conducted many workshops, particularly for countries seeking entry into WTO, or in the early stages of their participating, and in need of trading and expertise.\(^\text{60}\)

Research activities have ebbed and flowed in most of these specialty think tanks depending on personalities and funding.

**The Food and Agricultural Organization**

The Food and Agricultural Organization (FAO) has dealt with TNCs in matters involving production and used of fertilizers, pesticides and herbicides, and broadly having to do with production and distribution food and agricultural products. Among FAO initiatives, one can point to “*Codes Elementaris*” whose dominant theme is the role of TNCs in food safety standards, and the International Treaty on Plant Genetic Resources for Food and Agriculture, approved in 2001 and entered into force on June 29, 2004.\(^\text{61}\)

**World Intellectual Property Organization**

Intellectual property rights have been an international concern since the industrial revolution. This revolution necessitated a regime of protection for artistic and literary

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60 See www.ITC.org
61 See www.fao.org/ag/cgrfa/itpgr.htm#text.
works and the promotion of Schumpeterian entrepreneurship\textsuperscript{62}. In the knowledge-intensive global economy of the 21\textsuperscript{st} century, the World Intellectual Property Organization (WIPO) whose genesis goes back to the 1883 Paris Union,\textsuperscript{63} has become important to technology and intellectual property activities of TNCs. This is so because the protection of these non-tangible but strategically important assets must be assured and their flow across national boundaries facilitated to encourage technological development and innovation by TNCs.

Host countries and local firms seek the same protection of these assets in their own quest for development and growth. Its 	extit{raison d'etre}, to shepherd an international regime for intellectual property protection which strikes a balance between the producers and users of technology, and between encouragement of innovation and discouragement of abuse of the monopoly power of the holder of that right - has remained essentially unchanged over the last century. In the absence of a universal system for the protection of intellectual property, one of its most significant contributions has been the drafting of “model laws”. Many of its nearly 100 member-nations have incorporated some of these model laws into their own national legislation.

A country’s adoption of WIPO’s model laws can have consequences at the multilateral level. As more countries adopt these model laws in their countries’ legislation, the ultimate result may well be the emergence of a global convergence may well result on specific intellectual property issues. For example, when other international rule-making bodies like the WTO and WHO contemplate the drafting of multilateral rules in their fields of expertise and action, they are cognizant of WIPO’s precedent. This may create a gradual convergence, for example, the work of WIPO on intellectual property protection and that of the World Trade Organization on Trade-Related aspects of

\textsuperscript{62} In The Theory of Economic Development (1911), Joseph Schumpeter put forth the argument that growth in a private enterprise economy was caused by entrepreneurs seeking to appropriate revenue from their invention or innovation. They must be rewarded by being granted temporary monopoly over the use of this intellectual property, so that they will be encouraged to continue innovating. Their new invention, innovation or process can lead to new industries and markets, thus to economic development. Economists refer to this as “Schumpetarian rent”.

\textsuperscript{63} A UN specialized agency since 1974, the Organization dates back to the Paris Union of 1883 and the Berne Convention of 1886, when a regime to protect intellectual and artistic assets was first codified. Since that time, the protection has evolved to include all forms of intellectual property – patents, trademarks and trade names, inventions, industrial design, and copyrights. See WWW.WIPO.NET
Intellectual Property (TRIPs). According to Guriqbal Jaiya, a WIPO official, it was lack of progress on the revision of the world intellectual property regime that caused the inclusion of that issue into the GATT negotiations and the resulting TRIPs agreement. Jaiya believes that this agreement has consequently caused the World Trade Organization to become the main forum for negotiations on intellectual property rights (IPRs). Nevertheless, WIPO continues to be critically important to both TNCs and developing countries, for it is in the interest of all to have a level playing field. He added:

All market failures have to be corrected. The IPR regime corrects only one type of such failures. … The appropriability [cost and conditions of control and use] of intellectual property will remain imperfect at best for the foreseeable future.” Moreover, in addition to the focal point on patent registry through the Patent Cooperation Treaty, WIPO now provides technical assistance to both developing countries and TNCs.64

This potential confluence will be further explored in Chapter Nine as a part of a look into the future of the TNC-FDI-host country matters.

The protection of intellectual property has always been a major issue in the area of technology transfer. During the debates and negotiations on a code of conduct for transfer of technology65 in the mid-1970s to early 1980s, TNCs insisted on receiving guarantees for their patents, trademarks, trade names, and copyrighted technology before agreeing to transfer it. No code emerged because the gap between contending parties, namely, the U.S. and its western allies and the Group of 77 developing countries regarding key policy issues could not be bridged.66 During this period, WIPO was largely sidestepped while UNCTAD took a dominant role.

United Nations Children’s Fund (UNICEF)

UNICEF is another UN agency which has developed partnership with TNCs to promote its cause of helping the world’s needy children. Perhaps one of the most well-known is UNESCO’s “Change for Good” program, a partnership that UNESCO has


65 (see Perlmutter and Sagafi-nejad, 1981; Patel, et al, 2001)

66 Debate over the technology transfer code was one of the arenas in which North-South confrontation played itself out. See Sagafi-nejad, Moxon and Perlmutter (1981), Perlmutter and Sagafi-nejad (1981), and Patel et al (2001).
developed with several international air carriers to collect coins from passengers as they exit a country. Between 1991 and 2006, this partnership including British Airways, IKEA, ING, Quantas, IVECO, and Emirate Airlines,\(^\text{67}\) had collected over $53 million.

Are the scattered agencies complementary or redundant? Do they duplicate one another’s work, or do they augment and reinforce each other? An example of complementarities is the work on the tobacco industry by the World Health Organization and the World Bank. While WHO was championing the “tobacco initiative”, research at the World Bank in documented the economic impact of tobacco control, thus reinforcing WHO’s findings.\(^\text{68}\)

### 5. Conclusion

So how do these various members of the constellation relate to one another, and what do they contribute to the common cause? The answer is mixed and changes with time and political climate. One conclusion that must be drawn is that invariably action has preceded the emergence of a cause, which in turn has been picked up by a zealous champion or champions. More will be said about this in the Conclusion, when this point will be more fully discussed. Key personalities have included De Seynes Somavia, Blanchard, Hansen, Karl Sauvant, and Georg Kell.

With respect to the ILO, while the original Declaration served as a foundation for policies, guidelines, and national laws that followed, reference to the Declaration itself seems to have waned with time. The 1998 statement regarding the right to work was ambitious and declarative in tone, but lacked legal teeth. Although ILO leaders would wish to set standards and serve as guiding light or moral compass with respect to labor relations and working conditions, the ultimate proof must come from the reality on the ground, that is, through corporate action or inaction. This can not be determined until a rigorous international study can establish a link between corporate behavior, national legislation, and ILO declarations and proclamations. Such a study is needed on the efficacy of ILO work as well as that of other international bodies whose work falls short

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of legislation. That is not to say that efforts such as the Global Compact or other voluntary instruments or instruments of soft power are ineffective. Research also needs to establish opportunity costs and unintended consequences of pursuing soft power in the face of hard realities. Declaring murder against the law has not stopped homicide; merely declaring corporate (or any other) conduct illegal is not a sufficient condition for eliminating it. When debating the relative merits of soft vs. hard power, one must weigh the relative merits of each.
The United Nations Galaxy: The Institutional Constellation of Organs Relevant to FDI/TNCs

Memos: 1. Solid lines indicate a direct relationship. 2. Dotted lines indicate the existence of a less formal relationship. 3. The intensity of the relationship corresponds to the thickness of the line.

Source: Sagafi-nejad, with Dunning, op cit.

Conclusions
This essay has described some of the members of the United Nations galaxy’s efforts to engage transnational corporations in the development process and in the articulation of a set of multilateral rules of engagement. Approaches have differed at times, between moral suasion on one hand and “courts and cops” on the other. The tobacco control initiative, spearheaded by WHO is intended to be binding, containing details – from advertising and labeling to illicit trade and sponsorship of events. The UN Global Compact has more charm, and appeals to the good in corporate action, citizenship while at the same time making the point often made in the literature that good behavior means good bottom line. Which will save us in the end?

To answer this question, one must view the multitude of approaches in terms of the seven parameters of legitimacy, namely the desirability and feasibility of the instrument or approach, the extent to which there is consensus among members of a stakeholder group on desirability and feasibility, how clearly stakeholder groups perceive one another, the extent of trust between different groups and whether each group concedes a legitimate role for the others in the process, and perhaps most importantly, the legal status of such a regime. 69

A comparison of the Framework Convention on Tobacco Control and Global Compact reveals certain distinguishing features; the first is intended to be binding, the second voluntary; one has caused clear delineation of lines between adversaries who think the other side fails to see it from their perspective; the other aims to build on commonalities between groups. Other agencies have focused more on capacity-building and knowledge-creation. There is general agreement that nothing short of the survival of mankind is at stake on matters of rule-making. Without rules of engagement multilaterally arrived at and dutifully adhered to, all players risk losing. Ethical rules, whether emanating from individual corporations, nation-states, or international bodies, must ultimately gain legitimacy by all stakeholders to be effective. Unilateral and binding rules can also ascend up to the global level. It was, after all, the massive anti-smoking

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campaign and the extensive litigation in the United States that provided the initial momentum for global rule-making with respect to tobacco. Is it conceivable that multilateral rules that emanate from national roots have greater prospect of being ultimately adopted at the global level – in a bottom-up process, than rules contemplated in the insularity of international organizations?

The United Nations is at a crossroads, and the very premises of liberal economic thinking are being challenged. Can the system serve as a catalyst in the process of norm-setting for the activities of TNCs? As this essay has demonstrated, each member of the UN galaxy has played a role in contributing to rules of the game that can benefit countries and firms.

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Appendix: Millennium Development Goals

1: "Eradicate extreme poverty and hunger". Targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Any action by a GC participating firm advancing this goal is valuable. Development agencies, such as the local UNDP office, can advise companies about needs and suitable Partnership Projects in selected countries.

2: "Achieve universal primary education". Target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Partnership Projects can include hardware (buildings, equipment, teaching materials) or software (teacher training). Development agencies and UNDP can advise.

3: "Promote gender equality and empower women". Target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Most development agencies include gender equality either as a crosscutting issue or as a sector activity in their programmes. Companies are invited to support gender equality projects particularly for schools.

4: "Reduce child mortality". Target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Besides improving mother and child health care through partnership projects with development organisations or the government, projects fostering behavioural change and better hygiene can be identified and supported. The local UNICEF or UNFPA office can advise companies on this.

5: "Improve maternal health". Target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Besides improving mother and child health care through partnership projects with development organisations or the government, projects fostering behavioural change and better hygiene can be identified and supported. The local UNICEF
and UNFPA offices can advise companies on this.

6: "Combat HIV/AIDS, malaria and other diseases". Targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Partnerships can be sought with any state development agency, UN agency, and specialised NGOs to fund projects in prevention (information and pedagogical campaigns), cure (assistance to health stations and hospitals), and to the orphans of deceased. Local UNDP, WHO and UNAIDS representatives can advise.

7: "Ensure environmental sustainability". Targets (summary): Integrate the principles of sustainable development into country policies. Halve, by 2015, the proportion of people without access to safe drinking water. Significantly improve, by 2020, the lives of at least 100 million slum dwellers.

Many development agencies, bilateral, UN organisations or NGOs have environmental programmes with which companies could co-operate in the form of Partnership Projects. The offices of the UN Resident Representatives in each country, as well as UNEP, can advise.

8: "Develop a global partnership for development". Targets (summary): Develop further an open rule-based trading and financial system including a commitment to good governance. Address the special needs of least developed countries. Address the special needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries.

A rule-based trading and financial system which addresses the Least Developed Countries' special needs can be advanced through projects in the fields of targeted research to better understand the problem, further projects on good governance and the rule of law, job creation projects for the youth, affordable access to essential drugs, access to information and communications technologies, etc.