Illusions of Statehood: Transnational Corporations and Lobbying in the United Nations

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by Kigan Martineau*

Transnational corporations can use their economic muscle to usurp state power and inhibit the enjoyment of human rights. Since the 1970s, Transnational Corporations (TNCs) have obtained tremendous influence within the international political arena and now within the realm of international law; many TNCs have greater financial assets than some small nations. However, because TNCs are not nation-states and their motive to gain capital has frequently been at odds with human rights, TNCs should not enjoy the ability to influence international legislation. This paper focuses specifically on TNC influence within the United Nations (UN) because while the UN reserves power only for states, inconsistencies within UN policy allow transnational corporations the opportunity to utilize their economic power through lobbying to achieve influential quasi-legislative capabilities. Lobbying, the mechanism of influence for TNCs, should be extremely limited if not banned within the UN in order to reduce the possible harmful impacts by TNCs on international jurisprudence.

Part I of this paper discusses TNCs within international law, setting the parameters of this paper within the UN. Part II presents major UN policy regarding TNCs and lobbying; through examining the intent and purpose of these documents, actual TNC influence is assumed and accepted as possibly harmful. Part III briefly outlines

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1 See Ahmed Shawki & Paul D’Amato, Briefing: The Shape of World Capitalism, 11 Int’l Socialist Rev. 1, 3 (2000).
human rights, contrasts human rights laws with TNC governance, and discusses possible conflicts of interest between human rights and TNCs' economic interests.

I. DEFINING THE HEDGES OF TNCs IN INTERNATIONAL LAW

To understand the claim that TNCs can have excessive influence on international legislation, it is important to understand the context in which TNCs act. In this section, we will discuss the landscape of international law and the leading theories that explain international legal identity, and then briefly explore UN policies concerning the influence of non-nation-state actors.

Due largely to the expanding influence of non-state entities such as TNCs, the definition of a player in international law has shifted over the last three decades. International legal jurisprudence has traditionally been determined exclusively by the agreements and practices of only nation-states, the advent of international organizations like The League of Nations and, more recently, the UN, only changed the face of nation-state power, as organizations like these are merely state conglomerates. Recently, however, the growth of globalization caused significant changes in the landscape of international law; non-nation entities like TNCs and non-governmental organizations have shown legitimate influence in determining international jurisprudence. Many herald this transition as an indication that the traditional autonomy of the nation-state should be replaced with a power structure based on actual influence, while others feel this shift means that the role of the nation-state should be solidified and strengthened.

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4 See id. at 9-34.
6 Hickey, Jr., supra note 2, at 7.
There are two main schools of thought concerning power and influence in the sphere of international law. The legal traditionalist approach dictates that states should be the ultimate source of law and regulation within international law. While recognizing the increased influence of non-state actors, such as TNCs, legal traditionalists still claim that such actors should be limited in their influence on international legal jurisprudence. Legal traditionalism has been the predominant theory for over a century. Yet, a relatively new theory, factual realism, asserts that as globalization progresses, it becomes anachronistic to consider the state as the ultimate source of international legal personality; non-state entities, including NGOs, sub-state governments, and corporations are already exercising influence over international law and international relations.

Despite one’s theoretical leanings, it is undeniable that states are no longer the only players in international law that affect the international legal jurisprudence. However, to what extent should those non-state influences be allowed? Legal traditionalists see non-state power as a deplorable encroachment that needs to be cut back; factual realists say that it reflects the realities of modern international politics as power shifts away from the state.

While recognizing the irrefutable impact of non-nation-state entities on international legislation, this paper agrees with scholars such as James E. Hickey that by giving such non-nation-state entities legislative powers in the international realm, the current system of state accountability to the world population will diminish, preventing the civilized international climate that international law was meant to establish. Hickey argues that currently, nearly all nation-states are held accountable for actions by their citizens, and the remaining nation-states are kept in tow by the world’s other nations.

7 Hickey, Jr., supra note 2, at 13.
states. This system of accountability acts as a buffer against corruption, greed, and private pursuits that can potentially be detrimental to the citizens of a nation as well as the global population. If international autonomy is granted to entities other than the nation-states, such accountability will likely diminish.\textsuperscript{10}

Determining international legal identity can be convoluted, but it is even more so when relying primarily on theoretical argument. As such, it is important to work under more practical and widely used definitions, such as those found within UN.\textsuperscript{11} While TNCs may exercise political power outside the confines of the UN, focusing on UN policy is more manageable than theoretical argumentation and will still produce changes that can have legitimate effects on the international trend.

While many discredit the UN for its weak policy enforcement and hollow declarations, the UN plays a definite role in international law. The organization functions through collective security granted by each state for the propagation of world peace, which includes the ability to create and sometimes enforce international laws. Furthermore, the accountability mentioned before is more fully realized through UN governance. The UN oversees many functions beyond peacekeeping that influence international law including human rights, decolonization, and war crimes. This gives the UN significant power in dictating legal precedence and trends.

In addition to its strong influence on international jurisprudence, the UN provides a more ideal exploration for the power dynamic of TNCs in international law because it enacts a strong line concerning which entities do and do not have direct influence on the creation of international law within the UN. As the name of the organization implies, the UN is compiled exclusively of nation-states, a stipulation that affects a member's legislation capabilities; only recognized nations are allowed legislative powers. The organizational structure of the UN allows for involvement of non-nation-state entities like TNCs, but intentionally limits their influence on international jurisprudence. Thus, within the parameters of the UN, a concrete under-

\textsuperscript{10} See Hickey Jr., supra note 2, at 11-12.

\textsuperscript{11} U.N. Charter art 1, para. 2.
standing of the role of TNCs in international law can be established with theoretical argument and policy.

II. TNC Powers within the UN

Many non-state actors are now capable of influencing domestic and international laws. Although non-state actors are not recognized as lawmakers inside the UN, they have become international players that have an increasing amount of interaction with the UN. This section examines the interaction between the UN and TNCs and what implications can be drawn from that relationship; specifically, TNCs possibly have a negative impact on legislation within the UN.

The UN's multiple attempts to regulate, supervise, and set guidelines for TNCs suggests that the UN and its member countries recognize the latent negative impact that TNCs can have on international law. If the potential legislative power and room for exploitation by TNCs was not so alarming, these multiple attempts to hold TNCs to high business standards and codes of conduct may not have been as widespread; however, the high frequency of regulation attempts by the UN is a response to the overextended powers of TNCs.

Interaction between the UN and TNCs has a long history, but the UN began taking strong initiatives in the 1970s to utilize the influence of TNCs for good. As a part of their call for a New International Economic Order, countries began calling upon the UN for the regulation and supervision of TNCs. In the wake of this, the UN created the Centre on Transnational Corporations in 1974 to:

[Further the understanding of the political, economic, social and legal effects of TNC activity . . . to secure international arrangements that promote the positive contributions of TNCs national development goals and world economic growth while controlling eliminating their negative effects;
and to strengthen the negotiating capacity of host countries . . . in their dealings with TNCs.13

The Centre only operated for seventeen years and was then absorbed into a larger UN agency. This document was the first of many to take notice of TNCs’ clout and their ability to harm international law, specifically in national development and political arenas.

Another example of the UN’s dedication to controlling the power of TNCs is the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work (hereafter Paris Principles), drafted in 1998. Rather than limiting the capabilities of TNCs to influence international law like before, this United Nations agency takes an approach that seeks to utilize TNCs’ influence in order to propagate international peace. This document:

Recognizes the obligation on the [ILO] to assist its Members . . . by encouraging other international organizations with which the ILO has established relations, pursuant to article 12 of its Constitution,14 to support these efforts: (a) by offering technical cooperation and advisory services to promote the ratification and implementation of the fundamental Conventions; (b) by assisting those Members not yet in a position to ratify some or all of these conventions in their efforts to respect, to promote and to realize the principles concerning fundamental rights which are the subject of those Conventions; and (c) by helping the Members in their efforts to create a climate for economic and social development.15

The expressed intent of the UN in the Paris Principles is not only to accept but also to encourage active TNC support towards certain

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15 Int’l Labor Org. [ILO], Declaration on Fundamental Principles and Rights at Work, art. 3 (June, 1998) (emphasis and citation added).
causes. The UN directly links types of economic support with TNCs and tries to channel that strong connection, suggesting an acknowledged idea of the impossibility of separating economic support and attached legislative strings.

The most recent initiative to hold TNCs to an international code of conduct was the United Nations Global Compact. Created in 1999, the Global Compact draws its principles from the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. The Compact calls upon “companies to embrace, support and enact, within their sphere of influence, a set of core values in [furthering the mission of the United Nations].” The UN calls upon TNCs in this document to use their economic influence to promote UN goals.

A primary mechanism in which TNCs exert “economic influence” on international bodies such as the UN and national governments is lobbying. One UN Global Compact document defines lobbying as “trying to influence the thinking of legislators or other public officials for or against a specific cause.” This influence is often achieved through providing economic incentives and giving political support. The Global Compact document goes on to explain that although lobbying has always existed in every political arena and can be an appropriate channel by which a legislator and constituent can communicate, the history of lobbying has frequently caused

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17 Although thousands of large companies have signed on to the Global Compact, the Compact has also drawn significant criticism from those who say that the lack of accountability makes the Compact nothing more than a tool for companies to create a good public image. See Oliver F. Williams, The UN Global Compact: The Challenge and the Promise, 14 BUS. ETHICS Q. 755, 757 (2004).

harmful effects on international law. As mentioned earlier, the incorporation of TNCs within international law lacks accountability. Furthermore, TNCs have been known to lobby for legislation that furthers their own interests but has negative effects on other arenas of law such as human rights, which will be examined in section three.

The UN has repeatedly recognized and endeavored to direct TNC influence in international law. These attempts imply a problem needing regulation, a problem of overextended clout by TNCs specifically through lobbying. Beyond such implications, regulation of TNCs’ influence has been addressed as “much needed” in many counsels within the UN.¹⁹

The need for regulation stems from the recognized opposite interests between the UN and TNCs. This conflict is recognized in the Paris Principles: TNCs are allowed to offer assistance when it “supports [the intended] efforts [of the ILO].” ²⁰ Otherwise, their influence is prohibited. Also, the UN charter illegalizes support of activities by TNCs contrary to its mission. The UN’s interests are specifically protected from TNC influence because of the probability of TNCs’ interests being at odds with the UN.

By allowing TNCs large economic influences through lobbying within the UN, states can progressively lose governing power, lessening the governance granted to the UN. Political incorporation is an inevitable side effect of integration in economic sectors.²¹ By allowing TNC influence through economic means, TNCs gain political power. As this clout grows, a transfer in allegiances becomes more probable.²² The institutions will then sponsor further economic integration in search of greater autonomy, and as these TNCs be-

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²¹ See Ben Rosamond, THEORIES OF EUROPEAN INTEGRATION 68-73 (Palgrave 2000).

come more autonomous and powerful, the state can lose its domestic allegiance. By taking power away from the state, the UN loses its governing power, thus the conflict of interest between TNCs and the UN. As TNCs seek to maximize their power, they simultaneously cause a deflation in UN power. Other opposite interests recognized by the UN include human rights, which will be examined in the next section.

III. TNC LOBBYING AND HUMAN RIGHTS

The negative influence that may result because of TNC lobbying is especially concerning when it crosses into the realm of international human rights. According to the International Bill of Rights and other human rights treaties, international human rights:

[I]includes civil, cultural, economic, political and social rights, as set forth in the International Bill of Human Rights and other human rights treaties, as well as the right to development and rights recognized by international humanitarian law, international refugee law, international labour law, and other relevant instruments adopted within the United Nations system.23

The human rights that are most pertinent to TNCs are: 1) The right to peaceful assembly and association; 2) The right to work; 3) The right to equal pay for equal work; 4) The right to rest and leisure; 5) The right to a standard of living adequate for health and well-being. Member states of the UN agree to “reaffirm the faith in fundamental human rights” and to not infringe upon the enjoyment of these rights.24

The UN takes notice of the possibility of TNCs influencing the enjoyment of human rights through a number of attempts to guide TNC actions. In addition to the UN Global Compact that lays the

foundation for the role of TNCs within international law and human rights, an early example was the International Labor Organization’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.25 This set of guidelines, adopted in 1977 and last updated in 2006, focuses on workers’ rights and labor conditions. OECD has also issued a Guideline for Multinational Enterprises, another voluntary code of high business standards especially pertaining to human rights, which has been updated multiple times since its original creation in 1976. These agreements promoted by the UN underscore that the United Nations acknowledges TNCs as international players in human rights.26

When looking at other UN documentation, an expressed concern arises by the UN for the possible negative influence TNCs can have on human rights. One expression of this concern is found in the United Nations’ Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights (hereafter “NORMS”).27 The NORMS, drafted in 2003,


was an attempt by the UN Sub-Commission on the Promotion and Protection of Human Rights to call for greater adherence to human rights protection and also to further restrict TNC involvement in the enjoyment of human rights.\textsuperscript{28} The Norms document sets forth general obligations for TNC conduct – including the adherence to principles such as right to equal opportunity, security, rights of workers, respect for national sovereignty and human rights, consumer protection, and environmental protection.\textsuperscript{29} Also, in the Preamble, the UN acknowledges TNCs’ “capacity to cause harmful impacts on the human rights . . . ,” recognizing that TNCs have a strong capability to negatively affect the enjoyment of human rights.

TNCs’ international clout is acknowledged in the NORMS act as being influential particularly in the legislation of human rights, specifying TNC impact past just the enjoyment of human rights. After outlining the possible negative influence of human rights in the preamble, the body of the document seeks to ban TNC actions that can lead to negative impacts on human rights legislation:

Transnational corporations and other business enterprises shall not offer, promise, give, accept, condone, knowingly benefit from, or demand a bribe or other improper advantage, nor shall they be solicited or expected to give a bribe or other improper advantage to any Government, public official, candidate for elective post, any member of the armed forces or security forces, or any other individual or organization. \textit{Transnational corporations and other business enterprises shall refrain from any activity which supports, solicits, or encourages States or any other entities to abuse human rights.} They shall further seek to ensure that the goods and services they provide will not be used to abuse human rights.\textsuperscript{30}


\textsuperscript{29} See U.N., supra note 23 (emphasis added).

\textsuperscript{30} See U.N., supra note 23, at para. 11; See also Int’l Labor Org., supra note 15, at 48 (emphasis added).
The UN outlines the possible problems with explicit detail repeatedly within the document, suggesting an acknowledgement of probable impedance on human rights by TNCs.

The limits the UN places on TNCs suggests that the UN recognizes the potential TNCs have to adversely affect human rights. One of the UN’s primary objectives is to protect human rights from harmful impacts. Most UN dealings, especially declarations, base themselves on the primary concerns of the UN as expressed in the UN charter, which are to promote peace between nations and further the enjoyment of human rights.\(^{31}\) With these goals in mind, TNCs’ possible impacts are addressed several times when dealing with human rights as shown previously. Furthermore, because the UN repeatedly recognizes the possibility of a negative influence by TNCs on the enjoyment of human rights, there seems to be reason to speculate that TNCs at times do harm human rights under international law.

The intent of TNCs often plays a role in why the UN tries to restrict TNC influence on human rights law. Referenced previously, the UN restricts activities by TNCs if they do not “support [the intended] efforts [of the ILO],”\(^{32}\) and wording such as “intended,” “interests,” and “expected” are used when addressing TNC influence capabilities.\(^{33}\) Drawn from the restrictions placed on TNC’s intent is that TNCs often have interests that are opposite from international human rights, thus in need of regulation.

A few key points considered by the UN to be manifestations of the interests of TNCs are TNCs’ history and their innate drive

\(^{31}\) See U.N. Charter, supra note 11.


\(^{33}\) See U.N., supra note 23; see also Int’l Labor Org., supra note 15.
The history of TNCs shows that their interests can be at odds with human rights. Many of the largest TNCs, including Nike and The Gap, have been accused of violating workers’ rights by paying inadequate wages, requiring unreasonable overtime, and providing unsafe working conditions. Also, there is evidence of the involvement of TNCs in suppressing trade unions, denying workers the right to assemble. For instance, Coca-Cola in Colombia and Philips-Van Heusen in Guatemala have been associated with systematic intimidation, torture, kidnapping, and murder of trade-unionist employees. Furthermore, TNCs in the extractive industries have caused environmental disasters, threatening the right to adequate food and the right to an adequate standard of living. Both Royal


35 As previously mentioned, TNCs are under the jurisdiction of states and not the UN. “States have the primary responsibility to promote, secure the fulfillment of, respect, ensure respect for and protect human rights recognized in international as well as national law, including ensuring that transnational corporations and other business enterprises respect human rights”). See U.N., supra note 23 (Because human rights is an arena of law almost exclusive to the UN, an organization that cannot regulate domestic affairs unless threatening of a collective security, TNCs are left to be practically unregulated when dealing with human rights).


Dutch/Shell’s oil production in Nigeria and BHP Billiton’s copper mining in Papua New Guinea have seriously damaged the environment and the livelihood of the community which both depend on fishing and farming. The history of TNCs can provide insight to their intentions. The drive for capital often overshadows the protection of human rights.

The past conduct of TNCs does not necessarily condemn TNC influence on human rights; however, by recognizing the economic principle that both motivates the expansion of TNCs and inhibits the propagation of human rights, a more definitive picture emerges as to why lobbying should be banned. Transnational corporations seek to maximize returns either by reducing costs or increasing profit. In an economically unadvanced country, a TNC is often monopsonistic or quasi-monopsonistic, meaning it sets its own wages by adjusting the amount of people allowed to work. In monopsonists, the supply and demand principles are reversed; there are more people competing to work at the company than are needed. The logical choice is to reduce costs in order to maximize returns. Thus, the company can lower wages and worsen working conditions while still receiving enough laborers. The beneficiary is the firm, able to reduce cost of labor and production, gaining a larger profit. The citizens, however, suffer worse working conditions.

Lowered wages and unhealthy working conditions infringe on the “natural born rights” to work, leisure, and adequate working conditions, and large TNCs have an interest in extorting workers, suppressing human rights. As previously mentioned, their history reflects that interest. Intuitively, an entity whose interests are opposed to human rights should not be able to influence the enjoyment of those rights. By doing so, an apparent bias would arise and the most likely impact would be negative, not positive. Unfortunately, lobbying is prominent within the UN, and the majority comes from large TNCs.

It is undeniable that the landscape of international law is changing; non-nation-state actors such as TNCs have real and substantial impacts on the global economy and thus, on international jurisprudence. However, conflict of interest and motivation make such non-state entities unsuited to directly influence and create international
law. This is particularly true in the context of UN legislation that is completely reserved for UN member states.

While the UN has allowed for limited influence by TNCs through lobbying, allowing such lobbying without the possibility of serious negative impact on human rights is impossible. Thus, a complete ban on TNC lobbying in the UN is both appropriate and justified. This, of course, will not limit all TNC influence on international jurisprudence, as TNCs’ economic clout and influence in domestic politics is still robust, but such actions will allow for more protection and power associated with global human rights.