
Corporate Responses to the Global
Compact and the UN norms:
A difference in preference?

A Case-study on corporations` response to
voluntary and legally binding initiatives.

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Abstract

Title - Corporate Responses to the Global Compact and the UN norms: A difference in preference? A Case-study on corporations` response to voluntary and legally binding initiatives. By Johan Viklund.

This paper examines corporate responses to the voluntary UN initiative; the Global Compact and the legally binding UN Norms initiative that are attempts, at the urging of the international community, at different types of regulation of corporate activity in international socio-economic settings. This examination is done within the framework of the Modern World-Systems theory and both questions of the paper are therefore grounded in the MWS theory`s possibility to predict and explain the corporations` response to the two initiatives. The two hypotheses used in this paper are corresponding to the questions and they state that the MWS theory can answer the two questions. The paper therefore employs an overreaching congruence method that uses the MWS theory to predict and explain the outcome of the case study and a complementary descriptive argumentation analysis. This is conducted in order to attain the data needed and to elucidate what the differences and similarities are between the two initiatives and what aspect can be attributed most explanatory value to understand the possible differences in attitude by the corporations. The outcome of the case study shows that corporations are more in favor of the Global Compact than they are concerning the UN norms which they opposes vehemently. This difference in reaction is attributed to the latter`s legally binding principle and this is in accord with the logic of the MWS theory which is granted high predictable and explanatory value concerning the corporations` response to the Global Compact and the UN norms.

Key Words

United Nations; Global Compact; UN Norms; Modern World Systems Theory; Corporations.

List of Abbreviations

BLIHR	Business Leaders Initiative on Human Rights
CIB	Confederation of British Industry
CSR	Corporate Social Responsibility
GC	Global Compact
ICC	International Chamber of Commerce
IOE	International Organisation of Employers
MWS	Modern World-System [Theory]
NGO	Non-Governmental Organization
OHCHR	Office of the High Commissioner of Human Rights
USCIB	United States Council for International Business
UN Norms	Norms on the Responsibilities of Trans-National Corporations & Other Business Enterprises with Regard to Human Rights
UN	United Nations

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1. Introduction

In the last thirty years or so one of the main features of the modern world has been the ever expanding presence and activity of corporations. Contributing factors to this include; the economic crises of the 1970`s; the collapse of the Soviet Union and the international debate that occurred simultaneously concerning the need for free markets; national economic efficiency and the end of the grand ideological discourses. Corporations have become some of the most important actors in the global-economy. The complementary increase in development of new technology has made it easier for information to move and disperse, with subsequent developments in the international transportation of commodities across national borders. This have lead to a situation where corporations have been able to relocate their business operations around the world with the result that new markets become open to them, with a similar increase of their leverage over state actors, also solidifying their global presence and reach (Bakan, 2005: 21-22). This global corporate ‘diaspora,’ and its wealth of new opportunities, has naturally led to worldwide increases in turnover and profit, promoting the emergence of glowing statistics such as that corporations today account for 51 out of 100 of the richest global institutions (the rest being states) (Anderson, 2000). Hence, these extremely wealthy global actors are now often distinguished as ‘multinational corporations’ (MNC`s) given the global scope of their activities and they are often separated in the debate comparing national/domestic, local corporations or other types of business entities (such as supplier, subcontractor, licensee etc).

Corporations are often associated to a certain kind of business entity (i.e. a profit driven institution owned by its shareholders) but the author has chosen to use the term in a broad sense which encompasses everything from non-shareholding corporations, suppliers, subsidiaries or in other words all types of business entities. The distinctions in reach and magnitude made between different corporations can be relevant in order to obtain an understanding of the possible resources different corporations might have; however if one is interested in how corporations function it is more fundamental to observe their institutional structure and of course, the roles they play in larger world affairs. As implied previously, corporate institutional structures (the main pillars of corporations) can differ in some aspects but the underlying purpose for all corporations remains one, the endless accumulation of profit premises that is likewise the underlying premise for the ‘world-system’ we are living in (Wallerstein, 2005:58).

An international dimension of corporations operating for profits is not something new or

revolutionary; but the pace and spread of corporate activity, not to forget their increasingly global reach is unprecedented (Wallerstein, 2005:23). This increased spread of corporations around the world has not been accompanied by any sort of global oversight on corporate activity, such as a set of binding international laws and regulations, and this has made the deficit concerning the responsibilities corporations have in the areas and regions within which they work extremely obvious. Human rights abuses and environmental destruction perpetrated by corporations are a well recorded phenomena and also present a pressing contemporary issue (Fryas, 2003: 1). This deficit has become so marked that many social and civil sectors globally, whether it be the civil society organizations, states or corporations themselves, have been involved in trying to resolve and respond to the apparent lack tools and mechanisms needed to deal with this issue. Their main contribution thus far has been the so-called 'Corporate Social Responsibility (CSR)' debate. Many interpretations of this debate are available, which are not largely necessary for this analysis, suffice it to say that the overreaching scope of the debate has been about what responsibility corporations have besides than just accumulating profits (i.e. responsibilities contributing to positive impacts in areas where corporations are active). The premise of the CSR debate has been based on a voluntary approach by corporations, in order so that they should regulate themselves (Zerk, 2006:30).

One of the strongest CSR forums in the world is the Global Compact (GC) which was established by the UN in 1999. The Global Compact, among several other such forums, has been exposed to extensive criticism over the years because of its perceived futility in attempting any real or lasting response to corporate malpractice by corporations. One proposal to rectify the futile impact of CSR standards was made in 2002 when the "UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights" document was published; which proposed a set of binding human rights conventions which would apply to all corporations in whatever country they would work. This paper will examine what the difference and similarities between the GC and the UN Norms are and what the corporate responses toward the GC and the UN norms have been. This paper will also examine whether Immanuel Wallerstein`s Modern World-System (MWS) theory can predict what the corporate responses to the GC and the UN norms has been and to what extent it can explain the corporate responses to the GC and the UN norms. MWS theory is quite comprehensive, in that it literally attempts a grand explanation of the modern world we live in. This extremely broad focus stands in strong contrast to many other theory branches that specify solely in their own sub-field (whether it be law, sociology, history, political

science and so on). The broad interdisciplinary approach of the MWS theory is one of its main strengths and will suit the above mentioned outline of this paper ideally, as the discourse surrounding the GC and the UN norms, along with CSR in the global context, are both broad and multi-disciplinary discourses in themselves; and difficult to pigeon-hole into a particular field or school of academy. A multi-disciplinary perspective is vital in approaching topics and institutions that require a focus on inter-relationships between fields and mechanisms, as well as the contributing parts and organs of the institution- a view that encompasses the wood for the trees; but for the easily missed connecting paths and waterways as well, to borrow from the idiom.

1.1 Research Purpose

The purpose of this paper is to try to extract some understanding of how corporations position themselves towards voluntary and legally binding regulations, and try to elucidate, if there is any difference in their positioning, what this difference might depend on. The theory testing methodology used in this case study will contribute to an increase or decrease concerning the credibility of the MWS theory depending on the theory's possibility to predict the outcome of the case and to the extent it can meticulously explain why corporations have positioned themselves as they have towards the GC and the UN norms. The outcome of this study can hopefully contribute to some clarity as to whether the MWS theory is useful for similar analysis of corresponding issues.

1.2 Research Questions

Q1. Can the corporate responses to the UN norms and the Global Compact be correctly predicted by the MWS theory?

Q2. To what extent can the corporate groups' response to the UN Norms and the GC be explained by the MWS theory?

1.3 Research Methodology

The methodology in this paper is built up of three different methods (congruence method, comparative case study and a descriptive argumentation analysis) that all play different roles but nonetheless contributes to make the structures of this paper coherent and as transparent as possible. The main method used in this paper will be the congruence method. The essential

characteristic of the congruence method is that the investigator begins with a theory and then attempts to assess its ability to predict and explain the outcome of a particular case. The theory posits a relation between variance in the independent variable and variance in the dependent variable; it can be deductive or take the form of an empirical generalization. If the outcome of the case is consistent with a theory's prediction and explanation the analyst can entertain that there is a possible causal relationship between the independent and dependent variables (George, 2004:181). The positive side of the use of the congruence method is its possibility to test theories' explanatory value, which also contributes to theory development. However, due to the inherent weakness of many theories any rigorous control of them cannot be carried out, which means that if the congruence method is used with these theories, spurious results may be the outcome (George, 2004:182). The use of the MWS theory to predict and explain in this paper is the bases for this paper's questions and hypotheses (see below). The independent variables in this study will be the UN Norms and the GC principles concerning corporations and their operations in relation to issues such as human rights, the environment and so on. The dependent variable will be the responses from different corporate groups (these corporate groups are representing thousands of different corporations, including most of the world's biggest corporations¹) to the UN norms and the GC, and the responses will be measured by examining whether the corporate groups (or corporations in general) are members of the initiatives (as in the case of the GC) and if they officially support or criticize the UN norms and the GC. Due to the fact that it is not individual corporations but corporate groups (which encompasses thousands of corporations) that have given the responses to the GC and the UN norms the two terms (corporate groups and corporations) will be used interchangeably. The reason for looking at the corporate groups and not single corporations is because the corporate groups are broader and more representative of the corporate world but also because single corporations have done very few public statements (specifically about the UN norms). The theory used for trying to predict and explain the outcome of this case study is the MWS theory and it is through the theory's application on the outcome of a comparative

¹ The ICC and IOE support the GC (Global Compact (2007a) and even though the USCIB is not a member, it is a close affiliate to the ICC and IOE (USCIB, 2007a) and CBI is a supporter of voluntary initiatives (CBI, 2007b). The groups have so many thousands of members that they can be seen to give a broad representation of (especially big) corporations in general (their member lists includes everything from General Electric, Coca-Cola, Exxon, Ford to General Motors) (ICC, 2007, IOE, 2007, CBI, 2007, USCIB 2007b).

case study that the theory's prediction and explanation capabilities can be assessed.

The congruence method does not require much data because it does not need to trace the causal process between the independent and the dependent variables to do its theoretical prediction and explanation. In order to collect the data needed for this case a comparative case study and a descriptive text analysis has been selected, to whose outcome the MWS theory will be applied in order to examine if it can predict and to which length it can explain the case's outcome (George and Bennett, 2004:182).

Controlled comparison is probably the best known form of the so called comparative method. Controlled comparison generally takes its form in several ways and the person most associated with it is John Stuart Mills who broadly categorized the use of the method into two versions; "method of agreement" and "method of difference." In order to carry out a case study where the "method of agreement" is employed one has to find at least two cases which are similar in all aspects except for in one aspect. If one can find two such cases which correspond with this prerequisite and the result between the two cases differs one can draw a highly valuable conclusion that the variable which differed between the two cases was the variable that led to the different outcomes. However, it is very unlikely that one will be able to find two cases in the social world that only differs in one aspect (due to the complexity of the real world) but this does not render the method inadequate for social scientists to use but one has to take into account that it might not be feasible to use the method in its most ideal way (George and Bennett, 2004:153). This ought to be true for the two cases being compared in this paper as well because there are obviously one major difference between the UN norms and the GC and with the knowledge of what Mill stated one can be reassured that more differences can be detected through a close reading of the GC's homepage and the UN norms document.

One might wonder whether a comparative case study is appropriate in this case because the premise of the whole paper is that one initiative is in favor of voluntarism and the other is in favor of international binding regulation (which would imply that we already know what the differences are). Even if this is true one cannot rule out that there are other differences between the two initiatives that might be deemed (by the actors being looked at in this paper) to be of higher value than their voluntarism/legally binding aspects. In order for the author to come to some kind of evident explanation as to which of the differences is the most important one when it comes to understanding the corporate groups' reactions to the UN norms and the GC the author have chosen to look at the corporate groups' positioning towards the GC and the UN norms within the framework of the comparative case study. This is done through a

general text that focus on the corporate groups positioning towards the GC and a more specific text that focus on different arguments that the corporate groups have made about the UN norms (the reason for the two different text forms is because the data for the GC and the UN norms differ from more general statements concerning the former to more specific argumentative statements for the latter). Concerning the response to the UN norms six arguments concerning the UN norms have been chosen and they have been taken from different documents that the different corporate groups have published either separately or together and some of the arguments are also taken from secondary sources such as newspapers where the corporate groups` representatives have espoused their arguments. The author have processed this qualitative data thoroughly and the arguments will be presented in a concise manner and after having presented them the author will look at if the arguments contains any contradictions or major flaws. This semi polemic approach will be substantiated with sources of high authority and this is not done to falsify the arguments but to point that one can be ambivalent concerning the accuracy of the arguments. This is a type of descriptive argumentation analysis where the author have read the texts from the different corporate groups and tries to elucidate and reconstruct the arguments so as to give a broad and fair amalgamation of the different arguments being given in their texts (Bergström, 2005:91). This usage of descriptive argumentation analysis is obviously very dependent on the author and due to the fact that the author chooses what parts of the texts to analyze this might have been done completely different if another researcher would have carried out a similar argumentation analysis and hence the intersubjectivity of this paper might be called into question. However, in order to increase the intersubjectivity of this argumentation analysis the author have taken out the arguments that have been repeated overlappingly by at least two of the corporate groups which increases the broadness concerning the representation of the different arguments.

The combination of the different methodologies used in this paper is just one example on how method used together can contribute to our understanding of the compatibility of different methods. By using one particular combination of methodologies in this paper it will hopefully be able to illuminate the usefulness of this specific combination paper and hence contribute to the development concerning similar combinations.

To see whether there is any difference between the GC and the UN norms that can be seen to be a decisive factor for the corporate groups concerning their attitude towards the UN norms and the GC the author will try to make their differences and similarities as abundantly clear as possible by summarizing their differences and common points in a table. The author

will then allude back to the corporate groups` response in order to hopefully be able to point out if there is any factor that can be attributed more explanatory value than other factors. Due to the fact that my first hypotheses answers the first question with a confirmation that the MWS theory can predict the outcome of this case (and that corporations will be against the UN norms) the author will look at one of the most prominent corporate group (BLIHR) who purports to be in favor of the UN norms. This is done to see that independent whether the corporate groups do respond negatively or not to the UN norms the author will have made sure that he has looked at the corporate actor who (if any corporate actor could) would be most likely to falsify the first hypothesis and hence render the theory inadequate. The material for this corporate group has been taken from its home page where its work and aims are outlined.

The MWS theory will then be applied (just as the congruent method outlines) on the outcome of the comparative case study and its complementary descriptive text analysis and this application will be conducted so that the prediction and the explanation outlined in the questions and hypotheses can be answered in the conclusion. The author will first analyze the case's outcome with the MWS theory and then specifically apply the MWS theory to every argument given by the corporate groups. After this theoretical application on the outcome of the comparative case study a conclusion will follow where the questions are answered, the most salient features of the paper are elucidated and recommendations for future research within this field is given.

Both questions in this study are empirical questions which through the use of the MWS theory will be tried to be answered. The first question, *Can the corporate responses to the UN norms and the Global Compact be correctly predicted by the MWS theory?*, is an explanative question that is based on the premise that the MWS theory can or cannot predict the outcome of the case. This question is answered in the conclusion where the author looks at the theoretical application on the outcome of the case and tries to elucidate if the MWS theory was able to make a correct prediction concerning the case outcome. The second question, *To what extent can the corporate groups` response to the UN norms and the GC be explained by the MWS theory?*, is also an explanative question. The different arguments will be looked at in a structural way to see if the theory can explain the logic of the arguments being given by the different corporate groups and the more arguments it can explain the more extensive it will be deemed to be. After the theoretical part two hypotheses which are based on the theory content and correlates to the questions in their respective order will be given. If the two hypotheses can be verified the questions ought to have positive answers (because of the hypotheses and

the questions interrelations) and this will subsequently strengthen the MWS theory's predicative and explanatory value concerning this case.

Material for this paper consists basically of information about the UN norms and the GC and the corporate groups' published statements towards the UN norms and the GC and the author have used as many primary sources as the author has been able to find. These primary sources includes the GC's homepage where all their aims, members and processes are stated and the original UN norms document where all it's content is concisely presented. Most of the quotes and material from the corporate groups are taken from their own document releases but some newspaper articles are also used which have been written about the corporate groups' work and which also interviewed persons representing the different corporate groups. The newspaper articles are from the Ethical Corporation and the Guardian which are both pretty mainstream and trustworthy and the reason for their use is due to some of the corporate groups' non-transparent homepages and the difficulties of finding primary sources of information concerning them and their work. The historical part of the UN norms is written by one of its founders with one of his University colleagues and this obviously lead to some form of bias in the text but the text is concise and well referenced so the possible bias in the text should not have been able to alter the historical events presented in the text all to much. A small part describes the ensuing events after the UN norms release and this part is written by highly ranked scholars within this area which gives the text high reliability. Due to the fact that a majority of all sources used for the empirical part are taken from primary sources the author do not think that this part will be diluted concerning its trustworthiness because the secondary sources make up such a small part and they are taken from sources with relative high credibility. Several books are used in the introduction concerning general information about corporations and human rights and even though the study result by the Institute for Policy Studies is probably the one with the highest trustworthiness (because of its acclaimed rigid studies) Bakan's and Frya's books are also highly trustworthy because of the authority these persons have in there professions. In the discussion about previous research (where Frya's book once again is mentioned) Braithwaite's book which is used is a very comprehensive and authorative research book concerning business regulation and Zerk's book is a mainstream book on the subject of CSR. The text about previous research material could have been presented utterly different because of the vast scope of material within the field the author is writing about but the books used in this part is fairly broad and well representative of the different fields.

2. Modern World-System Theory

As was pointed out in the introduction the Modern World-System (MWS) theory will be used in this paper. Wallerstein led a group of researchers in the 1970`s that had seen that there were many activities in the world-economy that could not be explained by the then more dominating dependency perspective (Alvin, 1990: 169). These activities in the world-economy led Wallerstein and his colleagues to develop a new modern world-system perspective (Alvin, 1990: 170). The underpinnings of this new perspective emanated mainly from the neo-Marxist development literature (from which Wallerstein took a lot of terminology like ‘unequal change,’ ‘world market’ etc.) and the French *Annales* school (which was a protest amongst other things against the overspecialization of social science disciplines, the absence of asking big questions in the subject of history etc) (Alvin, 1990: 171-72). These influences led to a theory with very broad aims (it tries to explain what type of world we live in) and this subsequently makes it a very big theory and it will suffice here to elucidate two of the main pillars of the theory; the capitalist world economy and the interstate system (Wallerstein, 2005:x). The broad aim, questions and inter-disciplinary approach of the MWS theory do not however mean that it is complete in its explanatory capacity, because the world is so extremely complex that to encompass all possible variables in a theory seems to be more of an eternal striving than a possible aim to be achieved but the utility of the MWS theory lies however in its endeavour to approach this very holistic aim.

The MWS we live in today dates back to the sixteenth century when it was geographically limited to parts of Europe and the Americas. It has from its inception, and is still today, been a capitalist world economy by which it means that there is a single division of labour with internal exchanges of basic and essential commodities and flows of capital and labour. It is not dominated by a single political power but is made up of a multitude of different political structures (i.e. states) which are interrelated with one another through an interstate system. The most unifying aspect of the MWS`s capitalist world economy is its axial division of labour and even though there exists some type of geo-culture within the MWS this does not prevent the system from encompassing a great variety of cultures, ethnicities, religions and so on (Wallerstein, 2005:23). The axial division of labour divides commodities produced in the capitalist world economy into core and peripheral commodities and this is accompanied by core and peripheral states which produces these different types of commodities that have different degrees of profitability. Due to the fact that products produced in quasi-monopolies (i.e. core products) are more profitable then the products produced in more competitive

markets (i.e. peripheral products) there is a continuous flow of surplus value from peripheral states that produces peripheral products to core states that produces core-like commodities. This unequal exchange that takes place between different types of states is not the only way to accumulate profits (there is also plunder) but it is the most viable accumulation process in the long run (Wallerstein, 2005:28).

There have been several world-systems before the contemporary MWS and many of the features of it have existed in different types of systems before (such as salaried labour and profit-seeking organizations) but the most distinct feature of the contemporary capitalist world-system is its endless accumulation of capital. The operation of this endless accumulation of profits works in such a way that accumulation of profits is an aim in itself in order to enable further accumulation of profits and the structures of the system makes the enrichment of the actors who pursue this endless accumulation of profits possible while those who deviate from this logic of accumulation gets penalized. Earlier world systems have floundered because they have been turned into world empires which means that one political institution takes control over the whole system. In order for the MWS's capitalist world economy to work corporations needs a multitude of states which are interrelated in an interstate system so that they are not impeded in their accumulation process by one state but have the possibility to retreat to more friendly states when being faced with an unfriendly state. Serious attempts have been made (by Carl V, Napoleon Bonaparte and Adolph Hitler) to turn the MWS into a world empire, but only the world hegemons (The United provinces of Netherlands, Great Britain and the USA) have been able to rise in the MWS. The definition of a hegemon is a state that dominates the world economy, world politics and makes its national features the culture that dominates the international arena. However, world hegemons inevitably declines because competitive states will eventually compare with the hegemon in production, which weakens its economical strength. This subsequently leaves the hegemon with a strong military power which it needs in order to contain its power but keeping a big army in work drains a lot of resources of the state and will precipitate its decline. The reason why a world empire has not been created but world hegemons have within the MWS is due to the impossibility for the capitalist world economy to function in a world empire and thus every time a state has tried to erect a world empire it has been met with resistance from the leading corporations within the system (Wallerstein, 2005:58).

The foundation of the capitalist world economy encompasses several institutions that are intertwined and fundamental to its operation and they are the market, corporations that competes in the market, the interstate system, classes, households and status or identity

groups (Wallerstein, 2005:24). One can perceive of a world market within the capitalist world economy in which producers and buyers sell and buy different types of commodities but this world market is circumvented in several ways (creating more or less ``protected markets``) but the world market is nonetheless a reality and it impacts constantly the different institutions stated above. What is important to point out in the description of the market as a concept is that it never works completely free (i.e. without external influences) and that the concept of a completely free market cannot be seen as anything else than a myth. The logical reason for this is the fact that endless accumulation of profits would not be possible without these external interferences and contradictorily as this may seem to be with what is espoused by capitalist ideologists the endless accumulation process needs only partly free markets in order to function smoothly. The reason for this is very obvious, if complete free markets would exist buyers would be able to bargain down the price to such an extent that the system itself would become unpalatable to the producers of the different commodities. What is conducive for producers in their accumulation process is the establishment of complete monopolies but due to the difficulties in establishing them most producers must suffice with quasi-monopolies which are much easier to erect. What is needed in order to do this is a strong state that can enforce several different measures like patent laws, protection (i.e. restrictions on imports and exports), subsidies, an ability to compel weaker states to not enforce protectionist policies etc. These measures are some of the ways strong states interfere in the processes of the market to enable the prosperity of the capitalist world economy. This does not mean that there are not any anti-monopolistic features imbedded in the capitalist world-economy. These features can be seen in that losers in the production competition can politically fight their adversaries in the states where the monopolistic producers are based (through the support for politicians bent on ending the monopoly) or they can influence different states that will support their competition ambitions in defiance of the world monopoly (Wallerstein, 2005:26). Corporations` competition in the market is fierce which inhibits every corporation to be a successful accumulator and that is why bankruptcy or absorption of smaller corporations by bigger corporations is part of the normal process of the capitalist world economy and the reason why concentration of capital increases continuously. This concentration of capital can be seen in the increase in size of corporations but this development is one of ambivalence to corporations. The positive side with increasing size is that it through economies of scale brings down costs and that it strengthens the corporation`s political clout but on the same token it creates a need to have an extensive bureaucracy and also makes it more open to popular criticism (Wallerstein, 2005:27).

The capitalist world economy works in cycles which are based on the dissolution of quasi-monopolies. The growth in a cyclical upturn is driven by new leading industries and this leads to the expansion of the world economy which subsequently leads to more work (i.e. employment), higher wages and a general increase in prosperity. However, as more and more corporations try to get into the lucrative markets of the new industries overproduction will result and a squeeze on profits will become inevitable with the subsequent result of a cyclical downturn (i.e. economic stagnation or recession). This is what leads to the downgrading of different industries from the core to the semiperiphery (what is usually referred to as ``development`` and as an example one can see that textile was a core product in the 18th century but today is a peripheral one) and this is done in order to enable the production to continue with lower costs of labour (which also tends to put pressure on salaries in the core). The cycles of the capitalist world economy are with other words expanding when quasi-monopolies are strong in leading industries and contracting when quasi-monopolies are broken up and the different cycles hitherto has been around fifty to sixty years in duration (Wallerstein, 2005:31). Strong states are needed to protect quasi-monopolies for the production of core-like commodities and this results in a geographical divide concerning the axial division of labour between core, semiperipheral and peripheral states where the core states are the strong ones and the peripheral the weaker ones (Wallerstein, 2005:28).

As has already been alluded to, the nation state is an extremely important actor in the MWS. It has since its inception (the Peace of Westphalia in 1648) been a sovereign state and even though different rules concerning its relative autonomy has been reconceptualised since the modern state's inception its sovereignty aspect remains intact up until today. The first nation states were monarchies and these states were the first ones to subordinate different localities within their territory to an overreaching central power and to erect bureaucracies, armies and tax collecting institutions (Wallerstein, 2005:42). These monarchs proclaimed themselves to be absolute monarchs (omnipotent if you like) but these monarchs were in comparison to a twentieth-century state like Sweden not even close to be as powerful as the latter's state prime minister (this can be seen in the possibilities the two different states have had in collecting taxes which has been overwhelmingly higher for the latter) (Wallerstein, 2005:43). Tax evasion is of course a ubiquitous phenomena but strong states are able to collect around 80% of their taxes because of their stronger bureaucracies whereas weak states might only be able to collect around 20% of their possible tax revenues. This lack in tax collecting capabilities further solidifies weak states positions because they cannot get sufficient with money in order to erect large and efficient bureaucracies that can collect taxes.

Just as tax evasion is universal so is larceny and bribery but in contrast to strong states weak states have a much wider spread of these phenomena within their borders because the accumulation process in productive industries is so much weaker in these states which subsequently most of the times makes the state machinery the main locus of capital accumulation. This weakness impedes the state to do all its other tasks and the holders of state power in these countries have small incentives to give up state power because it is the only real locus of profit accumulation and this leads to more dictatorial forms of political rule. The reason for these different weaknesses is not some type of inherent weakness in the people of these countries or their policies but of the almost impossible achievement to accumulate sufficient with profits through their peripheral production processes that would enable them to erect strong states (Wallerstein, 2005:53).

There is a power relationship between strong/core and weak/peripheral states in the interstate system. Strong states can pressure weaker states to accept the import of their commodities while not allowing for any reciprocity concerning weaker states possibilities to sell their products in the strong states` markets. Their relationship is also seen in strong states pressure on weaker states to install and keep leaders in power that are preferable to the stronger states in terms of their politics and strong states also pressure weaker states to be complacent and accepting of different international treaties that the stronger states prefer (Wallerstein, 2005:55). It is however important to notice that there is rivalry between strong states as well but that this rivalry is characterized by a contradiction. This contradiction is seen in the fact that strong states do oppose one another in the anarchic interstate system but that they also have a common interest in keeping the MWS intact and this leads to a situation which finds its place somewhere in between these conflicting sides (Wallerstein, 2005:56).

States have always claimed sovereignty and this has not only been an internal matter but also an external one that has had to do with the relationship between states in the inter-state system. This has meant that no sovereign state has the right to intrude in the internal functions of another sovereign state. This sovereignty claim is something that obviously has been breached multiple times but the claim has nonetheless had a constraining function just as the changing patterns of national borders has been constantly occurring over time but has not impeded the sovereignty claim that has been made at any moment in time in the history of the MWS (Wallerstein, 2005:43). The sovereignty claim by a state is not useful if it is not recognized by other states and even though most states do get their states recognized there are some who do not and then their call or declaration of a sovereign state can only be deemed futile (if it is not recognized by a large number of states at least). This is important because it

has a reciprocal effect which can be seen in instances where two adversaries might despise and not respect one another but still officially recognizes each others sovereignty. Due to the indispensable role the interstate system plays for the working of the capitalist world economy its sovereignty claim has seven important implications for corporations operating in different states; (1) States have the discretion to tax within its borders (2) States have the capability to influence other states concerning those states` politics that effects its corporations (3) States decides which corporation that should be aloud to establish a quasi-monopoly and who should not (4) States determines unemployment benefits and other issues concerning the balance of power between employer and employees (5) States sets the rules for property rights (6) States determines how much of the production process of commodities should be internalized by corporations and how much that should be externalized and eventually be paid by some other agent (7) States decides what commodities, capital and labour should be aloud to be transferred out and into their territory and to what price (Wallerstein, 2005:46).

One of the most valuable underpinnings of the MWS as a whole and the interstate system in particular is nationalism. Nationalism is a socially created phenomenon that unifies people living within certain states and its main pillars are a common history and distinct national features that characterizes the people living in the state. Three mechanisms have been and are also today important for states in order for them to augment and spread nationalism; the state`s educational system, service in the state`s army and public ceremonies (Wallerstein, 2005:54).

The capitalist world economy needs the interstate system to endlessly accumulate profits but the maintenance of power between states in the latter will never become more important then the former and this leads to constant change within the MWS where corporations operate with the support of states but with the aim of evading dominance by states (Wallerstein, 2005:59).

2. 1 Critiques of MWS Theory

The MWS theory has been criticised for different things and the three main forms of criticism can be summarised as to be reification, the neglect of historically specific development and stratification analysis. The reification critique points out that the MWS theory is just a concept and not a reality of its own. It is however when it is treated like a reality that it becomes counterproductive and subsequently lead to a stop in researchers` endeavour to ask fruitful questions (Alvin, 1990:221). This is however refuted by Wallerstein who points out that he only presents a set of hypotheses within the framework of the MWS theory that are open to debate and that to see the MWS theory as a concept rather than as a reality makes it better

adapt for research and is hence the proffered way to see the theory (Alvin, 1990: 226). Connecting to the criticism above is the MWS theory's supposed neglect of historically specific development. The underlying premise of this critique is that the MWS theory is too broad to focus on specific events (specifically interrelational aspects that take place on a national level) (Alvin, 1990: 221). That the MWS theory looks at the big picture of the world is uncontroversial but nothing in the MWS theory inherently inhibits it from applying its global perspective to the study of historical developments at the national level (Alvin, 1990:226). In line with this criticism of the MWS theory's broad perspective is the stratification critique which specifically outlines "class analysis" as an unit which the MWS theory cannot cater for because instead of focusing on classes in the production sphere it focuses on distributions of rewards and exchange relations in the world-economy (Alvin, 1990:222). Wallerstein emphasise that the MWS theory do encompass these class actors and that they are part of the world-economy in which they pursuit their own self-interest. What differs Wallerstein from theses stratification critics is however the fact that he differs radically from what they perceive to be a class. Wallerstein see classes as constantly changing and that classes are not only determined by their relation to the production sphere but that the class concept also encompasses notions such as social classes and status groups (Alvin, 1990:229). These different criticisms do not touch to any greater extent upon the ways the MWS theory is used in this paper because it will be applied to a case study that concerns the international level and it is used as a conceptional theory which tries to explain the outcome of a case.

2. 2 Alternative & Complementary Theories

The rational choice theory could be used as an alternative theory to the MWS theory in this paper. This would be feasible even though rational choice theory mainly focuses on the self-interest of the individual actor (and is more connected to neoliberal thinkers then to persons like Wallerstein who are more affiliated to neo-Marxism) because rational choice theory also encompasses institutions that are non the less also built up by individual persons and also pursues their self-interest (Ward, 2002:68). It would not be to far fetched to perceive a actor's self-interest (in this case a corporation) to be an inclination towards self imposed regulation with no legally binding aspect to it in contrast to a more internationally compelling legal framework. The deficiency with this theory is however that its perspective is on a lower level (the actor level) then on the global level and global politics might restrain or interfere with the preferences of the actor in a way that the rational choice theory cannot cater for.

A complementary theory to use would be behaviouralism which would be used to observe corporations' behaviour as single actors towards the GC and the UN Norms and explain why they behave as they do (Sanders, 2002:45). If one would have this requisite empirical data one could also focus on whether there are any differences in attitude towards the two proposals that correlates with different types of corporations (big ones, small ones, suppliers, sub contractors etc.) and this would involve amongst other things looking at their institutional structure in order to get to some kind of explanation for the observed behaviour.

3. Hypotheses

Hypothesis 1 - With the logic of the world-economy and the inter-state system which the MWS theory outlines one can predict that the possible outcome of this case study will be that corporations are against the legally binding UN Norms and in favor of the voluntary GC.

Hypothesis 2 - The MWS theory will be able to predict extensively what the nature of the responses towards the UN Norms and the GC will be because of the way the MWS theory's logic is outlined and its comprehensiveness that covers so many areas of the world-economy and the inter-state system.

4. Literature Review

Previous research relating to the topic of this paper can broadly be categorised into three fields; CSR, corporate regulation and MWS theory application. The first two fields are interrelated with one another which can be seen in the fact that both elaborate on how corporations should behave in the society. There seems however to be a distinct difference between the two which is that the concept of CSR is more related to self-imposed and hence voluntary regulation (promoted by states, corporations, and configurational institutions of states like the EU whereas NGOs seems to try to downplay the voluntary aspect of CSR) (Zerk, 2006:41) while the latter is more about states or state like institutions' regulation of corporations (like the WTO, EU, NAFTA etc) (Braithwaite. 2000:68). One of the premises for CSR or legal regulation is that corporations do commit crimes and that this needs to be dealt with but the research on corporations' reach and its correlation with human rights abuses is a contested area in which, depending on what data you use, presents different results (Fryas, 2003:35). Research on a futuristic world where corporations are under control has been extensively written about in the MWS literature (Boswell, 2000) but also international

normative regimes concerning corporate operations have been written about (Fryas, 2003:41). This research has not included what corporations have thought about these proposals so when it comes to international binding regulation of corporations and their reactions to it the author has not been able to find any scientific research papers concerning that area. Through looking at the UN Norms and the GC and corporations` response to them the author hopes to contribute with this paper to an understanding of what corporations` preferences are, and why they are as they are, when it comes to international binding regulation of corporations.

5. Analysis

5.1 The Global Compact

5.1.1 The History & Content of the Global Compact

The Global Compact (GC) was officially launched on the 26th July 2000 and is today the world`s largest global corporate citizen initiative with more than 5000 participants (3600 are corporations) from more than hundred different countries (Global Compact, 2007b). The GC is primarily based on its ten principles concerning human rights, labour, the environment and anti-corruption. The GC`s first two principles concerns corporations and human rights issues. The first principle states that corporations should support and respect international human rights conventions and the second emphasises the need for corporations to make sure that they are not complicit in human rights abuses. The GC further states that the Universal Declaration of Human Rights (UDHR) is today seen as to be international customary law and even though the GC sees some parts of it as not being applicable to corporations they do deem most of it to be important for corporations and their operations. UDHR is just one of several important international treaties that is part of the base for the principles (the other ones are The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, The United Nations Convention Against Corruption). The GC emphasises that the pillars of the UDHR are human equality (independent of one`s sex, colour, religion and so on), the right to life, security and liberty (i.e. the freedom from any kind of coercive work, protection of the law and so on), personal freedom (protection of a persons privacy) and economic, social and cultural freedoms (which includes amongst many rights social security) (Global Compact, 2007c).

The GC states that;

``The responsibility for human rights does not rest with governments or nation states alone. Human rights issues are important both for individuals and the organisations that they create. As part of its commitment to the

Global Compact, the business community has a responsibility to uphold human rights both in the workplace and more broadly within its sphere of influence` (Global Compact, 2007d).

The GC also emphasises the importance of bringing ideas concerning human right issues into the company itself and this can be done through various measures that would include developing policies and strategies within the corporations to support human rights, conducting human rights impact assessments of their operations, create health and safety management systems and reviewing them regularly. The GC outlines several different reasons for corporations to address human rights issues and the actions that should be taken should be benign in action but also beneficial for the corporations themselves. The different actions corporations should take includes; compliance with local and international law, promoting the rule of law, addressing consumer concerns, supply chain management, increasing worker productivity and building good community relationships (Global Compact, 2007d).

An important aspect of the changing international environment concerns the increase of power for corporations and this has subsequently led to the need to elucidate the concept of `complicity`. This term is hard to define but the GC states that complicity can be identified and connected to the operations of corporations in three different forms. Direct complicity (when a corporation intentionally helps a state to carry out a breach against human rights conventions), beneficial complicity (when another actor then the corporation carries out the human rights violation but the corporation nonetheless benefits directly from it) and silent complicity (when a corporation does not contact the appropriate authority and raise its concerns concerning systematic or continuous violations of human rights) (Global Compact, 2007e).

The rest of the principles are structured into three larger categories (labour standards, environment and anti-corruption). The labour standards category has four principles which range from the elimination of child labour, forced and compulsory labour and discrimination of people concerning employment. It also states that corporations should uphold the freedom of association and recognize the right to collective bargaining. The environment category includes three principles which states that corporations should undertake initiatives in order to promote greater responsibility when it comes to the environment, they should also encourage the development and the spreading of technologies that are friendly to the environment and they are called upon to support precautionary approaches to challenges concerning the environment. The last principle states that corruption in all its form should be worked against by the corporations (including bribery and extortion) (Global Compact, 2007f).

5.1.2 The Procedures of the Global Compact

The GC's work involves in-put from labour, civil society and from corporations. The GC is entirely voluntarily for the corporations involved and they are not put under any enforcing or monitoring mechanisms and the basic premises for this apparently non-compelling participation is the GC's accentuation on transparency, public accountability and the enlightened self-interest of corporations. Except for the allusion to the enlightened self-interest some of the other reasons for corporations to join the GC is the possibility for corporations to take leadership in the field of corporate responsible practices through obtaining and disseminating facts about practical solutions that concerns corporate operations and its connections to areas such as human rights abuses. Having access to UN's knowledge concerning development issues and at the same time expanding the UN reach are also other benefits involved in the work with the GC (Global Compact, 2007g).

The GC's two main aims are to spread its ten principles around the world and to create support for its principles and these two aims are supposed to be achieved through the use of different mechanisms such as learning, partnership projects, policy dialogues and country/regional networks. In its introduction text the GC points out that trade and investment are central pillars to the establishment of peace and stability but that corporations also breach against human rights, pollute the environment and many other bad things in their work in different areas around the world. The GC believes that corporations, through their participation in the GC, will get the incentives needed to comply with the GC's principles because this will create trust, social capital and sustainable markets for the corporations involved.

The governance framework of the GC constitutes six entities which all have different tasks to fulfil. These institutions purpose ranges from getting all the top executives from the different participants of the GC into discussion with one another, disseminating best business conduct practices, ensure a uniform support from the UN concerning the GC's internalization of the ten principles and much more (Global Compact, 2007h). In order to become a member of the GC the corporation's executive director must send a letter to the UN's Secretary-General where the corporation's endorsement of the GC's ten principles must be stated. The GC uses the term "leadership principle" which means that if the CEO of a corporation sends a letter to the Secretary-General, all its subsidiaries will be included into the GC even though only the parent corporation's name is listed among the members of the GC . The economical

funding of the GC comes from government donors but financial contributions are also transmitted through The Foundation of the UN global Compact. So called “micro enterprises” (which are organizations with less than 10 employees) are not encompassed within the GC because of administrative constraints on the part of the GC (Global Compact, 2007i). The operations of the corporation must after it has had its membership confirmed be guided by the principles of the GC and the corporation must involve propagation of the principles into its work and this must be made public and explicit in its day-to-day work. Additionally, through the mechanisms of public reporting the corporation must convey how it is dealing with and how it is supporting the GC’s principles. Civil society organizations are encouraged to get involved in the GC and there are several mechanisms in place to foster this type of engagement (which can be seen in the creation of policy dialogues, local networks, partnership projects and so on). In these forums civil society organizations are not only encouraged to get involved but are also seen to play a crucial role in their commitment to the ten principles (Global Compact, 2007j).

Due to the fact that the GC does not have any monitoring or enforcing power it cannot know if a company truthfully portrays its actions correctly. What companies have to do in the GC is to publicly submit their work in a learning forum where several mechanisms are in place to elaborate upon the different corporations’ submissions. The submission comes in the form of a “communication on progress” report, which is published annually by the different member corporations which includes the corporations’ work with regard to the GC’s ten principles. This type of practice constitutes what the GC believes to be the best way to get corporations to conform to the GC’s principles and improve their conduct of their operations. Even though the GC is a UN invention it has its own logo and a set of restrictions concerning the use of its GC logo. The GC’s only penalising mechanism towards its corporate members is its possibility to remove corporations from the GC’s member list if they do not submit a communication report within two years after having become a member of the GC. These removed corporations can however be resubmitted after having handed in a communication report (Global Compact, 2007k).

5.1.3 Corporate Responses to the Global Compact

The GC might be the biggest CSR forum in the world today but its member numbers are quite dismal when one looks at the fact that there are tens of thousands of corporations and several big corporate groups who have not joined the GC. Even though it seems to be a tiny portion of the world’s corporations that have joined the GC it has been able to obtain more consent from

the business community then any other initiative within the field of corporations and their responsibilities to the societies they are active in. The corporate groups being looked at in this paper are not unanimous in their approach to the GC. IOE and ICC are both members of the GC and they have applauded the GC in several officially published documents. It might be worth illustrating this support with two examples which shows how officially lauded the GC has been by important actors like the ICC and the IOE. ICC reported on the global compacts leaders summit on the 24th June in 2004 that the creation and work of the GC underpins the important relationship that exists between the UN and the business community and that the work of the GC will lead to further encouragement of the improvement of corporate behaviour (International Chamber of Commerce, 2004). IOE is so much in favour of the GC that it has stated that it will call on all corporations to join the GC which they perceive to be a step to make globalization work for everyone (International Organization of Employers, 2002). The support from the IOE and the ICC to the GC is obviously pivotal for the GC because these two institutions encompasses some of the biggest corporations in the world and the fact that they laud the GC gives the GC more clout than if they would not have been members. Even though the USCIB is not an official member of the GC it is strongly affiliated to the ICC and the IOE who are. The USCIB vehemently favours other voluntary initiatives and their priorities concerning their work on voluntary codes has as its aim to promote corporate responsibility, increase awareness of the positive impacts corporations can contribute with when carrying out their work etc (USCIB, 2007c). CBI is also not a member of the GC but just as all the other corporate groups it supports voluntary initiatives concerning corporations operations but instead of stressing the importance of different voluntary initiatives it emphasises the importance of all CSR codes to be voluntary and vehemently opposes all initiatives that are leaning towards a more rigid regulatory structure (CBI, 2007a).

5.2. The UN Norms

5.2.1 History of the UN Norms

“Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights” (here after referred to as the UN Norms) was approved by the United Nations Sub-Commission on the Promotion and Protection of Human Rights on August 13, 2003. The UN Norms encompasses several different legal principles concerning everything from human rights, international labour law, anticorruption law, environmental law and more.

The main reason for the creation of the UN Norms was its founders insight that international law had been expanding rapidly for the last fifty years without including one of the actors who's strength had increased rapidly under the same time period; the strength of corporations. Due to the fact that the corporations are involved in so many different dynamic sectors around the world (everything from extractive industries to footwear and apparel industries) they were of particular concern to the authors of the UN Norms. The drafters noted that corporations could do all lot of good to the countries in which markets they got into but that there were also the possibility of corporations to do a lot of bad things (specially in the peripheral countries) concerning issues such as child labour, discrimination, dumping of toxic waste and so on. The UN Norms drafters` knowledge of corporations possibility to act in breach of human rights was compounded with the CSR debate that had been going for quite some time and this precipitated the founders to confront the issue of corporate power in another manner then what previous CSR forums had done. This was to lead to the UN Norms most distinctive feature; its suggestion of keeping all corporations, independent of where they worked, to a comprehensive set of human rights standards and penalise them if they did not obey (Weiss and Kruger, 901).

The UN Norms were drafted by five lawyers from the Sub-Commission who started to work in 1998, and worked for three years, with the examination of working methods and activities of transnational corporations. The time period was however expanded and included several other activities as for example the listing of human rights instruments and the elaboration upon a monitoring mechanism that would be monitoring the work of corporations. During its work on the UN Norms the Sub-Commission got input from different types of actors such as NGO`s, corporations, union representatives and different types of scholars who made substantive contributions to the outlining of the UN Norms (Weiss and Kruger, 905). The Norms were greeted by the NGO`s with an overwhelming positive response and different corporations submitted themselves to so called ``road test`` the UN norm as a sign of their commitment to human rights (Weiss and Kruger, 906). There existed several issues that the Sub-Commission realised it had to deal with in the future in order to make the UN Norms more functional such as the implementation and enforcement aspects. Educational efforts directed towards unions, corporations and governments were also important perquisites before the United Nations Commission on Human Rights Commission (CHR, the highest human rights body in the UN) could be expected to seriously consider the adoption of the Norms (Weiss and Kruger, 907).

The founders of the UN Norms had several seminars with different participants in establishing what type of entities the UN Norms should concern. Transnational corporations were the primary entities debated at the beginning of these talks but it became clear after some time that the UN Norms needed to be more comprehensive in its scope because of the possibilities transnational corporations have to diffuse their operations into smaller entities that could evade and hence not be addressed by the UN Norms (Weiss and Kruger, 908). The difficulties of finding an uncontroversial definition of what constituted a transnational corporation (and its differing from Multinational corporation) was discussed at some length and led the UN Norms founders to state that the UN Norms were limited to not only transnational corporations but also included any type of business entity, regardless of the international or domestic structure of its activities, including a transnational corporation, supplier, contractor, licensee or distributor; subcontractor, partnership, or any other legal form that the business entity might have. Hence they are written to include all business entities, independent of what their stated corporate form is or the international or domestic scope of their business. (Weiss and Kruger, 909). According to the UN Norms drafters the ubiquitous application of the UN Norms should make sense to all kinds corporations because if the UN Norms would only be applied to some specific type of corporation it would give other companies who does not fit into this definition a competitive market advantage because of their lack of incentives to respect human rights (Weiss and Kruger, 910). Some of the criticism that was launched in the beginning against the UN Norms concerned its application to corporations without accounting for their varying types, sizes and activities. This was however refuted by the drafters because the UN Norms defined its application to corporations on the basis of a variety of factors (such as strength, size and so on). What this meant was that the stronger a corporation was the more responsibility accrued to it (Weiss and Kruger, 911).

In 2004 at the CHR's 60th session the CHR requested the Office of the High Commissioner of Human Rights (OHCHR) to compile a report on the UN Norms, look at the different human rights initiatives that existed at the time concerning corporations' operations and discuss with all relevant stakeholders. The year after at the CHR 61th session the OHCHR had published its report and the CHR asked the United Nations Secretary-General to appoint a Special Representative on the issue of human rights and business (SRSG). The work of the SRSG has been published so far at two different occasions and even though the SRSG has said that he sees some value in the UN Norms his comment on them has been overwhelmingly negative (Kinley, 2007:32).

5.2.2 Content of the UN Norms

The UN Norms are more comprehensive than any previous attempt concerning human rights but its content is based on and reflects already existing international norms and treaties and in addition to that the UN Norms also specifies some methods for its implementation (Weiss and Kruger, 912). The UN Norms are not voluntary and goes beyond the debate of enlightened self-interest which is made clear through its elucidation of different monitoring and penalising practises (Weiss and Kruger, 913). The UN Norms are not a treaty (as for example the UN charter is) and the drafters of the UN Norms have realised that it is not realistic that the Norms will be voted into practice by the UN member states in the near future (one of the procedures that is mandatory for getting a treaty ratified). The prerequisite steps for attaining treaty status is usually done through the long process of first being a ``soft`` law case such as a declaration or a set of principles and after having achieved a consensus amongst the different UN member states it can be elevated up to the level of a treaty (Weiss and Kruger, 913).

In the preamble of the UN Norms it is pointed out that in the Universal Declaration of Human Rights it is stated that all organs in the society have a duty to respect Human Rights (which is a term that includes civil, social, political and economic rights and the right to development as is stated in several different treaties such as International Bill of Human right, International humanitarian law and many more). These different organs include all potential actors in a society (individuals, government, corporations etc.) and they should strive through the use of various measures (education, promotion and so on) to secure universal recognition of these human rights including social progress, better standards of living and equal rights for women and men. This emphasis on different organs in society is in this context a specific allusion to corporations and their obligations and this is made clear in one of the most pivotal paragraphs of the UN Norms where it stands:

``States have the primary responsibility to promote, secure the fulfilment of, respect, ensure respect of and protect human rights recognized in international as well as national law, including ensuring that transnational corporations and other business enterprises respect human rights. Within their respective spheres of activity and influence, transnational corporations and other business enterprises have the obligation to promote, secure the fulfilment of, respect, ensure respect of and protect human rights recognized in international as well as national law, including the rights and interests of indigenous peoples and other vulnerable groups.`` (UN norms, 2003).

The reason for this particular emphasis on corporations is made clear because the drafters points out that the latest global trends have led to a situation where corporations have seen an increase in their influence over most countries and where a great variety of corporations operate across national boundaries. This situation is compounded by the fact that corporations are more and more becoming involved in human rights issues and in order to address these concerns further standard setting is required. The different obligations that corporations have according to the UN Norms and to which corporations are directly connected includes several areas such as the right to equal opportunity and non-discriminatory treatment, right to security of persons, rights of workers (in which it is stated that child labour shall be banned, corporations shall remunerate their workers so that they have an adequate standard of living and make sure that they have a healthy working environment), respect for national sovereignty and human rights, obligations with regard to consumer protection and obligations with regard to environmental protection.

The UN Norms also include a general set of provisions relating to the implementation of the UN Norms. Concerning corporations' internalization of the UN Norms corporations should disseminate, adopt and implement internal rules that are in compliance with the UN Norms. Corporations are also obliged to periodically report on their implementation of the UN Norms and take other measures in order to implement them. The UN Norms should also be incorporated by the corporations into their contracts when dealing with contractors, suppliers, distributors and so on. To make sure that corporations conform to these criteria the UN Norms drafters state that;

``Transnational corporations and other business enterprises shall be subject to periodic monitoring and verification by United Nations, other international and national mechanisms already in existence or yet to be created, regarding application of the Norms. This monitoring shall be transparent and independent and take into account input from stakeholders (including non governmental organizations) and as a result of complaints of violations of these Norms. Further, transnational corporations and other business enterprises shall conduct periodic evaluations concerning the impact of their own activities on human rights under these Norms.`` (UN Norms, 2003)

In this regard it is important to emphasise that the term stakeholders encompasses everything from workers, owners, stockholders to individuals or groups that are affected by the operations of corporations. This includes both direct and indirect affected actors and the latter category includes such actors as customers, indigenous peoples and communities,

suppliers and many more. Concerning the victims of corporate malpractice the UN Norms states that;

``Transnational corporations and other business enterprises shall provide prompt, effective and adequate reparation to those persons, entities and communities that have been adversely affected by failures to comply with these Norms through, inter alia, reparations, restitution, compensation and rehabilitation for any damage done or property taken. In connection with determining damages in regard to criminal sanctions, and in all other respects, these Norms shall be applied by national courts and/or international tribunals, pursuant to national and international law.`` (UN Norms, 2003)

5.2.3 Corporate responses to the UN Norms

Below an amalgamation of different arguments about the UN Norms will be elucidated in a concise manner. There has however been one initiative (Business Leaders Initiative on Human Rights, BLIHR) that has been deemed as a positive response by the corporate world towards the UN Norms and their positioning towards the UN Norms will be looked at below.

5.2.4 The UN Norms Drafting Procedure

Several of the corporate groups have lamented over the drafting procedure leading up to the UN Norms which they thought did not involve them sufficiently in the consultation process. This has however been refuted by the drafters who have pointed out that consultancy processes were conducted and included big corporate groups that were aloud to have their say. Even though this has been an area with consternation a statement by a USCIB representative put this debate in perspective: ``In sum, we believe there are strong grounds to object to the way the SUB-Commission carried out its mandate from the very start. That said, these procedural concerns pale when compared to the actual content of the draft Norms`` (ICC/IOE, 2004:19, Deal, 2004:4, Hearne, 2004).

5.2.5 The Privatization of Human Rights

The argument's basic premise is that the UN Norms absolve governments of its responsibility concerning human rights and that corporations are suppose to step in to carry out the obligations of the state (ICC/IOE, 2004: 23, Deal, 2004:6, Guardian, 2004). This is for anyone who has read the first article of the UN Norms not a problem because the state's primary role concerning the upholding of human rights is made abundantly clear. The term privatization is also a bit misleading because corporations would through the UN Norms be hold accountable

to international laws (not privately set by the corporation) which means that corporations would not be given free range to do whatever they want without being held responsible.

5.2.6 The Importance of Voluntary Initiatives

ICC, IOE, ICB and USCIB all condone voluntary initiatives (the two first business organizations the GC in particular) and this is something that is made explicit in both public documents and news media (USCIB, 2004:6, Guardian, 2004)

5.2.7 “Complicity” & “Sphere of Influence”

It is clear that these two conceptions are in need of further clarification (and different types of forums and institutions are working upon the clarification of these terms) but the vehement reaction by the ICC, IOE against these conceptions is somewhat contradictory because these two relative vague terms are used by the Global Compact (which ICC and IOE are part of) (ICC/IOE, 2004: 26).

5.2.8 Consequences for Investment in Peripheral Countries

Timothy E. Deal (representative for USCIB) said when talking about the implications of the UN norms for corporate operations in peripheral countries; “Rather than improving human rights in such countries, the draft code would virtually eliminate the very investment that is the best hope for economic development and the improved human rights that normally accompany such development.” (Deal, 2004: 4). Representatives for CBI have made similar comments (Guardian, 2004). Numerous reports have been done on corporations malpractice in peripheral countries where laws or law enforcement is weak or absent and through judging from this type of argument one would almost have to see it as competitive advantage for peripheral countries which the UN Norms would eradicate (Fryas, 2003).

5.2.9 The Sub-commission’s Negative Attitudes Towards Business

Even though one of the basic premises of the UN Norms is to create international binding regulation concerning corporations’ operations around the world the UN Norms does not state that all corporations breach against different types of international treaties. On the contrary the UN Norms points out the benefits that corporations can contribute with but that violations does occur and that a legal framework is needed (ICC/IOE, 2004: 33).

6. Outcome of the Comparative Case Study

By looking at the previous texts one can see that there are three main differences between the GC and the UN Norms and those are that the UN Norms are more comprehensive in its scope, has a more specific implementation plan and promotes binding legal obligations on corporations all around the world (see Appendix 1 in the back).

Two of the three measuring criteria (membership and positive responses) concerning the corporate response to the GC are evident in the section about the GC. The two biggest corporate groups are members of the GC and even though the two others are not they are still in support of some kind of voluntary initiative concerning corporate conduct. That the opposite response (to refer back to the measuring criteria of negative response) towards the UN Norms have been levelled against it should be equally as evident and here there seems to be an almost unanimous opposition against the UN Norms (even though all the arguments have not been done by all the corporate groups the nature of the corporate group arguments, i.e. being against its legally binding aspect, is more or less the same).

7. Alternative Positions? The ‘Business Leaders Initiative on Human Rights’

One of the most prominent supporter of the UN Norms in the corporate world has been BLIHR and BLIHR has been presented as an alternative to the negative response corporate groups generally have been leveling towards the UN Norms. BLIHR started as a project in 2003 with the aim to develop relations between corporations and human rights issues through its endeavor to find practical ways to apply the Universal Declaration of Human Rights to corporate operations. It was initially set up for a three year period but this period was extended with another three years and BLIHR mandate ends as it presently stands in 2009. BLIHR stresses the importance of corporations to consider their possible impact on human rights issues in their specific industries and the main purpose of BLIHR is first and foremost to accumulate knowledge about this field (BLIHR, 2007). However, the ICC, IOE, CBI and USCIB are all in favor of some type of voluntary human rights code, many similar to that of the UN Norms, so to be in mere favor of the UN Norms content is nothing special but the full endorsement of the UN Norms (i.e. including its legally binding principle) would obviously fundamentally separate the BLIHR from other corporate organizations.

This does not however seem to be the case because even if the UN Norms are lauded by the BLIHR as being of great importance to the debate on human rights and corporations BLIHR states that;

“On the broader issue of business accountability, the draft Norms do make reference to a possible role for UN bodies to monitor the behavior of specific companies. Our initial position would be that this is not a workable solution” (BLIHR, 2006:19).

The BLIHR takes notice of the evolution of human rights law concerning such things as the International Criminal Court’s possible indictment of corporate leaders in the future but nowhere in its text do BLIHR fully condone the whole of the UN Norms. The main criticism of the UN Norms by the BLIHR is its narrowness when it comes to elucidating how to implement the UN Norms and even if it is this might be a valid point (emphasized clearly in argument number four above) BLIHR does not state that the legally binding or monitoring capacity of the UN Norms could be conceived as implementable in the future (BLIHR, 2006:19).

If one further looks at who the participants in the BLIHR are and what other forums they are involved in it becomes clear that a majority of all corporations involved in the BLIHR are also members of the above quoted corporate groups who are antagonistic towards the UN Norms (i.e. ICC, USCIB, IOE or CBI)². This fact which could be viewed as a double stand by the different corporations involved may not have to be a try to “bluewash” their brands but as one of BLIHR organizers John Morrison stated;

“Contrary to what I’ve seen in a lot of the press, signing up to road test the Norms is not us endorsing the Norms until we know better what works and what doesn’t,” Morrison said. “But it is a willingness to see if they can be made to work. We know there are aspects that won’t work operationally, but we want to find out what those are and how they might be revised to work better.” (Hearne, 2004).

To add to the previous summarization of the outcome of the case study BLIHR can not be seen as to be a proponent of the UN Norms in its completeness even though it lauds some of the principles of its content.

² ABB, Barclays, Hewlett-Packard, Novartis, The Body Shop International are members of BLIHR (BLIHR, 2006:19) and also members of ICC (ICC, 2007) and GAP is a member of USCIB (USCIB, 2007b).

8. Applying MWS Theory to the Case Study

The MWS theory makes it abundantly clear that two of the main pillars of the MWS are the capitalist world economy and the inter-state system. One of the latter's most basic premises is the notion of the sovereign state which means that no institution has the right to interfere in the operations of a sovereign state and the upholding of this is so fundamental that without it we would not be living in the capitalist world-system that we are living in today. If an institution would be able to gain legal discretion over corporations independent of which state they work in the sovereignty aspect of states would be radically altered. What the UN Norms explicitly are doing through its legally binding principles is to go straight against the core of this inter-state system and hence against the underlying foundation of the modern world-system we are living in today! One cannot perceive of a state to be sovereign in its classical sense if an institution (in this case the UN) is compelled to go into a country and convict an actor (whether it be an individual person or as in this case a corporation) of human rights, corruption, environment, labour abuses or any other crime without the possibility of the state to stop this intrusive institution. Even though this would not lead to a flattening of the world when it comes to laws and regulation, one of the basic premises of the our world-system would be breached and we could no longer conceive of ourselves to be living in a capitalist world-economy because the indispensable role of the sovereign state would have (through the implementation of the UN Norms) become obsolete.

The fact that half of the corporate groups are members of the GC (and that the other corporate groups are in favour of other voluntary initiatives) is in this regard due to the fact that the GC does not impose any legally binding obligations on any corporation (and on the capitalist world economy as a whole) and the corporations and the modern world-system's accumulation process is hence not threatened in any serious manner. The reason for the corporate groups to be against the UN Norms is hence pretty easy to understand from a MWS theory perspective because this would radically alter the world-system in which their members are endlessly accumulating profits. The support for the BLIHR initiative further augments this because even though it is credited as being a supporter of the UN norms it still does not support the most salient differentiating feature between the GC and the UN norms. The implementation of the UN Norms must be perceived to be more than just an impediment in the accumulation of profits process because the role of corporations is to use the politics of the state to accumulate profits but if corporations could not go anywhere around the world without being at least under a set of minimum laws this would solidify (independent of how

much or little it is) political domination over corporations which is an antithesis to the whole functioning of the MWS theory.

Concerning the first argument the MWS theory can not be seen to be able to explain this context specific complaint but the argument seems to be one with which one can dispense because just as Mr. Deal pointed out it is of no great importance in comparison to the other aspects of the UN Norms.

The second argument relates to the core of the MWS theory because even though it can be seen as a misreading of the UN Norms it alludes to the fact that corporations will not have anywhere to go in order to shy away from their responsibilities as set out by the UN Norms (which means they come under the force of dominant political force which is an antithesis to the functioning of the MWS).

Argument three further augments the MWS theory's capacity to explain the corporate groups' responses to the UN Norms because they are acting in accordance with the logic of the MWS. Voluntary initiatives do not inhibit the MWS in anyway because voluntary initiatives are being acted upon by corporations as sovereign entities that choose to engage in voluntary initiatives (i.e. it is not imposed on them by some political institution). It is worth noting however that this explicitly shows the corporate groups' contempt for the legally binding aspect of the UN Norms because just as in the UN Norms the GC states that private businesses have human rights obligations. This obviously puts a similar duty on corporations just as the UN Norms do but without promoting a legally binding clause.

Argument four relates back to argument two and just as the contradiction is pointed out between the usage of the terms in the GC and their usage in the UN Norms the hypocrisy should not make one oblivious to the logical reasons for why corporations respond as they do which is outlined by the MWS theory.

Argument five fits in neatly in the same category as the three previous arguments but this one is interesting and needs further elaboration. The argument may seem harsh but there is a lot of logic to it which can be explained by the MWS theory. With the implementation of the UN Norms corporations would not be able to benefit to the same extent as they do today from the cheap labour that exists in peripheral countries where labour rights and other "obstacles" concerning environment, human rights and so on are less rigidly enforced in comparison to many core countries. This issue is also related to the fact that the UN Norms would make it harder for the world economy as a whole during cyclical downturns because during these cyclical downturns corporations move to places where labour is so cheap that they can keep accumulating steady profits and this would be further impeded if corporations would be

compelled by international law to pay an adequate living wage (resulting in their profits becoming lower than if the laws would not have been erected). Corporations' accumulation in peripheral countries would also become smaller due to the anti-corruption regulation of the UN Norms because corruption is so pervasive in many of these peripheral countries so doing business in these countries almost requires corporations to bribe and this would become harder with the implementation of the UN Norms (this would obviously be true in core countries as well but there the phenomena is less pervasive).

Argument six seems also to be context specific and its premise seems to depend on how rigidly one reads the UN Norms. Circumventing the movement of corporations in such a way that the UN Norms suggests is obviously anti-corporate but this argument seems to emphasise the language being used in the UN Norms draft and this is something that lies outside the domain of the MWS theory. If however one would interpret this argument as to be that the UN Norms are widely negative towards corporations in general (because it wants to implement legally binding laws) this would not be a far-fetched argument because its implementation would surely make the situation for corporations worse. This is true for the reasons given above but also because the possible use of the state by corporations (as it is spelled out by the MWS theory) would be severely damaged. One of the important actions which can be taken by a strong state towards a weak state is to pressure the weak state so that it keeps leaders in power that are in favour to the strong state's politics and this is important for corporations because they can influence a strong state to put pressure on a weak state so that it does not erect laws that can be harmful to the corporations who are supporting the strong state. If the UN Norms were implemented to be internationally binding law corporations would not be able to use the strong states to have this function to the same extent it has today and hence one of the big important actions a state can take on behalf of corporations would be diminished concerning the areas which the UN Norms cover. Another basic state function that would be weakened is the state's discretion to decide what should be externalised or internalised when it come to corporations' operations and the environment. The environmental aspect of the UN Norms would not only prohibit the state to go against some kind of minimum level of environmental protection but would also compel corporations to internalise some of the cost of environmental damage. The state could not either be utilized, as was indicated previously, to totally control the relationship between the employer (i.e. the corporation) and its employees because who would be considered an employee (the ban on child labour) and what the working conditions at the work place should be would not longer be issues decided by a sovereign state but by international law.

9. Conclusion

The fact that the corporate groups were overwhelmingly opposed to the legally binding aspect of the UN Norms and that many of them were either members of the GC (or other voluntary initiatives) renders the first hypotheses correct; which answers the first question positively; concerning whether the MWS theory could predict the possible corporate responses or not. The second question's answer, concerning the extent to which the MWS theory can explain the responses of the corporate groups, is a little bit more ambiguous but the second hypothesis can still be deemed to be positively answered. The extent to which the MWS theory can explain the corporate responses to the UN norms is easier to perceive than it is concerning the GC. This is mainly due to the difference in the structure of the data material used but one can nonetheless conclude that the fact that the GC does not seriously impede the functioning of the MWS makes the MWS theory's explanatory value of why corporations are in favour of the GC clear. There were two arguments against the UN Norms that the MWS theory could not cater for (questions one and six were more related to the specific context concerning the drafting of the UN Norms) but these seem to have had such a negligible influence on the overall perception of the corporate groups that they can predominantly be dispensed with (depending on the interpretation of question 6). To refer back to the congruence method the author can conclude that there is a possible causal relation between the independent and dependent variables because the variance in the independent variables (i.e. the legally binding principle separating the GC and the UN norms) can be seen to be corresponding to the variance in the dependent variables (the corporate groups' response to the two initiatives) and this can be both predicted and explained by the MWS theory.

This paper further concludes that UN Norms aims to institutionalise a political institution that is contrary to the logic of the capitalist world economy and that the MWS theory lucidly explains why the corporate groups being looked at in this paper have acted as they have. The outcome of the comparative study with the UN Norms and the GC strongly augments this conclusion because even though the scope of the content of the UN Norms is more comprehensive and its implementation more detailed they are (concerning their core values) more or less the same and this further shows that the corporate groups do not care about the content but of the initiatives voluntary or legally binding nature. Suggestions on future research would be to try to assess the utility of a binding legal framework which means that we would need to clarify under what conditions corporations are most likely to commit human rights and other abuses in then others. An easy way to assess this is through looking at

countries which have extensive regulation concerning corporate behaviour (like many of the core countries) and compare that with countries with few regulations (like many peripheral countries). Future research should preferably not narrow itself down to different actors' preferences as the rational choice theory would have it (even if these preferences are described as being universal) because if there is one thing the MWS theory shows us it is the importance of theories being interdisciplinary and as comprehensive as they possibly can. This feature of the MWS theory shows us that the corporate groups' reactions against the UN Norms and the GC cannot be understood if one does not look at how it will impact the political (i.e. the inter-state) system as well. The MWS theory stands, which should be evident after having read this paper, as a valuable theory to use for further research within areas such as globalization (with all aspects that this word includes) and an interesting aspect for future research concerning the UN Norms would be to look at how governments have reacted to the UN Norms proposal. According to the MWS theory states should be just as vehemently opposed to the UN Norms because of the benefits states stand to gain from the MWS but maybe states' preferences would differ somewhat along the axial division of labour (that is between the core, semi periphery and peripheral countries)?

Even though it is pretty hard to conceive of the UN Norms being implemented this does not mean that it cannot happen (incipient internationally democracy movements like the world social forum might be able to successfully push for a change of this kind) and the interesting question if this would happen would concern what type of world-system we then would be living in. Would it preserve some of its main characteristics and try to accommodate the new changes or would another system come into being with a completely new logic? That the UN Norms would contribute to a more equitable world is unquestionable to the author but would the power centers of the world change their operations so that exploitation and inequality would continue in other forms? These type of question might need a completely new set of theoretical tools that could be better apt to predict future trends or what different changes in the world-economy can possibly lead to but these theoretical tools would surely be better used as complements to the MWS theory than as completely new ones because they would be likely to contribute rather than to alter the indispensable holistic view of the MWS theory.

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submission-to-UN.pdf](http://www.reports-and-materials.org/USCIB-submission-to-UN.pdf)>

10. Appendix 1 – The Global Compact & UN Norms

	UN Norms	UN Global Compact
Purpose	<i>Provide binding legislation and monitor all TNCs and other business enterprises concerning human rights on an international scale.</i>	<i>Create voluntary business principles to advance responsible corporate citizens; Achieve corporate compliance with the principles through enlightened self-interest, local networks, dialogue etc.</i>
Implementation	<i>Presents more specific implementation principles for corporations concerning such issues as monitoring, reparations to victims, the upholding of the UN Norms in its business relations with suppliers, contractors and so on.</i>	<i>Not as specific in its implementation measures as the UN Norms (although it has some, see below).</i>
Similarities	<ul style="list-style-type: none"> - Both cover human rights, non-discrimination, abolition of child labour, employee representation and environmental protection (including the precautionary principle) and anti-corruption. - Both cover concepts of 'sphere of influence' and 'complicity'. - Both stresses the importance of having a policy and strategy internal to the corporations that supports human rights, internal mechanisms in the corporations to enable them to do human rights assessments of their corporate operations and also being able to review them regularly. - Common treaties includes: Universal Declaration of Human Rights, the Declaration of the ILO on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and Development. - Both covers all types of corporations (except for ``micro enterprises`` which are excluded from the GC) 	
Substance	<i>The UN Norms also rely explicitly on the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights), as well as the ILO Tripartite Declaration, the OECD Guidelines, the Global Compact, etc.</i>	