

# A Clear Blue Sky for Corporations



Explaining the non-binding nature of the norms in the United Nations Global Compact

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“I want to challenge you to join me in taking our relationship to a still higher level. I propose that you, the business leaders, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.”

*Kofi Annan, Davos, Switzerland, 31 January, 1999*

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**List of abbreviations**

- CSR Corporate Social Responsibility
- G-77 Group of 77, a coalition of developing countries, which has as its goal to promote its members’ collective economic interests and create an enhanced joint negotiating capacity in the United Nations
- GC Global Compact, also UNGC
- ICC International Chamber of Commerce
- NGOs Non-Governmental Organizations
- NIEO New International Economic Order
- OECD Organization for Economic Co-operation and Development
- SOA Sphere of Authority
- TNC Transnational Corporation
- UN United Nations
- UNCTC United Nations Commission on Transnational Corporations
- UNGC United Nations Global Compact
- USCIB United States Council on International Business

## 1 - Introduction

Corporations play a dubious role in the global realm. They have important influence on human lives and livelihoods. On the positive side: corporations provide jobs and incomes. Moreover, foreign direct investment by corporations can have a positive influence on a country's national economy and economic development. However, corporations can also negatively affect lives and livelihoods. Reports on abuses of corporations come up in the news regularly (Skapinker, 2011; Harvey, 2011). A prominent example is the role Shell played in Nigeria. Shell has operated in Nigeria, mainly in the Niger Delta, for over 50 years. In the 1990s, fierce tensions arose between Shell and Ogoni people living in the region. Shell has caused massive environmental damages and the Ogoni land was polluted by oil spills from Shell pipelines. Shell also conducted other misbehavior and in many ways contributed to ongoing conflicts in the country (BBC News, 2004; Human Rights Watch, 1999). As a result, the corporation has been taken to court for complicity in the repression of the Ogoni people by the Nigerian government. The case has eventually been settled, for US\$ 11 million. Other cases of corporations misbehaving are Nike in Asia and Latin America and Trafigura in the Ivory Coast. In the case of Nike, laborers worked under bad conditions, including physical abuse and exposure to toxins without proper safety equipment (Nike v. Kasky, 2002). Trafigura, an oil trading company, chartered the Probo Koala to ship chemical waste to the Ivory Coast, which was then dumped at several locations around Abidjan. Tens of thousands of people got sick, and people died due to the toxic waste (UN Human Rights Council Report, 3 September 2009). This is just a brief selection of the misbehavior conducted by transnational corporations (TNCs). Non-governmental organizations list many more. As a result of disclosing such breaches and growing opposition, the idea of setting up standards for corporate social responsibility has received growing political attention in the past decades.

Arguably, the idea of business ethics and responsibility on social dimensions has been of all times. Even Cicero in pre-Christian time already wrote about business practices based on moral principles (Blowfield & Frynas, 2005). Corporate social responsibility (CSR), as we know it today, is a concept that received particular attention in the final decades of the twentieth century. While concerns about transnational corporations' influence on human rights, the environment and employment were already present in the 1970s (Levy & Kaplan, 2008, p. 432), such concerns grew particularly in the 1990s, especially in developing countries. Many articles and books have by now been written on the subject (e.g. Jenkins, 2005; Blowfield & Murray, 2008; Ruggie, 2007).

Corporate social responsibility is promoted in many ways, either by governments, by NGOs, or by corporations themselves (Moon, Kang & Gond, 2010, p. 512-516). In the past few decades, a vast array of corporate social responsibility codes has come up (website WorldBank, 2005). One of these

codes is the United Nations Global Compact, initiated by former UN Secretary-General Kofi Annan, at the World Economic Forum in Davos in January of 1999.

The Global Compact should opt as a vehicle for establishing corporate social responsibility codes, which hold corporations accountable for their actions. It comprises ten general principles in the areas of human rights, labour, environment, and corruption. Participating corporations must annually report on their progress in implementing the principles. The Global Compact is argued to provide a framework for development and to mainstream the ten principles in business activities all around the world (UN Global Compact, 2011). The idea is to bring corporations together in a global forum so they can learn from each other how to implement the principles. On a broader scale, the Global Compact is argued to set in motion initiatives to support broader UN goals, such as the Millennium Development Goals (UN Global Compact, 2011).

Accountability consists of three components: standards, information, and sanctions (Grant & Keohane, 2005, p. 41-42), of which only the first two have been materialized within the setting of Global Compact. No agreement or mechanism has been set to sanction corporations for their misconduct in the international system. The Global Compact, as it stands today, is an entirely voluntary instrument. In legal terms it is called a 'soft law' instrument.

Much debate has taken place when the UN Commission on Transnational Corporation (UNCTC) initiated a code of conduct in the 1970s. One of the main points of discussion was its legal status. When an institution or an international agreement is non-binding, it has no legal teeth, which can lead to problems like freeriding or 'bluewashing' as it is called in the context of the Global Compact. Bluewashing is a term invented by activists, for corporations signing the Global Compact ("draping themselves in UN-blue") in order to cover up their misdeeds (Bigge, 2004, p. 7). Participants can thus easily abuse an institution or agreement; they make themselves look good by signing or agreeing, whilst behind the scenes little to nothing is done to apply the agreement. This is also one of the main criticisms regarding the UN Global Compact: it is a voluntary, non-binding and hence weak compact.

Kofi Annan in 1999, speaking on behalf of the members of the United Nations asked TNCs to join him in a 'learning and discussion group'. There was much opposition at the time of setting up the Global Compact. The G-77 and other countries insisted on having a code of conduct that would be binding.<sup>1</sup> This raises the question of why Kofi Annan, as the UN spokesman, decided to initiate a completely non-binding instrument. What was the underlying power constellation that made it possible to arrive at this decision? Why did the developing countries loose out in making the UN Global Compact a binding institution? Is the Global Compact a mere expression of political rhetoric or window dressing to appease growing contestation to transnational corporations?

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<sup>1</sup> The Group of 77, or G-77, is a coalition of developing countries, which has as its goal to promote its members' collective economic interests and create an enhanced joint negotiating capacity in the United Nations.

The decision to make the UN Global Compact a non-binding institution raises many questions. The main research question guiding this thesis is:

*What explains the non-binding character of the United Nations Global Compact?*

#### Relevance of the research question

The question why the United Nations Global Compact is non-binding is not only interesting in itself, but also scientifically relevant because first of all, there has been little research done in this field by political scientists who focused on the balance of power. Corporate social responsibility and the Global Compact have been a focal point of investigation mainly by legal scholars and economists. For legal scholars, the question of whether the Global Compact is the right instrument to protect (economic and social) human rights, and whether corporations can be held legally responsible under international law for breaches of the Compact are the main points of focus (e.g. Meyer & Stefanova, 2001, Oshionebo, 2007). For economists and business analysts, the main object of investigation is why corporations would adopt the principles of the Global Compact, and what impact this has on their economic performances (e.g. Cetindamar & Husoy, 2007, Runhaar & Lafferty, 2009). These studies are surely valuable in their own right, however they ignore the important question of political power. This thesis seeks to fill this gap.

Secondly, the Global Compact is scientifically relevant because corporations have come to play an ever more important role in the global realm, also in international organizations. At the same time, they are regularly accused of misdeeds in the field of human rights, labour, environment, and corruption. The setting up of the Global Compact is in itself a testimony to this. This is also acknowledged by the UN. By making the Global Compact not binding upon its participants, however, the UN seems to be missing out on an opportunity to really gain influence on the actions of corporations.

This thesis investigates why the Global Compact is voluntary and hence, not binding upon its participants. It does so on the basis of a theoretically informed analysis, using the theory of social constructivism, enriched with conceptualization from global governance theories. This thesis draws on the method of process tracing, building on an extensive literature and document study, including position papers by interest groups, as well as official UN documents and articles from scholars.

Nowadays, the global domain is no longer dividable in states only. Other actors have come to play an important role, such as TNCs, which in some cases exert considerable private authority. The Global Compact is aimed at corporations, which begs a theory which accepts private authority in order to provide an answer to the research question. Most mainstream theories, however, do not see private authority as sufficiently relevant to explain political outcomes. Neorealism and

neoliberalism, or neoliberal institutionalism, are state-centric theories, giving ontological primacy to states as the main and often only units of analysis. States tend to be considered the only location of legitimate authority in the international realm, notably with regard to their claim of the monopoly of the legitimate use of force within a given territory (Hall & Biersteker, 2007, p. 3). This ability to claim authority is, according to (neo)realism and neoliberal institutionalism, non-existent in the international system. Authority can only be claimed *within* states; there is no such thing as transnational or international authority, at least, so these theories suggest. In the realm of international politics, anarchy reigns. So not only do neorealism and neoliberal institutionalism not include private authority, they simply do not include authority 'above' the state. Furthermore, these theories do not pay sufficient attention to structure, or more precisely to the connection between agents and structure (Lamy, 2008, p. 127, 132). Self-interested states are seen as the most important agents, which implies that therefore transnational agents and development are not taken into account. As is argued in the theory section, (neo)realism and neoliberal institutionalism cannot provide an answer to the research question posed here.

Theories about different degrees of order and interaction within the international system became prominent especially in the 1990s and sought to offer a better and more accurate picture of the international system. One of these theories is social constructivism. Social constructivism is not preoccupied with states as the only relevant actors, but also allows room for actors such as corporations and NGOs to play an important role beyond the realm of states.

### Thesis outline

This thesis is structured as follows. Chapter 2 contains a critical discussion of different theories in international relations, culminating in an outline of the theory of social constructivism and the norm life cycle of Finnemore and Sikkink (1998). This theory guides the analysis. The hypotheses that also guide the analysis are also outlined in Chapter 2. Chapter 3 introduces some epistemological points and introduces the methodology of the thesis. Moreover, the main theoretical concepts are operationalized in this chapter. Chapter 4 starts out with a brief description of the content of the Global Compact entails. After that the actual analysis is performed, tracing the different initiatives and its proponents, as well as the points of contestation raised by opposing groups that help to explain the voluntary and non-binding character of the Global Compact – despite the calls for a regime of binding corporate accountability. Finally, a conclusion is drawn in Chapter 5, which answers the research question, discusses the strengths and weaknesses of this research, and which points at further research that is necessary in this area.

## 2 - Theoretical discussion

The first sections of this chapter probe the limits of the explanatory power of (neo)realism and neoliberal institutionalism to answer the research subject under investigation, namely the non-binding character of the UN Global Compact. It is argued here that these theories are limited due to their ontological focus on states as the only or main actors in the international domain. In the next section the theory of social constructivism as well as its strengths and its limitations are discussed, drawing up a theoretical framework that guides the analysis.

### 2.1 Mainstream theories

#### 2.1.1 *Neorealism*

Realism has been very influential within the field of international relations. Its origins can be traced back to ancient times, when writers such as Thucydides (460-406 B.C.), Machiavelli (1469-1527), Hobbes (1588-1679) and Rousseau (1712-1778) wrote down their thoughts. Over time, several schools have come up within the realist tradition, differing in many respects, but all containing three theoretical core elements: statism, survival, and self-help (Dunne & Schmidt, 2008, p. 93). Here only the school of neorealism is discussed. Neorealism (and realism in general) embodies an individualist ontology and therefore the actors (states) are the primary source of social order and the principal actors in the international system (statism) (Waltz, 1979, p. 95). The state is considered the legitimate representative of the collective will of the people. Outside the boundaries of the state there is no representative or higher authority. Realists depart from the assumption that the structure of the international system emerges from the coexistence of states (Waltz, 1979, p. 91), and that this structure is anarchic (as opposed to hierarchic within a state). Anarchy determines the interests and behavior of states, it restricts their character and behavior (Waltz, 1979, p. 76). The main goal of states is to survive under the conditions of anarchy. Because of the anarchic system, states have to pursue power. This power is, according to neorealists, measured in material capabilities of a state (Mearsheimer, 2007, p. 72). In the absence of a higher authority, states have to stand up for themselves, and compete with each other. The principle of action in the international system is therefore *self-help*. Consequently, a state should not entrust its safety or survival on other actors, or international institutions. These basic assumptions of how the international realm is structured and how its units formulate their self-interest are not subject to change but taken as a given. For this research, however, it is important to include the interests of actors and at least the possibility that they might change. For neorealists, actor's identities and interests are given, a priori and exogenously (Ruggie, 1998, p. 9). In the subject under investigation interests seem to have changed: at first in the 1980s there was no code of conduct possible, because the G-77 wanted a binding instrument and developed-market-economy countries did not want that. In 1999 a non-binding instrument is

initiated. Neorealism would not be able to explain this, because it cannot explain changes in interests and actions. Moreover, for the research question of this thesis, the role of rules and norms and their evolutionary process (the changing of norms) is of great importance. The power of ideas is also not included in the theory of neorealism, because the theory focuses solely on the distribution of material power.

During the final decades of the twentieth century, neorealism (and also neoliberalism, which is discussed below) was challenged by developments in the international system. The world seemed to have become smaller through the process of globalization. Globalization can be defined as the process through which societies become increasingly interconnected, and because of that events in one part of the world have ever more effects on peoples and societies in other parts of the world (Smith, Baylis, Owens, 2008, p. 8). Not only the social, economic and political processes changed, but also the nature of world politics. More processes take place not only at state level but at global level, exceeding also beyond the realms of states. Issues that were seen as solely domestic became influenced by the international. Non-state actors, such as global market forces, private market institutions, non-governmental organizations, and transnational religious movements, appear to have taken on authority in the international system (Hall & Biersteker, 2007, p. 4). They are recognized as legitimate by some larger public (Hall & Biersteker, 2007, p. 4). The behavior of corporations affects the lives of most of the people on this globe. Political decisions determining “who gets what, when, how”, as Lasswell (1936) has defined politics, are greatly influenced by corporations, either directly or indirectly. The traditional focus on states in the international system is thus clearly no longer sufficient for understanding international relations, balances of power and rule making in the global economy (Cutler, Haufler & Porter, 1999, p. 4). This includes the UN Global Compact, which aims at bringing corporations together within the United Nations. According to (neo)realism, however, corporations would not play such a role. The behavior of the state is what the theory of neorealism tries to explain, and only the behavior within the international system, or its ‘external’ behavior (Waltz, 1979, p. 72). Hence, an individualist ontology limited to states only would not suffice to provide a complete explanation for the subject under investigation.

Neorealism furthermore assumes that states are unlikely to cooperate in the long term, like in the UN, as they always strive for relative gains: they always want to gain more from cooperation than the other state. Cooperation is according to neorealists very hard (or sheer impossible). Since there is no higher authority in the international system that can make sure that states live up to their promises states have to rely on self-help and cannot take the risk of cooperating (Powell, 1993, pp. 211-212), because they will always “worry that today’s friend may be tomorrow’s enemy in war” (Grieco, 1993, p. 117). Cooperation might thus lead to loss of independence or security (Grieco, 1993, p. 131).

Hence, neorealism cannot make any statements about the UN Global Compact as an institution designed for cooperation between states and corporations except from that it is doomed for failure.

A final problem with neorealism for this thesis is that it takes the world as it is (Hobden, Wyn Jones, 2008, p. 151). If a neorealist would try to explain the change investigated, it would try to find changes in the power of states in the international system, since that is the only reason why change would occur (Waltz, 1979, p. 82). Moreover, the theory is a-historical, it leaves the historical context of events out of the equation. The historical background of an event is not included in the theory. Because of this, neorealism cannot explain why something happens, only how. Neorealists do not look at the prevailing efforts to create a code of conduct, even though that is necessary to include when answering the research question. More concretely, this means that a neorealist would point at the collapse of the Soviet Union and the decline of power of this region, which caused the international system to change from a bipolar system to a unipolar system. As a matter of fact, the socialist bloc supported the G-77 in their wish to create a binding instrument, which admittedly bears some explanatory power. Neorealism cannot explain, however, why states would bother to create an instrument aimed at corporations, and why they would cooperate with corporations in creating this because, as stated above, states only act in their own interests (according to the principle of self-help) (Keohane, in Ruggie, 1998, p. 8).

### *2.1.2 Neoliberalism*

Neoliberalism (or neoliberal institutionalism) is a theory that is at many points similar to neorealism; they may be called theoretical brothers, yet since they are not identical twins both theories are discussed separately. The so-called 'neo-neo debate', the debate between neorealism and neoliberalism, has dominated international relations literature in the mid-1980s (Lamy, 2008, p. 127). Neoliberalism accepts the basic premises of neorealism. The consequences of these premises, however, are perceived differently by neoliberals than by neorealists, and are some of the main points of the neo-neo debate. For example, both theories accept that anarchy reigns and that states are the central actors. Whereas neorealists derive from this that cooperation is very hard to achieve, and even harder to maintain (Lamy, 2008, p. 133), for neoliberals it does not imply that cooperation is not possible at all. They rather believe that cooperation is possible in areas where states have mutual interests. This cooperation can take place in international institutions, where states might be willing to shift loyalty and resources to, if they are seen as mutually beneficial (Lamy, 2008, p. 132). Institutions can even change the conceptions of self-interests that states have (Keohane, 1993, p. 271). They can provide information about the actions and preferences of other states, as well as the possible consequences of cheating, thereby making it easier to cooperate (Martin, 2007, p. 111). This does not mean that such cooperation is easy: states may cheat in the

absence of a higher authority. Institutions nonetheless can lessen the chances of cheating. So under neoliberalism, not only states but also institutions can play an important role.

Neoliberalists and neorealists both embrace an individualist ontology, but neoliberalists find that a systemic theory cannot provide a complete explanation of the behavior of states. As Keohane (1993, p. 294) states, “without a theory of interests, which requires analysis of domestic politics, no theory of international relations can be fully adequate”. Therefore, neoliberalism includes domestic politics in the theory, to find the origins of identities and interests of states (Ruggie, 1998, p. 33). For example, Keohane (1993, p. 295) states that “organizational inertia, considerations of reputation, and connections to domestic politics mean that institutions often persist even when the conditions for their creation have disappeared...”

Neoliberalism pays more attention to economic issues, and the international political economy, than neorealism does. For neorealism, within the international system everything is about maximizing security. States want to survive, thus security is their main interest. According to neoliberal institutionalism economic issues and hence interests also play an important role in states’ actions and decisions (Lamy, 2008, p. 133). Moreover, the environment and human rights, two very important subjects in the UN Global Compact, are also seen as important by neoliberalists, whereas neorealists do not see them as having any influence at all within the international system (Lamy, 2008, 134). Whereas neorealism finds norms to have no causal force, neoliberalism assigns some regulative function to norms. However, norms serve a purely instrumentalist purpose as they can be used by actors with given interests to maximize their utility (Checkel, 1998, p. 327).

Although this might seem to make neoliberalism more fit to answer the research question, it also suffers from a range of shortcomings. If a neoliberalist would try to answer the research question, he would find that the UN Global Compact, the norms that have been set up in cooperation, are only set up because the states that participate find that they gain from it. However, there appear to be no (absolute) gains for developed-market states. Institutionally they are in principle strong enough to influence corporations and punish misbehavior of corporations. Moreover, the theory that is needed to guide this research must not only be able to explain cooperation between states, but also actions of corporations. The UN Global Compact after all creates norms for corporations. Neoliberalism, however, does not genuinely include other actors than states in the theory. Apart from institutions, non-state actors such as corporations do not play a part in neoliberalism. In fact, Keohane (2005) himself states that if he would write his book ‘After Hegemony’ again today, he would include the ideas of globalization and transnational non-governmental networks. He thus basically admits that his theory is not complete and suffers from major limitations in picturing the international system. The conclusion must therefore be drawn that neoliberalism cannot explain the phenomenon under investigation either.

Another shortcoming of neoliberalism is that it, just like neorealism, does not accept ideas to play a constituting role in the international system. Ideas are only seen as causes. They are not seen as influencing the interests of actors (Ruggie, 1998, pp. 14-15). Nonetheless neoliberalism can explain change, which is an improvement compared to neorealism. To do so, neoliberalism looks at domestic politics. When the domestic politics in a state changes, the interests and identity of that state can also change (Stein, 1993, p. 50). However, neoliberalism still cannot explain why this outcome, the non-binding Global Compact, prevails over a binding institution.

### *2.1.3 Summary*

Neorealism cannot explain changes because it believes the anarchic system forms the interests of the actors within the system. Moreover, cooperation is not considered possible within the anarchic system, because states only care about their own survival in a system of self-help. Norms and ideas are not included in the theory, because it only looks at the distribution of material power. Finally, one of its premises is statism, states are the primary actors in the international system.

Neoliberalism, on the other hand, appears to have some advantages over neorealism. First of all, it is able to explain changes, because it includes a more profound theory of interests (Keohane 1993, p. 294). Neoliberalists believe that interests and identity of states are formed in domestic politics. Moreover, unlike neorealism, neoliberalism is able to explain cooperation, because states do not strive for relative but for absolute gains. A final advantage of neoliberalism is that it includes norms in the theory. However, these norms are only seen as helping states in maximizing utility for their own interest, not as forming their interests. Moreover, non-states actors who can have deviant norms are left out of the equation. Although neoliberalism appears to have advantages over neorealism, it still cannot provide a satisfactory explanation for the phenomenon under investigation. The next section discusses the theory of social constructivism, which offers an avenue to remedy the above shortcomings.

## 2.2 Social Constructivism

Social constructivism is a relatively new theoretical approach in International Relations. It was developed as a reaction to the limits of neorealism and neoliberalism in explaining changes in the international system. These two theories left the power of ideas aside, and focused solely on the distribution of material power. These limitations can be solved by social constructivism, because it includes ideas and norms and their constitutive qualities in the theory. In this section, first an outline of the theory of social constructivism is given. Then, the limitations of the theory are discussed, after which the applicability of the theory in this thesis is looked at.

### *2.2.1 The theoretical core of social constructivism*

Social constructivism is a so-called social theory: it does not offer specific claims and hypotheses about patterns in world politics like more substantive theories do such as neorealism and neoliberalism, but it tries to conceptualize the relationship between agents and structures (Barnett, 2008, p. 162). Although there are different types of social constructivism, there is a hard core to discern. First of all, all types of social constructivism are committed to idealism. Idealism means that the role of ideas in world politics is taken seriously. It does not mean that there is no material reality, but the material reality is dependent on ideas and interpretation, rather than on material forces (Wendt, 1999, p. 1). Ideas that we have, for example about forces in the international system, are shaped by collectively held ideas, such as knowledge, symbols, language, and rules (Barnett, 2008, p. 163). Constructivism is about “the issue of human consciousness: the role it plays in international relations” (Ruggie, 1998, p. 33). A famous example of this is the quote of Wendt: “Anarchy is what states make of it” (Wendt, 1992). Anarchy does not objectively exist, waiting to be discovered, but states debate what it is, and how they should deal with it. As is argued below, this makes social constructivism much more able to explain changes than the other mainstream theories.

All types of constructivism are committed to holism, also known as a social ontology (Fierke, 2007, p. 170) or an ontology of mutual constitution (Checkel, 1998, p. 326). As stated in the previous sections, neorealism and neoliberalism embrace an individualist ontology. Whereas for neorealism and neoliberalism the basic unit of analysis is the individual actor (the state), and its identities and interests are considered fixed, for constructivism the emphasis lays on the structure of the international system: holism means that the world, the international system, cannot be explained by its parts alone, the actors. Because actors are social beings, they cannot be seen apart from the context of ‘normative meaning’, or the structure, which forms them and what they can do (Fierke, 2007, p. 170). Constructivism tries to problematize the interests and identities of actors (Ruggie, 1998, p. 33). It seeks to show how actors are socially constructed by shared ideas, through social learning or imitation (Wendt, 1999, p. 324). It thus focuses on “how the world hangs together” (Ruggie, 1998). Agents have some autonomy, and their actions help construct, reproduce, and transform the structure (Barnett, 2008, p. 163). Agents and structures are thus mutually constituting: the social environment defines who the actors are, and human agency recreates, reproduces and changes culture, through the daily practices of the actors (Risse, 2007, p. 128). The holistic ontology leaves room for other actors, besides states, to be included in the theory, such as corporations. It also makes it possible to explain changes in interests of the actors. Interests are not given and fixed, like neorealists and neoliberalists assume, but they can change under influence of the structure.

In line with the idea of socially constructed identities and interests, is the idea of social facts. Neorealism and neoliberalism only look at brute facts: facts that can be measured or observed

without human agreement, such as rocks, flowers, or, when related to the power of states, for example the number of nuclear weapons. These facts continue to exist regardless of what humans think of them. For social constructivists, however, social facts are what matter. Social facts are defined as “those facts that are produced by virtue of all the relevant actors agreeing that they exist” (Ruggie, 1998, p. 12). Examples of social facts are money, human rights, or sovereignty (Barnett, 2008, p. 163). Because social constructivism looks at social facts, the principle of action in the international system also changes. Unlike neorealism and neoliberalism, who believe states act according to the logic of consequences, social constructivism finds that states behave according to the logic of appropriateness. It implies that actors follow rules, and worry whether their actions are legitimate: actors try to do the ‘right thing’. The legitimacy of an act is defined by shared values or norms within institutions (Fierke, 2007, p. 170).

### 2.2.2 *Limitations of social constructivism*

Social constructivism thus appears better able to answer the research question, since it allows other actors than states to be included, and can explain changes. However, every theory has its drawbacks, and so does social constructivism. First of all, even though social constructivism is able to include other actors than states in the theory, many constructivists still embrace state-centrism (Bieler & Morton, 2008, p. 106). For example, Wendt (1999) in his book on social constructivism only speaks of states, and nowhere in his book are transnational actors really mentioned. He states that “...since states are the dominant form of subjectivity in contemporary world politics this means that they should be the primary unit of analysis...” (Wendt, 1999, p. 9).

Moreover, instead of really embracing an ontology of mutual constitution, many authors of social constructivism tend to focus on the structure, and only describe how the structure influences the agents, thereby forgetting the mutual part: how the agents again influence the structure. If they really ignore the mutual part, social constructivism is unable to explain how norms change, and how the system changes, since this happens through the mutual constitutive process (Checkel, 1998, p. 340).

Another, more fundamental critique of social constructivism is expressed by Bieler and Morton (2008). They find that social constructivism suffers from several flaws, one being that it can explain *how* change occurred, but not *why* and why no other outcome was the result of those changes (Bieler & Morton, 2008, p. 107). This problem exists because social constructivism believes that ideas are independent of material conditions. Social constructivism according to them misses the link between the ideas and the material. They state that this can be resolved by referring to the power structures that are at play (Bieler & Morton, 2008, p. 109). Power structures will thus have to be

taken into account when answering the research question, to find out where ideas come from, and why certain ideas are included in the structure and others are not.

Relating to this is the critique of Checkel (1998), that social constructivism fails to tell us why certain norms prevail at certain times (Checkel, 1998, p. 332). He points to the ideas of Finnemore (1996) to solve this problem. She includes moral entrepreneurs, who happen to be in the right place in the right time. Their role is to promote their beliefs, and thereby promote certain norms. Finnemore's ideas will therefore be used in this thesis, in order to answer the research question.

### *2.2.3 Social Constructivism and global governance*

The contemporary world order is characterized by the process of globalization, the deepening impact of worldwide interconnectedness. Globalization occurs in different domains of activity and interaction, such as economic, environmental and political globalization. Economic globalization involves global trade and open markets, making transnational competition possible. Environmental globalization is evident in for example the overspill of effects of environmental degradation to different states (such as environmental refugees), transnational or global pollution, and the emergence of global institutions relating to environmental damage (Held & McGrew, 2003, p. 4). Globalization also extends to political spheres. Political decisions in one part of the world can have consequences all over the world. Networks of political interaction are emerging, through which communication between different sites of politics takes place. This is strengthened by new forms of communication and technological developments.

Global politics is not comparable to domestic politics, since there is no government. Therefore the term 'global governance' is also used. 'Governance' here refers to "self-organizing, interorganizational networks" (Rhodes, 1996, p. 666). It is broader than government: it also covers non-state actors, and it does not have to have a territorial scope. The networks are not accountable to the state (Rhodes, 1996, p. 660). Rosenau (2006, p. 117) calls these networks 'spheres of authority' (SOA). They are the basic units of analysis in the new ontology for global governance, according to Rosenau. The SOAs are formed by actors that can "evoke compliance when exercising authority" (Rosenau, 2006, p. 117). This authority is relational: it must be exercised and complied with in order to exist; it thus depends on intersubjective meanings (Levy & Kaplan, 2008, p. 437).

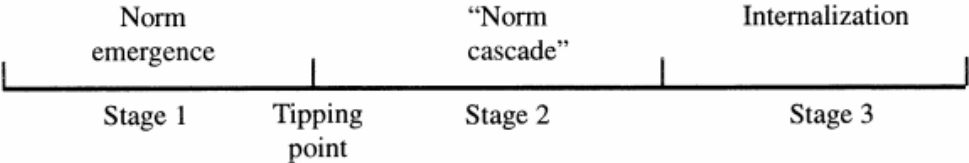
The idea of global governance originates from regime theory. Within regime theory, regimes are defined as "principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area" (Krasner, 1982, p. 185). Regime theory is derived from liberal theories of international relations. The cognitivist variant of regime theory, however, is on many points similar to social constructivism. It entails that the actors in a regime are presumed to be able to learn from each other and their behavior and interests can be influenced by regimes. The UN

Global Compact is a regime as well, and so is the United Nations. The idea of regimes need to be taken into account when answering the research question. Corporate social responsibility is also a regime: it concludes rules, norms, principles, and decision-making procedures around which actors' expectations converge (Levy & Kaplan, 2008, p. 438). This is, however, still based on liberalism, therefore the power of ideas in this initial definition of a regime is not sufficient. In this thesis a better understanding of ideas is added to the regime theory, so that a more complete picture can be painted.

2.2.4 Social constructivism and the emergence and success of norms

Finnemore and Sikkink (1998) created a life cycle of norms (see figure 2.1), seeing the influence of norms as a three stage process. The first stage is the emergence of the norm; the second stage is called the 'norm cascade'; and the third stage involves the internalization of the norm.

Figure 2.1 Norm Life Cycle



Source: Finnemore & Sikkink, 1998, p. 896.

Figure 2.2 shows the Finnemore and Sikkink (1998) model in more detail.

Figure 2.2 Stages of the Norm Life Cycle

	<i>Stage 1 Norm emergence</i>	<i>Stage 2 Norm cascade</i>	<i>Stage 3 Internalization</i>
<i>Actors</i>	Norm entrepreneurs with organizational platforms	States, international organizations, networks	Law, professions, bureaucracy
<i>Motives</i>	Altruism, empathy, ideational, commitment	Legitimacy, reputation, esteem	Conformity
<i>Dominant mechanisms</i>	Persuasion	Socialization, institutionalization, demonstration	Habit, institutionalization

Source: Finnemore & Sikkink, 1998, p. 898.

In the first stage of the norm life cycle, norms emerge through the work of norm entrepreneurs. Finnemore and Sikkink (1998) define norm entrepreneurs as “agents having strong notions about appropriate or desirable behavior in their community” (Finnemore & Sikkink, 1998, p. 896). They create issues and call attention to them, in order to get support for the norms they stand for. The new norms that emerge are at first highly contested, they are not part of what is seen as ‘appropriate’ in the logic of appropriateness. What norm entrepreneurs stand for is based on empathy, altruism and ideals. These norm entrepreneurs were seen by Checkel (1998) as the possible way to answer the question *why* certain norms prevail. In this thesis, the main question is why the non-binding version of the global compact prevailed over the binding version, so norm entrepreneurs are needed to answer the research question. The idea of norm entrepreneurs is elaborated upon by Keck & Sikkink (1998), who wrote a book about transnational advocacy networks, as a case in point of a norm entrepreneur. Transnational advocacy networks are networks that are created by political entrepreneurs (Keck & Sikkink, 1998, p. 14). Within such a network, groups share values and exchange information and services (Keck & Sikkink, 1998, p. 9). They state that the main goal of the networks is to change the behavior of states and international organizations (Keck & Sikkink, 1998, p. 2). They are necessary for norm emergence, because they *make* issues, by “framing” them: they name, interpret and dramatize the issue (Finnemore & Sikkink, 1998, p. 897). This way, they create a new ‘standard of appropriateness’, which, as discussed above, is the guiding logic of action according to social constructivism (Finnemore & Sikkink, 1998, p. 897).

The success of transnational advocacy networks depends on the characteristics of the issue and the characteristics of the actor (Keck & Sikkink, 1998, p. 26). Issues about what is right and what is wrong can cause strong emotions, and are therefore easy to ‘frame’. When an identifiable individual deliberately acts contradictory to norms, it is easier to frame an issue than when the action is not intentional (Keck & Sikkink, 1998, p. 27). Actor characteristics can include characteristics of the network itself, but also of the target actor. The network itself must be dense enough, so that information can easily be exchanged and gathered. The target actor must be susceptible to pressure either in the form of material incentives or sanctions, or because of actions conflicting with its own stated commitments. Acharya (2004) finds that the success of international norms, or norm diffusion, the incorporation of foreign norms in domestic norms, depends on the extent to which they provide possibility for localization (Acharya, 2004, p. 241). When there are already similar or related domestic norms in a state, the foreign norms will more easily be accepted.

In the first stage it is important to persuade many actors: a tipping point must be reached. After the tipping point is reached, a norm cascade takes place (the second stage). More actors adopt the new norms more rapidly and without much pressure. In this stage the dominant mechanism is socialization. Socialization encourages actors to behave alike. Actors influence each other by their

behavior. When an actor conforms to group behavior, he receives praise, which reinforces them. Actors who do not act in accordance with norms receive ridicule, which encourages them to start acting in accordance with the norms (Finnemore & Sikkink, 1998, p. 902). Finally, the third stage entails the stage of internalization. Norms become so widely accepted that actors act in accordance with them almost automatically.

One weakness of the theory of Finnemore and Sikkink (1998), however, is that it is not clear why one norm prevails instead of another when there are norm entrepreneurs for different norms. For example, in the case of the UN Global Compact, there are norm entrepreneurs for non-binding and for binding norms, but only the non-binding norms are institutionalized. This makes it clear that only having norm entrepreneurs is not enough to give a complete explanation of norm emergence. To explain which norms emerge, one needs to look at the power the norm entrepreneurs have to persuade a critical mass. The norm entrepreneur with the most power can convince more actors and that way create a critical mass that accepts the norm. However, Finnemore and Sikkink (1998) have not included a variable to explain which norm emerges in their theory. In this thesis therefore this idea of power of a norm entrepreneur is added to the first stage of the norm life cycle. The power of a norm entrepreneur depends on the possibilities it has to reach actors who have to accept the new norm or the institution that creates the norm (if there is one). These possibilities again depend on the properties of the norm entrepreneur such as financial assets and reputation.

### 2.3 Hypotheses

The aim of this thesis is to answer the main question posed: why is the Global Compact a forum producing only non-binding instruments for corporate social responsibility even though many states and other groups wanted it to be a binding institution? Deriving from the theory of Finnemore and Sikkink discussed above, several hypothesis for norms to be non-binding can be thought of.

As discussed above, Finnemore and Sikkink (1998) in their theory tend to leave power issues regarding norm entrepreneurs aside. Especially in the first stage the power of norm entrepreneurs can help explain which norms are accepted and go on to the second and third stages. Therefore the first hypothesis is:

1. Rules are non-binding because in the first stage of the norm life cycle proponents of non-binding norms have been more powerful in persuading a critical mass than norm entrepreneurs wanting binding norms.

The second stage of the norm life cycle, leads to the second hypothesis. Socialization is the mechanism by which the norm cascade takes place. Actors influence each other and are influenced

by other actors to accept the norms. Because of this socialization, more and more actors start to see the norms as normal, following the logic of appropriateness. The second hypothesis is therefore:

2. Rules are non-binding because as a result of socialization non-binding rules become logically appropriate and are no longer disputed by a critical mass.

The third stage of the norm life cycle of Finnemore and Sikkink (1998) is the stage where compliance with norms happens almost automatically. There is no resistance to the norms anymore. If non-binding norms are already internalized when a new institution embedding the norms is created, actors will not question that the newly institutionalized norms are non-binding. The third hypothesis is derived from the third stage:

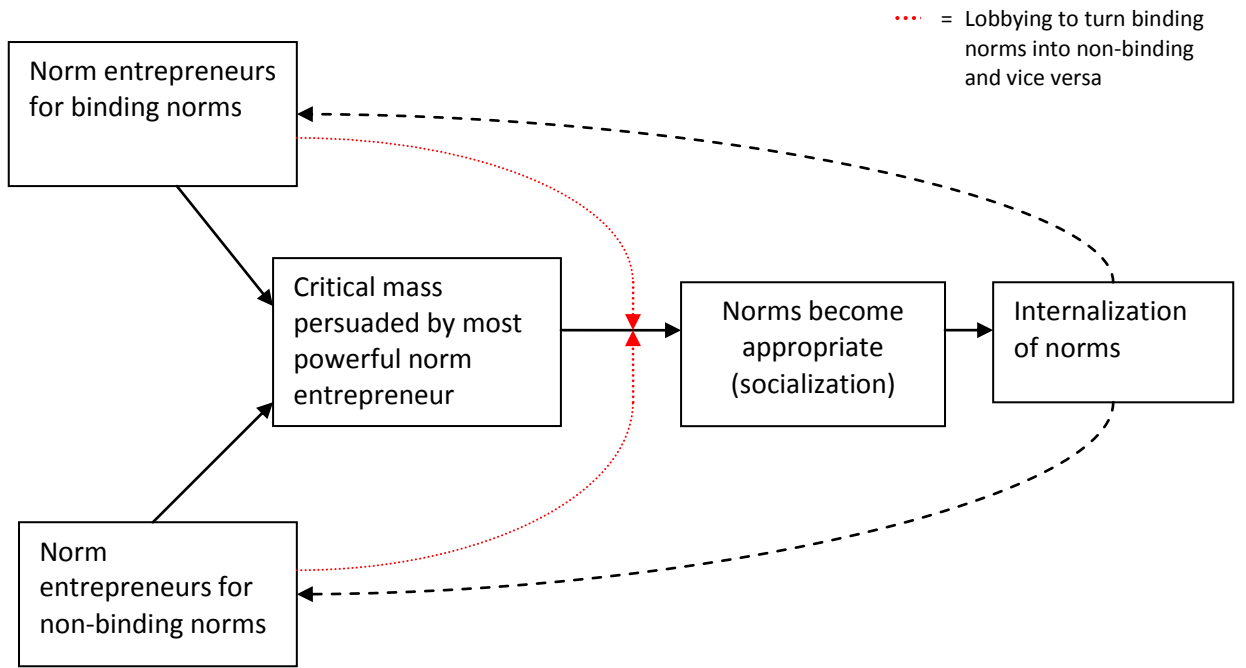
3. Rules are non-binding because the idea of non-binding rules is internalised and hence no longer questioned by a majority of actors.

The fourth hypothesis deals with the time after the norms are created. As the first and second hypothesis indicate, and has been discussed in the theoretical chapter, in order for norms to change there have to be norm entrepreneurs who initiate this change. In order for the non-binding norms to change into binding norms, there thus have to be norm entrepreneurs who are proponents of binding norms.

4. Rules are non-binding because there are no more proponents of binding norms active who challenge the non-binding character of the norms.

Summarized, the hypotheses put in a flowchart come down to the following:

Figure 2.3 Flowchart of explanatory mechanism



### **3 - Epistemology, Methodology and Operationalization**

In this chapter the question of how knowledge can be gained is addressed. Different theories have different epistemological consequences. In the field of International Relations, this has led to the so-called 'fourth debate' in the 1980s (Kurki & Wight, 2007, p. 19). The fact that epistemological questions relating to the differences between explaining and understanding, positivism and post-positivism, and rationalism and reflectivism have flared up at this particular point in time is no coincidence. Such epistemological debates went paired with the growing prominence of social constructivism, challenging not only the lack of ideas, norms and identities within established theoretical accounts, but also the question of what scientific knowledge is. This chapter will focus on where social constructivism stands in this debate and what implications this has for this research. Moreover, the methodology of this thesis will be discussed, followed by an operationalization of the theoretical concepts and mechanisms.

#### **3.1 Epistemology**

Within the discipline of International Relations, scientists have been divided over many issues. These differences can be divided into four debates. The first debate took place in the 1920s and 1930s, and went between realists and idealists (Lapid, 1989). The second debate, in the 1950s and 1960s was a methodological debate, between history and science (Lapid, 1989). On one side there were international relations scholars who sought to define systematic scientific research methods, on the other side scholars who were committed to a more historicist, or interpretive research method (Kurki & Wight, 2007, p. 17). Positivist principles during this debate gradually made their way into the discipline of International Relations. Positivism in short entails the idea that scientific knowledge can only come from the collection of observable data. This was almost the opposite of the historicist (interpretive) method. At the end of this second debate, positivism became embedded in International Relations, be it less extreme than the version of positivism that initially came up. The third debate took place in the 1970s and 1980s, and is called the interparadigm debate (Kurki & Wight, 2007, p. 18). It moved away from the discussion about positivism, and was a discussion about which paradigm to accept: realism, Marxism, or pluralism. Each of these paradigms has its own ideas about the nature of science, and its own ideas about how to understand and explain international processes. The most recent, fourth, debate started in the 1980s. It can be divided into three sub-debates: between positivism and post-positivism, between explaining and understanding, and between rationalism and reflectivism.

The first sub-debate forms the main part of the fourth debate. Positivism is a theory of science, which is defined by Smith (1996) as:

“a methodological view that combines naturalism (in either its strong (ontological and methodological) or its weak (methodological) sense), and a belief in regularities. It is licensed by a strict empiricist epistemology itself committed to an objectivism about the relationship between theory and evidence.’ (Smith, 1996, p. 17)

The core of positivism entails three main assumptions. First, science must be focused on systematic observation. The validity of science depends, according to positivists, upon methodological guidelines. These guidelines make the difference between knowledge and belief (Kurki & Wight, 2007, p. 21). Second, positivists look for general laws. By collecting sufficient data, found by repeated observation, positivists try to find regularities, which indicate that general laws are operating (Kurki & Wight, 2007, p. 21). This is very similar to the way natural scientists try to explain the physical world (Smith & Owens, 2008, p. 178). Third, positivists only believe in observation. Therefore, they avoid including realities that cannot be observed, such as discourses or social structures. Their motto is ‘*esse est percipi*’: to be is to be perceived. They thus do not believe in a world independent of humanity, no world that cannot be observed (Kolakowski, 1969, cited in: Kurki & Wight, 2007, p. 21). Non-observable entities can be used, but only in an instrumental manner, in order to help explain data (Kurki & Wight, 2007, p. 21). Positivists thus let epistemology rule over ontology: social phenomena that can be studied are limited by the way social phenomena are studied.

In the first sub-debate of the fourth debate opposing positivism is post-positivism. It is not easy to define post-positivism, since it is merely a collection of anti-positivist positions (Kurki & Wight, 2007, p. 22; Smith, 1996, p. 35). These post-positivist approaches have gained particular prominence since the 1980s. Theories that embrace post-positivist approaches include for example critical theory, historical sociology, and feminist or post-colonial theories. Since the post-positivist approaches are so different from each other, and this approach is not actually applied in this thesis, suffice it here to give a short description of what these approaches have in common. Post-positivists do not believe there is access to the truth about international politics, and least of all through the methods of science (Wendt, 1998, p. 101). Whereas positivists’ motto is ‘*esse est percipi*’, most post-positivists’ motto is ‘*esse est dictum esse*’: to be is to be spoken (Patomaki & Wight, 2000, p. 217). Language and discourse are essential to many post-positivists, only ideas matter and can be studied (Adler, 1997, p. 321).

The second sub-debate of the fourth debate is about the difference between explaining and understanding (or ‘*Erklären*’ and ‘*Verstehen*’) (Kurki & Wight, 2007, p. 20). Many theorists following a positivist epistemology that embrace explaining, seek to identify and isolate causes and frequently strive to imitate the natural sciences. This does not mean that explanation is only possible through establishing mono-causality, but rather that such theorists believe this. Furthermore, they believe all

scientific knowledge requires empirical justification. This means that they can only include aspects of the social world that can be measured (Kurki & Wight, 2007, p. 20). This, however, also implies that it would not be possible to speak about causes, since they are not observable. Moreover, 'pure perception' is impossible: observation and perception are always influenced by previous theoretical and conceptual ideas (Smith, 1996, p. 19-20). Advocates of understanding on the other hand focus on the social meanings, reasons and beliefs of actors. This means that they do not only look at a fact, but also at the social practices around it (Ruggie, 1998, p. 31). As discussed in the previous chapter, social constructivism focuses on ideas and interpretation, and it includes a social ontology. It thus embraces the understanding framework.

Social constructivism, or at least certain variants of it, are generally argued to form the middle ground in the fourth debate. Social constructivism is, as Adler (1997) describes it, "the view that the manner in which the material world shapes and is shaped by human action and interaction depends on dynamic normative and epistemic interpretations of the material world". It thus combines material aspects, that can be measured (positivism), and interpretations or discourse, that cannot be measured and perceived (post-positivism). Epistemologically some representatives of social constructivism side with positivists: the theory is there to gain knowledge about the world out there. Ontologically, as discussed, social constructivism sides with post-positivists: it believes in ideas and interaction. As Ruggie states, "[c]onstructivists hold the view that the building blocks of international reality are ideational as well as material" (Ruggie, 1998, p. 33). It does need to be emphasized, however, that not all social constructivists are such 'bridge builders' between positivism and post-positivism (Adler, 1997, p. 323). Some, 'critical', approaches of social constructivism include a post-positivist ontology *and* epistemology (Hopf, 1998). In this thesis, however, the bridge building, 'conventional' strand of social constructivism is applied. In the analysis, ideational and material aspects are therefore included. The framework of understanding is also embraced: not only facts are included, but also the social meaning these facts have, and the reasons and beliefs of actors. That epistemologically positivism is applied can also be recognized in that this thesis also believes that there are regularities to be studied in the international system, general rules that structure the social reality; for example the norm life cycle. Ontologically post-positivism is embraced, by including ideas.

### 3.2 Methodology

For the empirical analysis it is necessary to trace the process of how and by whom the norms have been supported prior to the establishment of the Global Compact, that is to see what developments in acceptance they have been going through prior to and shortly after the inclusion of these norms into the Global Compact.

Since this means describing the causal mechanisms that are at play, the method of process tracing is used. As Wendt (1999) states, “the core of the description of mechanisms is ‘process-tracing’, which in social science ultimately requires case studies and historical scholarship.” (Wendt, 1999, p. 82). Process tracing is defined by George and Bennett (2005) as “a procedure for identifying steps in a causal process leading to the outcome of a given dependent variable of a particular case in a particular historical context” (George & Bennett, 2005, p. 239). The goal is to “connect the phases of the policy process and enable the investigator to identify the reasons for the emergence of a particular decision through the dynamic of events” (George & Bennett, 2005, p. 240). With process tracing, each step in the process between independent and dependent variable is regarded as a step in a causal chain that can be separately measured, and can be seen as a new variable (King, Keohane, Verba, 2001, p. 227). There are several varieties of process tracing (George & Bennett, 2005, p. 278-282). It can for example easily be used to create a solely historical chronicle about how a certain event came about. However, since this thesis is based on theories, a historical evaluation is not enough. Process tracing can also be used to transform a historical chronicle into a theoretical explanation (George & Bennett, 2005, p. 281). This is exactly what is done in this thesis. By looking at several steps in the process which led to the creation of the UN Global Compact, a historical chronicle is created. The steps that are evaluated are chosen on a theoretical basis, and are included in the hypotheses. This way, the process tracing method is used to turn a historical narrative in an analytic explanation.

In literature, but also in speeches and other official documents from the states and other actors involved, the answers will be sought. The use of different sources is called data triangulation. Using different sources of data increases the diversity and quantity of available data, and therefore increases the validity of the study (Guion, Diehl, McDonald, 2002, p. 1). The sources that are used in this thesis include scientific articles and official documents from the Global Compact and the UN, for example reports of meetings where the Global Compact was initiated and launched. However, from many meetings between the UN and corporations or the International Chamber of Commerce (ICC)<sup>2</sup> there are no official minutes made public. In that case this thesis relies on inside reports from participants of the meetings of the UN with corporations or the ICC. Moreover, reports from NGOs such as the Corporate Europe Observatory and participants of the Global Compact such as the ICC are used. Moreover, an interview with D. Koppes from SOMO has taken place. The information gathered in this interview is also used.

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<sup>2</sup>The International Chamber of Commerce is an organisation uniting hundreds of thousands of corporations in around 120 countries. Its main goal is to represent business to governments and international organizations (website International Chamber of Commerce).

### 3.3 Operationalization

Here the central theoretical concepts are operationalized in order to link the above described theory to the upcoming empirical analysis. The most important concepts in this thesis are the norm entrepreneur, the power of a norm entrepreneur, the critical mass and the tipping point, the norm cascade and socialization, and internalization.

#### *3.3.1 Norm entrepreneur*

According to Finnemore and Sikkink (1998) a norm entrepreneur is an actor who stands for a certain norm, because of empathy or altruism, and tries to get that norm accepted by other actors. A norm entrepreneur is critical for norm emergence by naming, interpreting, and dramatizing certain issues (Finnemore & Sikkink, 1998, p. 897). In trying to change behaviour, norm entrepreneurs meet strongly embedded norms, norms that are embedded as the logic of appropriateness. In order for behaviour to change, the logic of appropriateness has to change, and norm entrepreneurs are therefore often seen as acting inappropriately (Finnemore & Sikkink, 1998, p. 897). Keck and Sikkink (1998) state in their book that norm entrepreneurs usually work in networks, and they call them transnational advocacy networks: networks of activists, scientists or experts who are bound by their shared ideas (Keck & Sikkink, 1998, p. 1-2). Through these networks, links are built among actors in civil society, states, and international organizations, and thereby the channels through which the international system can be reached are multiplied. Finnemore and Sikkink (1998) in their article call these networks 'organizational platforms'. Through these organizational platforms norm entrepreneurs try to get their norms promoted. In the empirical reality, norm entrepreneurs can be recognized by their promoting of certain norms. In this thesis, they will be actors either promoting binding or non-binding norms. This usually happens through publicizing reports and articles, either regarding a specific case or about binding or non-binding norms in general. By finding these reports and articles, the norm-entrepreneurs are found.

#### *3.3.2 Power of a norm entrepreneur*

The power of a norm entrepreneur is important to be able to explain why a certain norm becomes accepted and another does not. How much power a norm entrepreneur has can be established by several indicators. The indicators that are used in this thesis are financial assets and the reputation of the norm entrepreneur. The more financial assets a norm entrepreneur has, the more possibilities it has to influence other actors. The reputation of a norm entrepreneur is also important, because the actors that have to be influenced are more likely to follow a norm entrepreneur that has a good reputation. The reputation of a norm entrepreneur can be investigated by looking at the contacts the norm entrepreneur has with the actors he tries to influence, but also with international organizations

such as the United Nations: if a norm entrepreneur is actively involved with for example the United Nations, this is an indication that it has a good reputation.

### *3.3.3 Critical mass and tipping point*

In order for a new norm to succeed, there has to be a critical mass accepting the norm that is suggested by the norm entrepreneur(s). Finnemore and Sikkink (1998) state that a critical mass usually consists of at least one-third of the states in the system. It does, however, also matter which states adopt the norm. Some states are 'critical states': without them the achievement of the goal is compromised (Finnemore & Sikkink, 1998, p. 901). This is, however, difficult to be applied to other actors. In this thesis states are not the central actors. The actors that should be persuaded are corporations. There are, however, billions of corporations in the world. It is therefore impossible to say which actors are critical actors. It is also therefore unlikely that one-third of the corporations will be a critical mass. When a critical mass accepts the norm, the norm reaches the tipping point. In the analysis there should therefore be proof of many corporations accepting the non-binding norms, which in turn proves that the critical mass accepts the norm.

### *3.3.4 Norm cascade and socialization*

After a critical mass has been persuaded, and the tipping point has been reached, a norm cascade takes place. In a norm cascade, actors accept the new rules without much pressure, and acceptance takes place more rapidly. In the analysis, there should be proof of a quite rapid growth in the acceptance of the norms. A norm cascade takes place through the process of socialization. Socialization is a process through which norm breakers can become norm followers (Finnemore & Sikkink, 1998, p. 902). It is the process through which the structure influences the actor. It occurs through praise and ridicule: praise for actors who conform with group norms, ridicule for actors who refuse to do so. This praise and ridicule can come from any actor: states, NGOs, and corporations (Finnemore & Sikkink, 1998, p. 902).

Socialization can also take place through peer pressure. Actors respond to peer pressure because they want to be part of a group, they want to show that they belong. Another reason why actors can respond to peer pressure is because they want others to think well of them. These reasons are hard to distinguish in reality, because an actor does not usually make this explicit. Therefore, in this thesis first a norm cascade is sought, which is more easy to recognize. If a norm cascade is found, this is a clear indicator that socialization is taking place. Diplomatic praise or censure should also be found, in speeches or public documents, to establish that socialization is taking place.

### *3.3.5 Internalization*

When norms are internalized, it means that they achieve a 'taken-for-granted' quality. Conformance with a norm is then almost automatic (Finnemore & Sikkink, 1998, p. 904). Norms have become uncontroversial when they are internalized. Therefore, they are no longer under discussion. Internalized norms are hard to change, because actors do not consider whether to conform. If there is no more discussion in literature about the norms, and actors actually comply with norms, the norms are regarded internalized.

#### 4 – Explaining the non-binding character of the Global Compact

In this chapter, the answer to the research question is sought. It starts out with embedding the Global Compact into its historical context, after which its nature and content is outlined. The circumstances under which the Global Compact was set up are guiding this part of the analysis, and the norms that form the Global Compact are portrayed. In the rest of this chapter, the potential explanations as illustrated in the hypotheses are analysed.

##### 4.1 Background of the UN Global Compact

One of the main problems of globalization is the problem of accountability.<sup>3</sup> This is one of the main reasons the Global Compact was set up. Since corporations have moved across national borders in the process of globalization, the question raises to whom they are responsible, and some scholars even fear that these corporations are not accountable to anyone (Smith, Baylis, Owens, 2008, p. 11).

Corporations have generally had much freedom in their host states, especially in the past 30 years with the ascendancy of economic neoliberalism<sup>4</sup> as prevalent ideology on how to organise capitalist markets. The host states were often either colonial dependents, or they were too weak or corrupt to have actual control over the corporations. Corporations can bring technology and capital, which was seen by developing states as an opportunity to increase wealth. A close interrelationship emerged: host states provided the raw materials, which were extracted by private corporations (Sagafi-Nejad & Dunning, 2008, p. 24). Not only did TNCs have much freedom within their host states, they have also never been subject of (binding) international rules. Moreover, they have never de jure had much to say in the creation of international rules (de facto they did, through lobbying for example). International issues are handled by states or by international organizations, whose members usually consists of states.

In 1999, Kofi Annan held a speech at the World Economic Forum in Davos, Switzerland. He addressed world business leaders, and challenged them to meet their social and ethical responsibilities, to “initiate a global compact of shared values and principles”. This is what has become known as the UN Global Compact in 2000. It is described as “both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices” (UN Global Compact Brochure, 2008, p. 2).

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<sup>3</sup> There are other downfalls of globalization, such as the uneven divide over developing and developed states, but they are less relevant for this thesis and are therefore not discussed here

<sup>4</sup> It is known as neo-liberalism, but in this thesis the word *economic* is added, in order not to be confused with the theory of neoliberalism in international relations). Economic neoliberalism entails the weakening of the states’ social and regulatory policy, lowering taxes and removal of barriers to global capital movement (Paine, 2000, p. 2).

The Global Compact has two objectives. One objective is to catalyze actions in support of broader UN goals, such as the UN Millennium Development Goals (2000). The other is to align business practices with ten universally accepted principles in the areas of human rights, labour standards, the environment, and corruption. These principles are derived from the UN Declaration of Human Rights (1948), the International Labour Organization Declaration on Fundamental Principles and Rights at Work (1998), and the Rio Declaration on Environment and Development (1992). The ten principles are listed in Table 4.1.

Table 4.1 Principles of the UN Global Compact

<b>Human Rights</b>		Business should:
	<i>Principle 1</i>	Support and respect the protection of internationally proclaimed human rights; and
	<i>Principle 2</i>	Make sure that they are not complicit in human rights abuses
<b>Labour</b>		Business should:
	<i>Principle 3</i>	Uphold the freedom of association and the effective recognition of the right to collective bargaining;
	<i>Principle 4</i>	The elimination of all forms of forced and compulsory labour;
	<i>Principle 5</i>	The effective abolition of child labour; and
	<i>Principle 6</i>	The elimination of discrimination in respect of employment and occupation.
<b>Environment</b>		Business should:
	<i>Principle 7</i>	Support a precautionary approach to environmental challenges;
	<i>Principle 8</i>	Undertake initiatives to promote greater environmental responsibility; and
	<i>Principle 9</i>	Encourage the development and diffusion of environmentally friendly technologies.
<b>Anti-corruption</b>		Business should:
	<i>Principle 10</i>	Work against corruption in all its forms, including extortion and bribery.

Source: Website UN Global Compact

The Global Compact according to its statutes offers platforms for ‘action and innovation for participants to demonstrate leadership on critical issues and advance the ten principles’ (UN Global Compact Brochure, 2008, p. 5). There are four such platforms. First, the Global Compact Local Networks are set up to support companies in incorporating the ten principles. Secondly, policy

dialogues and discussions have been set up to make it possible for companies to learn from each other. Thirdly, specialized workstreams have been launched regarding several themes (such as water, climate change, or responsible investment), where companies can engage in advancing practical solutions and sensible public policy development. Finally, the UN Global Compact promotes Public-Private Partnerships, in order to identify common ground between the private and the public sectors, and to combine their resources, skills and expertise to improve results (UN Global Compact Brochure, 2008).

There is no enforcement mechanism available under the UN Global Compact, and the principles are not binding. The ten principles all use the wording 'should', instead of the more demanding 'shall'; this was an important point of discussion during the negotiations over the Code of Conduct that was to be made in the 1980s. As is illustrated below, among others the G-77 and other states wanted them to be binding in the 1980s. This leads, as discussed in the introduction, to the question of why the UN Global Compact principles are non-binding.

## 4.2 Analysis

### 4.2.1 *The first stage: the origins of norms for corporations*

Within the process of globalization, an important development was the transnationalization of production. The greater (first) part of the twentieth century was dominated by a *Fordist* regime of accumulation. The Fordist regime entails a process with large numbers of easily organisable workers, in centralized production locations and fixed production processes (Robinson, 2004, p. 16). In the second half of the twentieth century, however, this regime started to change: a *post-Fordist* regime was developed. This regime entails more flexible models of accumulation. Labour became more flexible, the power relation between capital and labour changed. Many activities were outsourced or subcontracted: different corporations specialized in parts of the production process (Robinson, 2004, p. 18). The different parts of the production process were subcontracted to corporations abroad, the production process was transnationalized. At the same time, ownership and control over global resources and means of production became concentrated and management of global production became centralized in the hands of transnational corporate capital. In the late 1960s, after a period where TNCs had a lot of freedom in their host states, problems started to arise for TNCs (Sagafi-Nejad & Dunning, 2008, p. 39). They were perceived by host states to be exploitative and focussing on profit alone. The behaviour of corporations was seen as not in line with national goals and needs (Sagafi-Nejad & Dunning, 2008, p. 27). The following 1970s were a turbulent decade, as a response to the excesses of TNCs and decolonization. New decolonized states started to nationalize big corporations, trying to take back what was taken from them as colonies (Sagafi-Nejad & Dunning, 2008, p. 27). They also became new members of the United Nations, where they had their own ideas

about the role the UN should play in the international system. When in the 1970s the Bretton Woods fixed-exchange-rate-regime collapsed, oil prices spiked, in the US an investigation was started into corrupt practices of multinational corporations, and other important events came together, third world countries found out how big their influence could be, and formed a coalition together: the G-77. They got the UN to adopt a declaration for a New International Economic Order (NIEO) (White, 1975, p. 544-551; UN Resolution A/RES/S-6/3201). The NIEO was supported by UNCTAD, under leadership of its Secretary-General Raúl Prebisch (Ricupero, 2001). In the NIEO, the world's wealth should be distributed more fairly and evenly over all people in the world. Several resolutions (to name just a few, Resolutions 3171 and 3172, respectively on permanent sovereignty over natural resources, and on development and international economic cooperation) were then adopted by the UN General Assembly and other bodies such as UNCTAD. Also a Charter of Economic Rights and Duties of States (A/RES/29/3281) was set up, for which the Declaration for a NIEO was used as a source. In Resolution 3202 a 'Programme of Action on the Establishment of a New International Economic Order' is adopted. The new Economic Order would entail regulating corporate activity, by the UN or through other authorities. UN policies traditionally favoured state regulation, economic intervention, and humanitarian social considerations (Paine, 2000, p. 2).

As discussed in Chapter 2, ideas play an important role in the theory of social constructivism. The situation in the international system at this time shows that ideas indeed have a big influence in the international system. In response to the ideas from the new states introducing NIEO, corporations started to become more critical of the United Nations. They found that the UN was joining the 'war against economic freedom, the free enterprise system and multinational corporations' (Paine, 2000, p. 1). They, either industry associations or corporations by themselves or through the ICC, lobbied for changes within the UN. They wanted to weaken the states regulatory policy, lower taxes, and remove barriers to movement of capital, global trade, and global investments: they wanted economic neoliberalism to prevail. It was not just corporations that were against the policies of the UN such as NIEO. The United States' government also believed that the UN policy had to change, mostly due to lobbying by conservative lobbying groups such as the Heritage Foundation (see Paine, 2000). A clash thus started to take place between developing countries and corporations from developed states.

At the same time there were several attempts to create international rules, some of them initiated by the United Nations. In a reaction to NIEO, in 1971, for example, the Secretary-General of the UN appointed a 'Group of Eminent Persons', which had as its assignment to

"study the role of multinational corporations and their impact on the process of development, especially that of the developing countries, and also their implications for international relations, to formulate conclusions which may possibly be used by Governments in making their sovereign decisions regarding

national policy in this respect, and to submit recommendations for appropriate international action” (Sagafi-Nejad & Dunning, 2008, p. 52).

Philippe de Seynes, under-secretary-general at that time, was in charge of creating the Group. He promoted the establishment of institutions within the UN regarding transnational corporations. He brought together the Group which consisted of nine members from the public sector (from Ivory Coast, United States, India, Tanzania, Netherlands, Germany, Indonesia, Chile, Brazil), six from academia (from France, Tokyo, USSR, Argentina, United Kingdom, Canada), and five from public and private enterprises (from Yugoslavia, Sweden, Algeria, United States, Switzerland). There were thus ten members from developed and ten from developing and socialist countries. Two consultants were appointed to the group: Raúl Prebisch and Nat Weinberg. Raúl Prebisch was already mentioned above: he had been Secretary-General of UNCTAD, which under his leadership was supportive of NIEO. Prebisch thus was clearly critical of transnational corporations, just like Nat Weinberg (Sagafi-Nejad & Dunning, 2008, p. 57). Sagafi-Nejad and Dunning explain that in the Group the main players were transnational corporations and developing-country governments (Sagafi-Nejad & Dunning, 2008, p. 235). In May 1974, the Group submitted its final report to the UN Secretary-General. It contained about 20 recommendations. The Group recommended that global rules on trade should be made. It emphasized that rules were necessary whereby corporations could be held accountable to the international community. The Group acknowledged that such far reaching proposals may not have been ripe for immediate action, therefore only a code of behaviour was suggested (Sagafi-Nejad & Dunning, 2008, p. 109). This code, and the rules therein, would then “act as an instrument of moral persuasion” to both TNCs and states (Sagafi-Nejad & Dunning, 2008, p. 109). Another recommendation was that a Commission and a Centre on Transnational Corporations should be established.

In 1974 the UN Commission on Transnational Corporations (UNCTC) and the UN Centre on Transnational Corporations were indeed established. The Commission had three main functions (Sagafi-Nejad & Dunning, 2008, p. 90):

- to serve as the UN’s focal point on issues of transnational corporations;
- to initiate the formulation of a code of conduct and, if possible, a general agreement;
- to give guidance to and instigate projects for the Centre on Transnational Corporations.

The code of conduct, however, never came into being. Already during discussions in the Group of Eminent Persons hearings it became clear that it would prove hard to reach a consensus. The G-77, with the support of the socialist bloc, was aiming at a binding international instrument, aimed at TNCs, whereas the developed-market-economy states wanted to allow market forces to operate, without intervention by an international body (Sagafi-Nejad, Dunning, 2008, p. 109). When the

UNCTC started its task of creating or preparing a code of conduct, this same discussion came up again. The main areas of discussion were the legal status of the code, and the wording. The G-77 countries wanted to use the more mandatory 'shall', whereas the developed-market-economy countries chose to use the word 'should'. For the following decade, this discussion went on, while the Commission tried to complete its task. In the end, the Commission gave up: no code of conduct was created (Sagafi-Nejad, Dunning, 2008, p. 110). So, due to pressure from western states no binding rules have been set up by the UNCTC.

In the 1980s, the idea of NIEO slowly lost ground and finally disappeared altogether. It was "taken over by subsequent events" (Marshall, 1994, p. 332): oil became less important because energy efficiency increased rapidly, and economic policies changed through a gradual process of economic neoliberalisation in the developed world. Developing countries started to see that having TNCs operate in their country also had advantages. Since debts were rising, and the Bretton Woods institutions started imposing adjustment policies, developing countries lacked the necessary investments and access to new technology. They therefore liberalized their policies towards TNCs, deregulating their activities, either voluntarily or under pressure of the Bretton Woods institutions imposing harsh conditionalities in return for financial aid. Moreover, there were increasingly different opinions amongst the states asking for NIEO. More differences between the oil producing and the non-oil producing states came up, and states started to realise that solely a change of international rules would not be sufficient. More change was needed, mostly at the internal level (Marshall, 1994, p. 334-335). Another reason why NIEO did not succeed was that western states laid emphasis on the free movement of their corporations in the international realm, stating that states do not have the sole power of direction. In market economies, corporations have an important say in economic affairs (Marshall, 1994, p. 335). Corporations seek to ensure access to new resources, labour markets, and market to offset their products, and therefore need free movement.

Also in the 1980s, due to lobbying by for example the Heritage Foundation, the United States government started to cut back on funding for the United Nations (Paine, 2000, p. 5). The United States also started to delay the timing of its payments. Because the United States is the biggest contributor to the UN fundings, the UN came in serious financial trouble because of this (Paine, 2000, p. 5). The United States also managed to change the budget vote by weighted voting, weighted by the amount of each States' contribution. The United States thereby got an effective veto. They then forced the UN to cut its budget by 10% and cut down on staff. Economic neoliberalism slowly entered UN policy, mainly due to the United States and lobbying groups criticizing the United Nations (Paine, 2000, p. 5).

In the 1970s and 1980s, developing states have been important norm-entrepreneurs for binding norms. By introducing the idea of NIEO they tried to change international policies, and also

introduced the idea of norms for corporations. Western states, however, opposed these ideas, by saying that states could not act without corporations and other private actors. Western corporations also opposed the idea of international norms. The Group of Eminent Persons was unable to publish an advice for binding norms. This difference in opinion continued when the UNCTC tried to set up the Code of Conduct: the G-77 wanted binding norms, western states wanted non-binding norms. Western states supported norm-entrepreneurs for non-binding norms, such as corporations, whereas developing states supported norm-entrepreneurs for binding norms, such as NGOs, scholars and several institutions, for example UNCTAD.

So how did these norm entrepreneurs influence the UN Global Compact? Why did the norm entrepreneurs for non-binding rules get their way, when the Global Compact was created, and does it not contain binding provisions?

#### 4.2.1.1 The 1990s

We have seen that there were norm entrepreneurs for both binding and non-binding norms active in the 1970s and 1980s. The first hypothesis of this thesis deals with the power of norm entrepreneurs. The norm entrepreneur with the most power is more able to get its norms accepted by a critical mass. The UN Global Compact was created in 1999. If there were indeed differences in power, these should especially become visible when studying the period right before the launch of the UNGC: the 1990s. In the 1990s, NGO activism on issues of corporate responsibility increased significantly (Jenkins, 2001, p. 10). According to Jenkins (2001), this was partly a reaction to deregulation of corporation activities by states in the 1980s. There were three major areas of focus of NGO campaigns in the 1990s. First of all, there were labour rights. Organizations or coalitions of NGOs, such as the Clean Clothes Campaign, emerged in the 1990s (Jenkins, 2001, p. 11). Oxfam took up these issues as well. Secondly, human rights were prominent in NGO actions. NGOs mainly focussed on actions of security forces, and the rights of indigenous peoples, such as the Ogoni people in Nigeria who were suppressed by Shell. Human Rights Watch and Amnesty International are two important NGOs working in this field (Jenkins, 2001, p. 11). In the 1990s much uproar was caused in these first two areas by reports from human rights organizations stating that in Nike factories in China, South Korea and Taiwan human rights were breached. In 1998, a man called Marc Kasky filed a lawsuit against Nike, stipulating that Nike broke advertising laws, making false representations in advertisements stating that no human rights abuses took place in its factories (Kasky v. Nike, Inc. (2003), 123 S.Ct. at 2554). This case was finally settled. Nike was amongst the corporations that joined the UN Global Compact at the date it was officially launched, 26 July 2000 (Website UN Global Compact).

The third major area for NGO activities in the 1990s were environmental problems (Jenkins, 2001, p. 11). Greenpeace is probably the best known NGO active in this area. In this area as well, Shell was an important target of campaigns, for dumping their Brent Spar oil platform in the North Sea (Jenkins, 2001, p. 11). The NGOs that were active in those areas were mainly norm entrepreneurs promoting binding norms. They wanted corporations to be bound by rules, they wanted the rules to have an enforcement mechanism and be effectively monitored (Jenkins, 2001, p. 11). It is probably not coincidental that these areas, labour rights, human rights, and the environment, in which NGOs were increasingly active, are also the three areas the Global Compact provides principles for.

Moreover, the alter-globalization movement entered the stage. The movement, which is more a movement of movements, focused on the problems of the globalization process and its challenges to democratic peace and the problem of accountability, discussed above. Organizations and social movements came up who opposed globalization. They appeared to form a critical mass in the 1990s: an antiglobalization movement, or global justice movement (Robinson, 2004, p. 169). Robinson seems to imply that this critical movement led in 1996 to the World Economic Forum setting 'sustaining globalization' as its central theme (Robinson, 2004, p. 171). This global justice movement opposed the idea of corporations not being held accountable to anyone, or corporate behaviour not being covered by any rules. In contrast, corporations in the 1990s actively promoted non-binding rules in the international realm. This may have been a reaction to the alterglobalization movement. By asking for non-binding rules, corporations prevented the alterglobalization movement to get their way. Many corporations, or groups of corporations, set up their own corporate codes of conduct. Every attempt to set up international binding rules, or international rules in general, met with opposition from the side of corporations (Corporate Europe Observatory, 1999, issue 5). For example, in 1998, when the Organization for Economic Co-operation and Development (OECD) tried to set up the Multilateral Agreement on Investment, the OECD tried to include rules about corporate behaviour. Business groupings, such as the ICC, refused to include those rules (Corporate Europe Observatory, 1999, issue 5). The ICC has been lobbying for industry self-regulation instead of binding rules for corporations. Binding rules for corporations would, according to the ICC, not be as effective as self-regulation, because every corporation is different, and a one-size-fits-all approach would not work (ICC, 2000). Moreover, the ICC states that corporations already have, written or unwritten, values that they adhere to. New international rules would therefore not be necessary (ICC, 2000). The United States Council on International Business (USCIB) is another organization who rejects the idea of binding rules. They stated in 1998 that "such externally imposed codes are unacceptable to the business community, are unworkable, and would be ineffective in resolving labour and environmental problems." (USCIB, cited in: Corporate Europe Observatory, 1999, issue 5).

As discussed in Chapter 2, norm entrepreneurs need organizational platforms to get their ideas known to the actors they want to influence. Many actors such as NGOs and corporations therefore seek an entry into the UN. Intergovernmental organizations and other entities can at most get the status of permanent observer. Only very few manage to get into the UN, getting the status of Permanent Observer. But a Permanent Observer can, as the name already indicates, only observe in meetings and have access to documents. International organizations such as the Committee of the Red Cross have this status, but there are no corporations with this status (United Nations, 2012). During the 1990s, however, corporations did start to get an entryway into the UN, with two Secretary Generals that were favourable to corporations.

In 1992, when Secretary General Boutros Boutros-Ghali assumed office, one of the first things he did was reforming the United Nations, by eliminating or cutting back offices that were working on social and economic policy. Lobbying by corporations and (national or international) lobbying groups or think-tanks promoting economic neoliberal policies worked. One of the offices that was eliminated was the Centre on Transnational Corporations. The Centre had long been criticized by the ICC and other lobbying groups, who had as their goal to weaken or destroy the Centre, and their criticism clearly paid off (Paine, 2000, p. 6).

In 1997, Kofi Annan became Secretary General of the United Nations. In his first year of office, he visited the United States, who were still asking for more budget cuts. He assured them that he would indeed cut on budget and staff even further. In the same year, he also visited the annual World Economic Forum in Davos. On the World Economic Forum, the world's foremost business leaders come together to discuss global business. Kofi Annan managed to strengthen his bonds with business leaders, thereby ignoring intergovernmental processes (Paine, 2000, p. 7). At the same time, Kofi Annan decided to charge NGOs for electronic access to UN documents. The access of NGOs to the UN was hereby, and by other new rules, restricted, while at the same time the access of corporations had become easier. It was very clear where the priorities of Kofi Annan lay (Paine, 2000, p. 8).

Also in 1997, the Secretary General held a luncheon to discuss possible cooperation between the UN and TNCs in policy making and the use of UN development assistance funds. At this luncheon were about 37 participants. It was hosted by Ambassador Razali Ismail, President of the UN General Assembly, and Mr. Bjorn Stigson, Executive Director of the World Business Council on Sustainable Development (WBCSD). David C. Korten was one of the participants of the luncheon. Thanks to his review of the meeting, we know who participated. According to him there were fifteen high level representatives of government, the Secretary General of the UN, the Administrator of UNDP, the president of the UN Commission on Sustainable Development, the Secretary General of the International Chamber of Commerce, and ten CEOs of TNCs. "In a limited gesture toward transparency and multi-stakeholder participation, two "academics" and two NGOs were invited to

observe“ (Korten, 1997). It is clear that NGOs were a minority at this meeting; only the Third World Network and the Indigenous Peoples’ Network were invited. Korten in his article goes on to discuss what was said at the meeting. He states:

“Underlying the words of everyone who was allowed to speak, with the sole exception of NGO spokesperson Chee Yoke Ling, was an embrace of the neo-liberal logic of market deregulation and economic globalization. (...) Since global corporations have the money and the power, any viable approach to dealing with poverty and the environment must center on providing market incentives (read public subsidies) that will make it profitable for them to invest in job creation and environmentally friendly technologies.” (Korten, 1997)

He thus makes clear that economic neoliberalism prevailed at this luncheon, which also leads the outcome in the direction of the corporations’ preferences. The meeting concluded with a statement from the host, Ambassador Razali Ismail, President of the UN General Assembly, stating that a framework would be developed, for the corporate sector to be involved in UN decision-making (Korten, 1997).

This luncheon is very telling for the relations between corporations, states, NGO’s, and the United Nations and can perhaps provide a partial answer to the research question and make a start in confirming or rejecting the first hypothesis. The fact that at the luncheon in 1997 only two NGOs were invited, as opposed to 15 representatives of states, and ten CEOs from major corporations is telling. On the other hand, the states that were participating in the luncheon were more evenly divided over the binding or non-binding ‘camps’. The ten states that participated were Norway, United States, Guyana, The Netherlands, United Kingdom, Canada, Japan, Russia, China, India, Brazil, South Africa and Costa Rica. As stated above, when the UNCTC tried to create a code of conduct, the G-77 were a group of states that wanted binding rules for corporations, whereas the developed economy states wanted no such binding rules. Of the ten states that participated, five are a member of the G-77 (Guyana, China, India, Brazil, South-Africa, and Costa Rica). But, even though the states were evenly divided, the fact remains that there were clearly more corporations than NGOs invited.

In the following years, the cooperation between corporations and the UN continued to grow. Corporations donated money to the United Nations. The International Chamber of Commerce met with the Secretary General, and they issued a joint statement declaring that “broad political and economic changes have opened up new opportunities for dialogue and cooperation between the United Nations and the private sector” and they committed themselves to “forge a close global partnership to secure greater business input into the world’s economic decision-making and boost the private sector in the least developed countries” (Corporate Europe Observatory, 1998, issue 1).

For the UN, this global partnership was a way to gain financial and political support, and the UN hoped to profit from the know-how of corporations to promote development in the poorest countries (Paine, 2000, p. 10; Utting, 2000, p. 3). As Paine found out through conversations with UN staff, the UN believed that

“as the only credible global political body, it could offer a strategic bargain to corporations – a bargain that individual governments had offered at an earlier moment in history. Corporate capital would agree to curb its appetite for accumulation, and agree to some regulation and social protection, in exchange for which the UN would help mobilize public support and legitimacy to defend the corporations against their most critical opponents.”

In 1998, the Secretary General of the United Nations met with representatives of the International Chamber of Commerce, to further the cooperation between the UN and the private sector. They issued a joined statement in which they declared that they wanted indeed to further the cooperation, and that corporations have a strong interest in standard-setting through the UN (United Nations, 1998). In line of this cooperation, a year later the UN Global Compact was initiated. Months of preliminary negotiations, of which unfortunately no minutes exist, led to the speech Kofi Annan held at the World Economic Forum in Davos, proposing the Global Compact.

The UN Global Compact gives corporations the possibility to participate in a dialogue with the UN. It is therefore a controversial initiative. Non-state actors cooperating with states within the UN is something that has not been done before, except for the actors who have permanent observer status. This aspect of the UN Global Compact is also contested. By some, corporations are seen as already having (too) much power in the international system (see for example Shah, 2011). Giving corporations a platform in the United Nations system may help corporations in gaining more power within the UN, whereas other actors do not have such a platform.

The circumstances under which Kofi Annan introduced the Global Compact can help answer the research question. He introduced the idea at the World Economic Forum, which is a clear signal towards corporations that Kofi Annan is on their side. He could have chosen to introduce the idea at a more neutral meeting, at a UN gathering for example, or a meeting which was more aimed at human rights, labour rights, or the environment, the three main subjects of the Global Compact. Kofi Annan chose to initiate the Global Compact at a solely economic and political meeting. Also when the UN Global Compact was officially launched, in June 2000, the composition of the group of participants in that meeting was comparable to earlier meetings. The official launch took place at UN

headquarters. Chief executives and other top managers of almost 50 corporations<sup>5</sup> who agreed to sign the compact were present (Paine, 2000, p. 14). A small number of sympathetic NGOs was also invited, but, according to Paine (2000), they “were clearly uneasy at the spectacle” (Paine, 2000, p. 14).

Moreover, the wording Kofi Annan used when proposing the Global Compact is an important key to find an answer to the research question. He states in his speech:

“This year, I want to challenge you to join me in taking our relationship to a still higher level. I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.” (United Nations, 1999)

He does not refer to NGOs, who want there to be binding rules, participating in the Global Compact. Moreover, by ‘proposing’ and ‘challenging’ business, he underscores the voluntary nature of the Global Compact. He even states:

“There is enormous pressure from various interest groups to load the trade regime and investment agreements with restrictions aimed at preserving standards in the three areas I have just mentioned. These are legitimate concerns. But restrictions on trade and investment are not the right means to use when tackling them.” (United Nations, 1999)

Kofi Annan thus explicitly states that binding rules are not what he is proposing. It is striking that he states that ‘restrictions on trade and investment are not the right means to use’. Only 15 years before this speech, the UNCTC had to give up its attempts to set up a code of conduct, because the states could not reach a conclusion on whether that code should be binding or not. Binding rules would imply a restriction on trade and investment. Kofi Annan seems to forget that a lot of member states of the UN actually wanted binding rules.

A few months after Kofi Annan held his speech at the World Economic Forum, he met with the International Chamber of Commerce, just like he did a year before he introduced the Global Compact, “to continue the dialogue the two organizations began in February 1998” (ICC, 1999). They issued a joint statement, reaffirming that there is great potential for cooperation between the two organizations. The corporations’ representative embraced the idea of the Global Compact, and they stated that

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<sup>5</sup> Among which such large global companies as Daimler Chrysler, Unilever, Deutsche Bank, BP Amoco, Royal Dutch Shell, Volvo, Credit Suisse, Dupont and Nike (Paine, 2000, p. 14).

“The aim should be to enable the benefits of globalization increasingly to spread to all people by building an effective framework of multilateral rules for a world economy that is being transformed by the globalization of markets. Business expertise is necessary to help governments to find the right balance between the freedom that allows the private sector to create wealth and employment, and rules that provide a background of economic stability and social cohesion.” (ICC, 1999)

The International Chamber of Commerce represents hundreds of thousands of corporations. It has close connections to the United Nations, and promotes business interests at the United Nations and other international organizations. One of its goals is to make a case for open trade and corporate self-regulation (website ICC). In order for the ICC to keep its good position in the UN, it has to show its willingness to cooperate, and to accept new rules. Moreover, because of the increasing criticism on corporations, the ICC had to show that corporations were listening to the criticism and trying to change, to become more socially responsible.

All this leads to the idea that corporations have played a very big role in creating the UN Global Compact, and that they have had a great say in its contents, and thereby in the non-binding nature of the Global Compact. The fact that corporations were on many occasions the only non-UN party present in meetings considering the Global Compact, is an indicator that their power in the negotiations was quite big, and quite bigger than the power of norm-entrepreneurs who wanted the norms to be binding, such as many NGOs. The fact that Kofi Annan introduced the Global Compact at the World Economic Forum adds to this conclusion. At the World Economic Forum NGOs were present, but this is clearly a Forum aimed at corporations; corporations have more power there than the few NGOs present. For NGOs it was therefore almost impossible to persuade a critical mass to want binding norms.

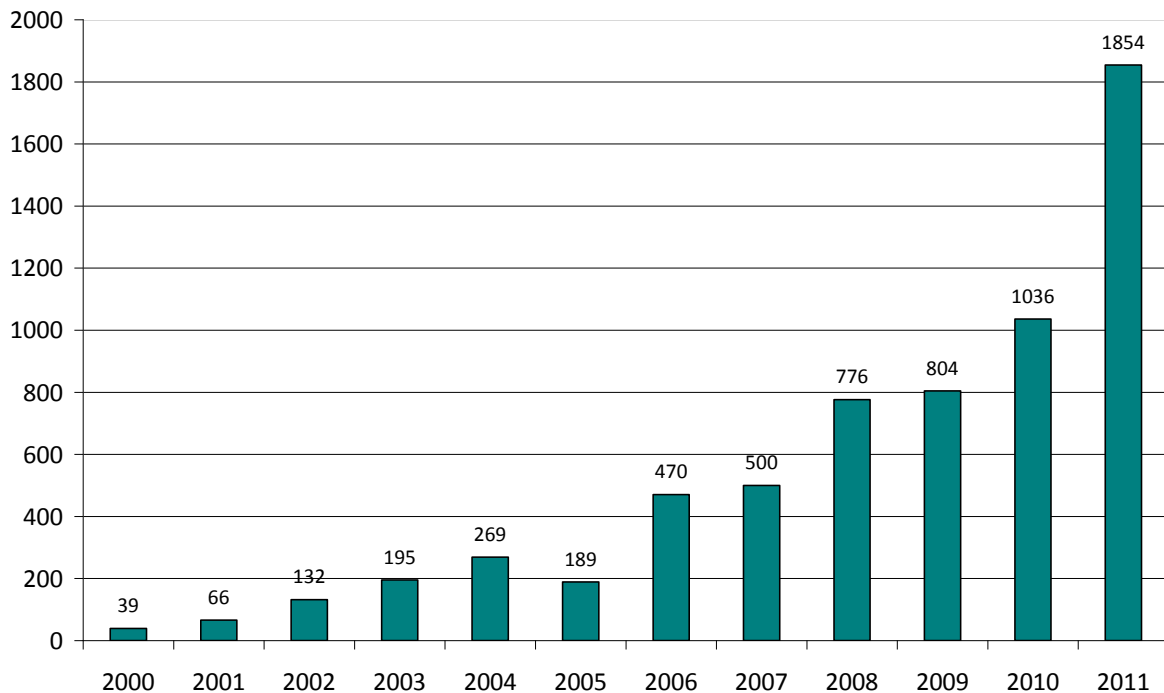
#### *4.2.2 Socialization*

The second stage in the life cycle of norms in the theory of Finnemore and Sikkink (1998) deals with socialization. Before the so-called tipping point, norm entrepreneurs and domestic movements have to support change. After the tipping point follows the norm cascade. Actors start to adopt new norms without pressure from out- or inside. In this second stage, actors comply with norms because of a process called socialization. The idea of socialization is that actors are motivated to accept norms for example by praise or ridicule. Actors receive praise for acting in conformity with norms, or ridicule when they refuse to comply with norms. This praise or ridicule or other instruments of socialization can either come from other actors who already comply with the norms, or from networks of norm entrepreneurs or international organizations who strive for general acceptance of

a norm (Finnemore & Sikkink, 1998, p. 902). Through the process of socialization, actors follow the 'logic of appropriateness'.

First we have to determine whether the 'norm cascade' has taken place yet for the non-binding norms of the UN Global Compact. When the Global Compact was established in 2000, around 50 corporations were present. Of those, 39 became a participant from the first moment (website Global Compact, 2012). These corporations were corporations from all different sectors, but mainly from western (developed-economy) states.<sup>6</sup> Now, in 2012, there are 6953 corporations participating in the Global Compact. The growth of the amount of participants increased every year. This is a clear sign that the norm cascade is taking place, and that socialization is the working mechanism for the norms in the Global Compact. More and more corporations accept the non binding norms of the Global Compact as illustrated in graph 4. The graph illustrates the growth in new participants each year from 2000 until 2011. It is clear that the growth in participants has strongly increased in the years the Global Compact has existed: from 39 new participants in 2000, and 66 in 2001, up to 1854 new participants in 2011.

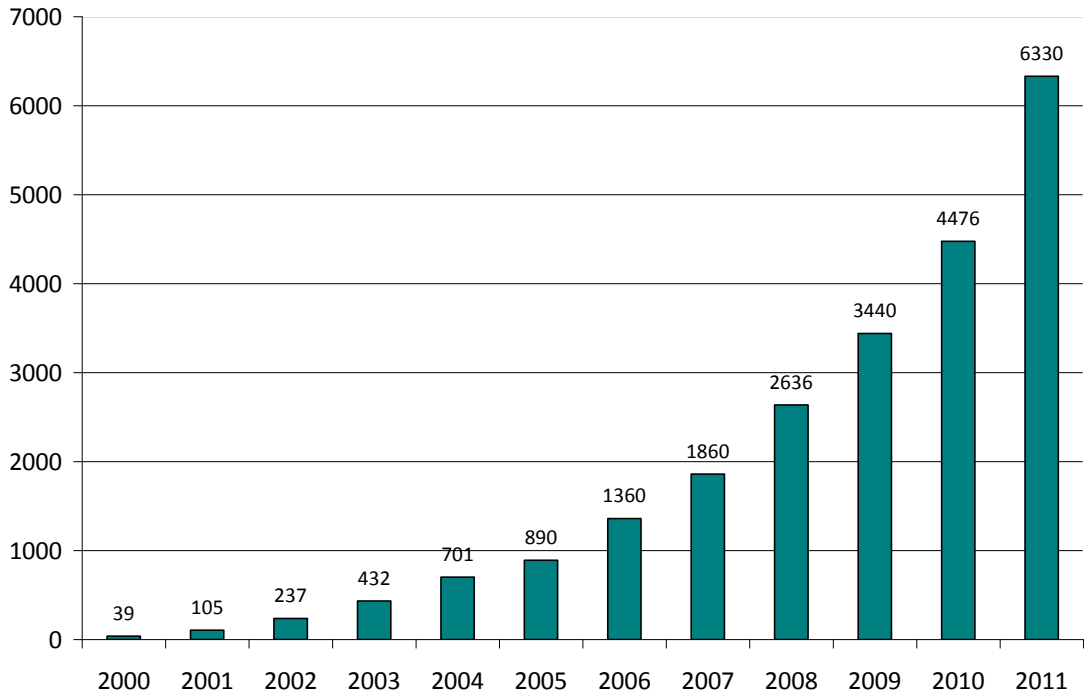
Graph 4.1 New business participants per year (2000-2011)



Source: Website Global Compact (2012)

<sup>6</sup> Among the 39 corporations there were 2 from Brazil, 1 from China, 6 from France, 6 from Germany, 3 from India, 2 from the Netherlands, 3 from Norway, 1 from Pakistan, 1 from South Africa, 2 from Sweden, 4 from Switzerland, 6 from the United Kingdom, and 2 from the United States (Global Compact website). This means only 8 corporations from outside Europe and the United States.

Graph 4.2 Total amount of business participants per year (2000-2011)



Source: Website UN Global Compact (2012)

The total amount of business participants thus increased strongly over the years. In the first few years it almost doubled each year. In 2005 a clear decrease in the growth is shown (see graph 4.1). It is not clear how this can be explained. In the last year in the graph, 2011, a strong increase in the growth of the amount of participants took place (graph 4.1). Overall, seen the enormous growth and the great amount of participants in the Global Compact, the norm cascade appears to take place or have taken place for the norms in the Global Compact.

Non-binding rules for corporations have come up before the Global Compact, and have become more accepted over time. Ever more corporations see non-binding norms as appropriate: by adhering to the norms they act according to the logic of appropriateness. Not only within the Global Compact, but also in other instances corporations are subject to non-binding norms instead of binding norms. Since the 1970s, non-binding codes of conduct have been the preferred way of regulating corporate conduct regarding human rights (Mantilla, 2009, p. 284). The ILO and the OECD set up codes of conduct, the OECD Guidelines for Multinational Enterprises, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises. The original intention was that these codes would be binding. However, due to the lack of consensus for this idea (there was no agreement about the function, wording, and about potential sanctions against non-compliant corporations) they became non-binding (Kolk, Van Tulder, Welters, 1999, p. 144). This happened around the same time the UNCTC tried to set up its Code of Conduct. The codes of conduct had very

limited effects. The ILO code was only signed by one corporation when trade unions used the code to start an industrial dispute with the managers of that corporation. No other corporation dared to sign the code after that (Kolk, Van Tulder, Welters, 1999, p. 144). This made the reluctance for corporations to cooperate in any international code of conduct even bigger. In the 1990s, private certification associations came up. These associations use certification and the provision of information to get attention for the impact of industry operations (Bartley, 2003). All these initiatives were not based upon binding rules. It becomes clear that corporations accept the non-binding rules because they were part of the logic of appropriateness when the Global Compact was initiated. The International Chamber of Commerce responds to Kofi Annan's initiative, welcoming it, but also adding an important proviso: "There must be no suggestion of hedging the Global Compact with formal prescriptive rules. We would resist any tendency for this to happen." The International Chamber of Commerce, the largest representative of corporations at the international playing field, clearly states that it sees non-binding norms as the appropriate way of regulating corporate conduct. This can be seen as opposition against the norms, but opposition within the logic of appropriateness. Because of this logic of appropriateness, non-binding norms are seen as the right thing to do. If the International Chamber of Commerce would have opposed the idea of the Global Compact completely, it would have acted against the logic of appropriateness. That would have led to criticism from NGOs and states. It would have damaged the good name of the International Chamber of Commerce. However, by so clearly emphasizing that corporations will not accept any binding norms, this is still a warning: the United Nations must not think that just because corporations accept these non-binding norms a door is opened towards binding norms.

#### *4.2.3 Internalization*

In the norm life cycle of Finnemore and Sikkink (1998), as discussed in Chapter 2, the third phase is the stage of internalization. It might be an explanation for the Global Compact to be non-binding, that non-binding norms for corporations were internalised at the time of creating the Global Compact. When norms are internalized it means that they achieve a "taken-for-granted" quality. Actors act in conformity with the rules almost automatically (Finnemore & Sikkink, 1998, p. 904). If the non-binding norms were internalized, this would mean that no questions were asked by them being non-binding, they would be generally accepted to be non-binding.

At the time of creating the Global Compact, the non-binding norms for corporations were not overall internalized. Maybe they were internalized by the actors who were the subjects of the rules: the corporations. Since they were very keen to accept the norms of the Global Compact, proven by the enormous amount of acceptances within ten years after the initiation of the Global Compact (see section 4.2.2 above), it appears that they had no problem accepting the norms. However, in order for

a norm to be actually internalized, the norm must be not controversial (Finnemore & Sikkink, 1998). In the case of the Global Compact, the norms were surely not uncontroversial.

The International Chamber of Commerce, in name of many corporations, was very eager to embrace the norms. Many corporations became participants to the Global Compact quickly after it was initiated. However, becoming a participant and embracing the norms is only one step in the right direction, and a very easy step. By accepting the norms, the International Chamber of Commerce and the corporations may just be paying lip service. When norms are internalized it means that acting in accordance with them is also automatically. However, this acting in accordance with the norms is often skipped. Many corporations still violate human rights, labour rights, or environmental norms even though they have joined the UN Global Compact. They use their membership of the Global Compact to 'bluewash' their behaviour. Royal Dutch Shell, for example, a member of the International Chamber of Commerce, was amongst the first corporations to join the Global Compact in 2000. Even so, violations by Shell of environmental norms are often seen on television and in the newspapers (for example, BBC News, 2004). Nike, another participant who joined as soon as the Global Compact was initiated, but not a member of the ICC, has also often been accused of violations of labour rights or human rights (for example, in the Nike v. Kasky case (2003)).

Moreover, other organisations were showing that the non-binding norms were not internalized at the time of the creation of the Global Compact. Many NGOs expressed their concerns about the norms not being binding. Human Rights Watch, for example, issued an article not long after the Global Compact was launched, giving advice on how the Global Compact could be improved. The main advice was that the Global Compact should be binding, or at the very least have an enforcement or monitoring mechanism (Human Rights Watch, 2000).

Other NGOs came to the same conclusions. CorpWatch, an organisation working to expose corporate malfeasance and to advocate for multinational corporate accountability and transparency, launched as a response to the Global Compact the so-called 'Citizens Compact' in January 2000, endorsed by many other NGOs, politicians and scholars. This Citizens Compact also consisted of nine principles (when the UN Global Compact started is also had nine principles). The principles are laid down in Table 4.2.

Table 4.2. Principles of the Citizen's Compact

Principle	
1	Multinational corporations are too important for their conduct to be left to voluntary and self-generated standards. A legal framework, including monitoring, must be developed to govern their behavior on the world stage.
2	The United Nations will continue to develop tools to ensure universal values of environmental protection and human rights, through such mechanisms as multilateral environmental and human rights agreements, codes of marketing, and ILO conventions.
3	The United Nations recognizes the legitimate purpose of national and local legislation to protect ecosystems, human health, labor standards, and human rights. The United Nations will assist civil society and governments in enacting and implementing such legislation.
4	The UN must find ways to ensure that other intergovernmental bodies, such as the IMF, World Bank and WTO, do not depart from the principles and goals of the UN Charter.
5	United Nations agencies will advise and offer assistance to corporations wishing to understand and improve their human rights and environmental behavior. Such assistance will not be considered a "partnership."
6	The United Nations does not endorse or promote products or brand names of any private corporation, and will avoid the appearance of such endorsements.
7	The United Nations will avoid any public association or financial relationship with companies with destructive practices, or products that are harmful to human health or the environment. Before entering any relationship with a corporation, the UN will thoroughly evaluate whether the objectives of that company are compatible with those of the UN. In doing so, it must set up open and transparent processes of dialogue with NGOs and community groups with expertise on those corporations' activities.
8	The United Nations and its agencies will continue to fulfil their mission with funding from governments. In cases where private corporations wish to make a donation, the money will go to programs that have no connection to commercial projects for that company.
9	The UN will act with full transparency in all its dealings with the private sector, at the conceptual, planning and implementation stages. NGOs should have access to the same information in this regard as the private sector.

Source: CorpWatch (2000).

As stated above, for many preliminary meetings NGOs were not invited, or only one or two of them, whereas corporations were well represented. Once the Global Compact was launched, not much changed in this area. Only after two years, in 2002, the first non-business participants were able to join the Global Compact. In 2002, only four (local) NGOs became participant. In 2011, there were in total 1371 NGOs participating; as opposed to over 6000 corporations (website Global Compact,

2012). Only in 2006 a board was set up for the Global Compact, in which four members represent civil society organisations (as opposed to twenty members representing corporations, and an additional two for business organizations) (website Global Compact). Not only during the negotiations and discussions about the Global Compact were NGOs less powerful than corporations, as discussed above, but when the Global Compact was set up NGOs were also left out. Moreover, states are also not able to be participant in the UN Global Compact. The G-77 has thus become powerless regarding the UN's cooperation with corporations within the Global Compact. Therefore, the non-binding norms are not likely to change into binding norms for corporations. The non-binding norms may seem to be internalized because they have not evolved, but that appears to be due to the lack of power for the actors who wanted the norms to be binding.

#### *4.2.4 Still no binding rules*

The final hypothesis discussed in the previous chapter is not about why the Global Compact was not binding when it was initiated in 2000, but about why there are still no binding rules for corporations at the international level. It has become clear that at the time of creating the Global Compact there were many proponents of binding norms. However, there still have not been created any binding institution with norms for corporations. Why has the Global Compact not developed into a binding institution or has no new binding institution been created? A possible explanation could be that proponents of binding norms have given up or disappeared. The alterglobalization movement has been dissolved, and new movements seem to less actively target corporations. When there are no norm entrepreneurs for binding norms, the norm will become internalized and stay the same. However, although it is true that some NGO initiatives trying to turn the Global Compact in a binding institution have been ceased, resistance against the Global Compact is not gone altogether. The Citizens Compact, for example, which was initiated as a counter initiative against the Global Compact and has been discussed above, has been discontinued (CorpWatch, 2000). However, in its place came the UN Alliance for a corporate free UN, an initiative by many NGOs addressing "undue corporate influence in the United Nations" (Corpwatch, 2001). Their "main activities are:

- Monitoring and exposing corporate partnerships and undue corporate influence at the UN.
- Taking action to pressure the UN to avoid such partnerships and influence.
- Promoting and supporting UN-related measures to hold corporations accountable."

(CorpWatch 2001)

Another organization that has been critical about the Global Compact from the first moment is the Corporate Europe Observatory. In 2012 they released an article, in which they stated that the UN Global Compact is a very problematic partnership between corporations and the UN, because it gives corporations 'basically a free lunch', because the rules are non-binding (Corporate Europe

Observatory, 2012). Also, SOMO, a Netherlands based organization, has also been critical of the Global Compact since it was first initiated. They issued their concerns when the Global Compact was initiated, and set up a website dedicated to criticizing the Global Compact ([globalcompactcritics.blogspot.com](http://globalcompactcritics.blogspot.com)). On this website are still regularly critical articles posted, either about participants of the Global Compact or about the Global Compact itself. It was also one of eighty organizations to sign a letter and file a complaint at the UNGC against PetroChina (interview with D. Koppes, SOMO, 7 July 2012). SOMO still wants the Global Compact to change, by for example setting up a selection process so that not all corporations can become a participant. This way, bluewashing could be limited, if only corporations that actively want to work on the ten principles can participate. Numerous of such examples can be given here, but the point is clear: the proponents of binding norms are certainly still active.

Although there are still no binding norms for corporations, all the efforts from NGOs and other organisations were not completely useless. Over time, the Global Compact has adopted some 'integrity measures', as a reaction to criticism (Oldenziel, 2005). For example, there now is a formal complaint procedure, whereby NGOs can file complaints about participating corporations. If a complaint is filed, the Global Compact Office forwards the complaint to the corporations, so that it can try to change its behaviour. The strongest measure that can be taken if a corporation does not change its behaviour is to remove the corporation as a participant. It remains to be seen how effective this complaints procedure will be. A complaint in 2009 by a coalition of organizations, regarding Nestlé, stating that Nestlé was responsible for grave violations of the Global Compact Principles, was answered by the Global Compact Office stating that: "Of course, abuses of the 10 Principles do occur; however we believe that such abuses only indicate that it is important for the company to remain in the Compact and learn from its mistakes." (Global Compact Critics, 2010).

Also within the United Nations not everyone agrees with the fact that corporations are not bound by norms. In 2003, the UN Sub-commission on the Promotion and Protection of Human Rights, an expert group that carries out studies and makes recommendations to the UN Commission on Human Rights, developed the 'Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights'. In these norms, the first article first emphasizes the responsibilities of states regarding human rights, and then goes on to state that

"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, article 1).

Under these norms, corporations would be subject to periodic monitoring and verification by United Nations or other national or international mechanism already in existence or yet to be created (article 16). However, the fate of these norms was even worse than the norms in the Global Compact. The Commission on Human Rights in 2004 passed a resolution regarding the norms, stating that while the Norms contained useful elements and ideas for consideration, it had not been requested by the commission and therefore had no legal standing (Commission on Human Rights Resolution 2004/116).

It is thus clear that resistance against the UN Global Compact has not stopped. As shown above, however, NGOs in this area have less power than corporations. They are still less represented within the Global Compact. It is therefore very hard for them to change the Global Compact. It is thus likely that the non-binding norms for corporations will remain non-binding in the foreseeable future.

## 5 – Conclusion

Now it is time to answer the research question that was posed in the introduction, namely:

*What explains the non-binding character of the United Nations Global Compact?*

First of all, the analysis has revealed that corporations have gained more power in the UN over time. In the 1970s, the UNCTC tried to set up a code of conduct for corporations. This code of conduct never came into being, due to unsolvable differences between developed economy states and the G-77. In this discussion, the influence of corporations was already showing. Developed states were protecting the interests of corporations, stating that corporations also have a lot to say about the direction a state would go. In the 1980s, corporations started to become critical of UN policy, not only regarding the code of conduct, but also regarding NIEO. They, and other lobbying groups promoting economic neoliberalism, lobbied for a change in policy. States started to agree with the corporations, and the United States even cut its funding for the UN. The UN then needed new funding and expertise, and by including corporations in their policy, both of these needs could be fulfilled. This increased the corporations influence in the UN. In the 1990s NGO activity increased and corporations were criticized more often. NGOs started to ask for rules to control corporation behaviour. Corporations on the other hand started setting up their own codes of conduct, most likely in an attempt to lessen the criticism and keep NGOs satisfied. Corporations' organizations such as the ICC were openly lobbying for industry self-regulation, proclaiming that international rules would be ineffective and that corporations already had their own sets of values that they adhere to.

When Kofi Annan assumed office as Secretary General of the UN in 1997, his actions pointed in one direction: toward corporations. Within a few months he visited gatherings of corporations several times. He strengthened his connections with corporations, visiting the World Economic Forum. He organized a luncheon regarding closer cooperation between corporations and the UN. In the concluding speech of the luncheon it was announced that a framework would be developed for corporations to become involved in UN decision making, which is something NGOs have been hoping for ever since the UN was founded in 1945. This must have been very painful for NGOs to accept: corporations generally are very powerful in influencing international and national policy-making already, and now an official framework would be set up, so that they would get even more influence in the UN. He also decided to charge NGOs for access to UN documents at that same time, thereby limiting their access. In 1999, he initiated the UN Global Compact. By inviting corporations to join this compact, Kofi Annan allowed corporations to get more involved in the UN, and, indirectly, to gain more influence in the UN. Beforehand, he had already had several preliminary meetings with corporations and representatives of corporations such as the ICC, discussing the idea of the Global

Compact. NGOs were only given minimal possibilities to be present at such meetings: where ten CEOs from TNCs were invited, only two NGOs were. Kofi Annan clearly sent out a message to corporations: he was on their side, and not on the side of NGOs.

It is clear that when the UN Global Compact was initiated by Secretary General Kofi Annan, he clearly focussed on corporations, wanting to include them in the process of creating the Global Compact and wanting them to accept the Global Compact. The UN needed corporations to get funding, so the UN needed to cooperate with corporations. NGOs on the other hand had much less to offer: apart from drawing the UN's attention to important issues, the UN does not need NGOs to safeguard its existence. The power of corporations within the UN was therefore clearly bigger than the power of NGOs. This, plus the fact that NGOs were not, or only limited, welcome at meetings between the UN and TNCs, made it harder for NGOs to persuade a critical mass to accept binding norms. The outcome of the meetings between the UN and TNCs, the non-binding norms, was thus not surprisingly in favour of the corporations. The first hypothesis can thereby be accepted. Corporations were norm entrepreneurs for non-binding norms, and had much more power in the creation process than the norm entrepreneurs for binding norms, such as NGOs. The Global Compact therefore became non-binding.

Once the Global Compact was launched, many corporations started to accept the non-binding rules. Corporations accepted that non-binding norms were the appropriate form of norms. This confirms the second hypothesis, that the rules are non-binding because they have become accepted as the logic of appropriateness. Some NGOs also accepted this; several initiatives that were set up when the Global Compact was just initiated, were discontinued. However, it cannot be said that the non-binding norms are internalised, because that would require them to be accepted by all actors. Many actors, even within the UN, did not accept the idea of non-binding norms. The third hypothesis can therefore be refuted. Even now, there are still many NGOs and other organisations who are trying to get the UN or other organisations to adopt binding norms for corporations. It can therefore also be established that the reason that the Global Compact is non-binding is not that the norms were internalized. Moreover, the fact that there are still no binding norms for corporations is not due to NGOs giving up on the idea of binding norms. Therefore, the fourth hypothesis can also be refuted.

At the time of writing this thesis, the UN Global Compact has existed for twelve years, during which some things have changed. Probably the most important change, as was discussed in the analysis, is that there are integrity measures adopted under the Global Compact under which a formal complaint procedure has been set up in 2004. However, no action has been taken regarding any complaint that has been lodged so far. Even though this change is an important step in holding corporations accountable, it still has no actual effect. Moreover, NGOs are still asking for more

changes, such as a selection process, so that not every corporation can become a participant. No attempts have been made to meet NGOs in their objections, and limit the 'bluewashing'.

A weakness of this thesis is that no insight could be given in the actual motivations of corporations to want non-binding norms. Corporations provide only limited information about their partnership with the Global Compact. A recommendation for further research therefore is to dig deeper into corporations' motivations to join the Global Compact, for example through extensive interviews with the corporations themselves. Moreover, there are no minutes of the meetings between the UN and corporations regarding the establishment of the Global Compact. For further research it would be interesting to find out who participated in that meeting and what has been said. It is also important to compare the UN Global Compact to other (non-binding) norms for corporations, either under UN mandate or not, to see whether the powers at play are comparable.

The use of the theory of social constructivism in this thesis has made it possible to actually study the UN Global Compact, since other theories hinge on statism. Using a social theory made it possible to study the agents and their influence on the structure. Using process tracing made it possible to give a clear oversight of the important events regarding the Global Compact. By connecting the various steps in the process of creating the Global Compact, a theoretically based answer can now be given to the research question.

The most important answer to the research question as to why the Global Compact is non-binding, is that corporations, the main norm entrepreneurs for non-binding norms, had more power and more entryways into the United Nations than NGOs, the norm entrepreneurs for binding norms, did. The United Nations needed funding and expertise, and corporations knew that, and could provide that. This meant that they had a lot more to say: as is often said, money is power. NGOs have tried to change the norms, and to get the UN to adopt binding norms, but so far this has not worked. The only change is that there are now norms, be they non-binding, for corporations. This could be seen as a first step. NGOs have put enough pressure on corporations so that they could no longer ignore human rights and the environment. Corporations were only able to limit the effects of the rules proposed by NGOs. The agents, NGOs, have influenced the structure, by creating new rules and new ideas. However, the sky is still clear 'UN-blue' for corporations: they can accept the Global Compact without having to fear possible repercussions when they do not comply with the norms, since the UN will in the foreseeable future stay in need of their funding, which gives them the power they need within the UN to prevent being bothered with binding international norms. The structure is thus influenced, but there is still a long way to go before NGOs really get what they have been asking for: binding rules.



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