

## It Takes Three to Tango: Multinational Corporations and Their Role in Resolving Violent Conflict and Extensive Human Rights Abuses in Weak States

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It is a dark, almost stiflingly humid night in downtown Buenos Aires, and the tango clubs are full of sweeping dresses, the sound of mournful accordions, and daring moves. One two three four, one two three four; two dancers, chest-to-chest, move as one across the dance floor. Eye contact, fast feet, communicating through touch, the two dancers lean in to one another. The music begins to pick up, and another dancer storms from the shadows to take the dance floor. Muscling its way into what was once a duo; this tango becomes a power struggle between three different individuals.

With global governance setting the tempo, the dance between economics, Multinational Corporations (MNCs) and governments is much the same. If one is to fail, so will the other; without a stable political environment to prevent market failures as well as attract and regulate investment, there can be neither lasting economic growth nor meaningful, sustainable development. The rise of globalisation has resulted in the rise of the non-state actor, and MNCs in particular; and thus, with the addition of this extra partner, the dance has become a little more complicated. Globalisation has caused the rapid and, at times, destructive creation of linkages between previously far-flung states and peoples, fundamentally altering the dynamics of the international stage and the concept of sovereignty itself. For example, the annual profits generated by some major multinational corporations now outstrip the GDP of small countries<sup>1</sup>, while the infamous New York based bond rating agency Poor's and Moody's affects the policy of governments anxious

to attract investment. Development funding from private investment capital also outstrips that of bi- and multilateral aid from government and Intergovernmental Organizations (IGOs).<sup>2</sup> Whereas the globalisation debate once focused on trade flows and economic issues, it has now shifted to the political side of globalisation, as the impacts of international investment on institutions in the developing world become progressively more apparent.<sup>3</sup> For better or for worse, MNCs are playing an increasing role in breaking the previously sacrosanct tripartite relationship of state, territory and authority as they begin to directly influence the course of civil wars. If the international community is to address peace and security issues effectively in the twenty first century, it must recognise the risks and take advantage of the new opportunities this major non-state actor offers in violent conflict zones or in states suffering from abusive regimes<sup>4</sup>. The business of war often conjures images of giant fighter jets, small arms manufacturers, and even hired mercenaries such as those of the controversial Blackwater firm; global military spending, in fact, surpassed the one trillion dollar mark in 2006. While some companies directly sustain civil wars through the production of physical goods such as tanks, antipersonnel mines and the like, other MNCs, especially those in the extractive industry, can play an equal or even greater role in the provocation of violent conflict.<sup>5</sup> Failing or weak states have had a difficult time adjusting to the open market policies demanded by increasing globalisation, leaving some unable to provide vital public goods. This makes them particularly vulnerable to competition and

<sup>2</sup> Karen Mingst and Margaret Karns. *International Organizations: The Politics and Processes of Global Governance*. (Boulder, CO: Lynne Rienner, 2004.)

<sup>3</sup> Prakash S. Sethi. *Setting Global Standards: Guidelines for Creating Codes of Conduct in Multinational Corporations*. (Hoboken, NJ: Wiley and Sons, Inc., 2003.)

<sup>4</sup> In this essay I have declined to provide a definition of "violent conflict" or "widespread human rights abuses" as I was not satisfied with the ones found in the literature and felt that I lacked the expertise to create definitions that were comprehensive enough. Instead, I have chosen situations for my case studies where there have been so many deaths and/or human rights abuses extensively documented by a number of respected NGOs that they would fit the vast majority of definitions of "violent conflict" or "widespread human rights abuses" already in the literature.

<sup>5</sup> United Nations. "Role of business in armed conflict can be crucial - 'for good and for ill', Secretary-General tells Security Council open debate on issue." 15 April 2004.

<http://www.un.org/News/Press/docs/2004/sgsm9256.doc.htm>

<sup>1</sup> For example, the sales generated by General Motors and Ford outstrip the combined GDP of Sub Saharan Africa. Abdulah quoting Virginia Haufier. "Consolidation of the GC Policy Dialogue on the Role of the Private Sector in Zones of Conflict: Expert Workshop #2 Identifying Public Policy Options to Promote Conflict-Sensitize Business Practises." United Nations. 13 Dec 2004. [http://www.unglobalcompact.org/issues/conflict\\_prevention/meetings\\_and\\_workshops/expert\\_workshop\\_2\\_NY2004/ReportWkshop2.pdf](http://www.unglobalcompact.org/issues/conflict_prevention/meetings_and_workshops/expert_workshop_2_NY2004/ReportWkshop2.pdf)

exploitation by MNCs. These corporations, along with global financial markets and transnational policy networks, can provide such critical public goods, an important source of cash for the local population, as well as a modicum of governance.<sup>6</sup> While Foreign Direct Investment (FDI) has been shown to have a definite positive effect in some developing states through the injection of badly needed capital, new technology, organizational skills, and the creation of more competitive business environment, the success stories of FDI have all relied upon strong and healthy political and institutional frameworks.<sup>7</sup> FDI has also been shown to exacerbate the gap between the rich and the poor, with the World Bank reporting a ten-fold increase in income disparity over the last thirty years.<sup>8</sup> The confluence of weak or corrupt governments and the potential revenues generated by MNCs thus has the potential to create a volatile situation.

The economies of many poor, unstable countries such as Angola, Sudan, Burma, and Azerbaijan are mainly oriented towards extractive industries; this is no coincidence.<sup>9</sup> Recent studies have shown convincing links between the level and structure of income of a state, the degree of development of critical political institutions, and the reliance of economies upon the extraction of natural resources and the incidence of civil strife.<sup>10</sup> Instances of civil conflict have also been steadily rising since the end of the Cold War, especially in Africa.<sup>11</sup> While other foreign investors might shy away from such unstable areas, extractive industries must follow the natural resources (such as oil, diamonds, narcotics, and coltan), wherever they may be found.<sup>12</sup> The fluid mobility of capital as well

as ease of communication and transport means that, for MNCs, this task has become increasingly easy; conversely, the very forces of globalisation and development which have facilitated this mobility also make it increasingly risky. In order to fill the ever rising global demand for natural resources, MNCs are driven to find new reserves. As more and more reserves are tapped, MNCs are left with an increasingly slim selection of new areas to survey, forcing them to operate in otherwise questionable zones. While on the international scale these commodities only count as a tiny fraction of global trade flows, the effects on a state's people, as well as on a state's stability, can be enormous.<sup>13</sup> Through payments to corrupt governments in the forms of taxes, royalties, and bribes; the misuse or inadequacy of security forces to protect the local population from human rights abuses; illicit trafficking; poor labour practices; limited transparency; and mismanaged resettlement of people dislocated by developments, MNCs may blatantly or inadvertently stoke civil wars and lend implicit support to abusive regimes.<sup>14</sup> Some MNCs may even begin to find it is in their interest to continue to provoke conflicts in

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their areas of operation, as seen with the dearth of front companies for rebel groups and corrupt officials mining coltan in the Democratic

Republic of the Congo. These companies actively encourage the ongoing unrest which has plagued the country's richest mining area for years in order to keep prying eyes away from their illicit operations.<sup>15</sup>

Many of these problems can be seen in the Angolan interpretation of the tango, in which economic regulations have been relegated to the shadows while MNCs and Angola's corrupt authorities are

<sup>6</sup> Karen Mingst and Margaret Karns.

<sup>7</sup> Prakash S. Sethi., OECD. Directorate for Financial and Enterprise Affairs. "Working Paper on International Investment Number 2002/1: Multinational Enterprises in Situations of Violent Conflict and Widespread Human Rights Abuses." May 2002.

<http://www.oecd.org/dataoecd/46/31/2757771.pdf>

<sup>8</sup> Prakash S. Sethi.

<sup>9</sup> OECD. 2002.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Jill Shankleman. *Oil, profits, and peace : does business have a role in peacemaking?* (Washington, DC : United States Institute of Peace, 2006.)

<sup>13</sup> OECD. 2002.

<sup>14</sup> Ibid.

<sup>15</sup> United Nations. Security Council. "Final report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo." New York: United Nations, 2002. <http://www.natural-resources.org/minerals/CD/docs/other/N0262179.pdf>

locked in an increasingly tense dance that sways to a music all its own. Angola emerged in 2002 from a twenty seven year long independence struggle that went horribly awry. Armed groups opposing Portuguese rule began forming in 1960, and when the Portuguese revolution in 1974 led to the snap decision to declare Angola an independent state, there were three distinct military groups<sup>16</sup> opposed not only to the Portuguese but also to each other.<sup>17</sup> Despite several power sharing deals, democratic elections, and international peacekeeping missions, the MPLA and UNITA continued their bloody struggle for control while the FLNA was sent into exile. An estimated 750 000 people died from conflict-related causes while an additional four million were displaced and 440 000 became refugees.<sup>18</sup>

Angola also commands impressive offshore reserves of oil, currently drawing in four of the world's five biggest oil companies (including Chevron Texaco with the biggest stake, followed by ExxonMobil) in addition to a number of government owned enterprises from China, Brazil, Norway, Portugal, Malaysia, and independent companies despite continuing instability and corruption in the country.<sup>19</sup> Oil now counts for nearly half of Angola's GDP and 90 percent of government revenues and export earnings.<sup>20</sup> In Angola, however, it is not only illegal for oil and gas companies to

disclose they payments to the government, but they are also obligated to enter in to a joint partner venture with the state in domestic oil and gas development.<sup>21</sup> These laws only serve to further obfuscate fiscal flows and allow the political elite to "privatize" funds with impunity.<sup>22</sup> Keeping track of the impressive financial flows stemming from the oil reserves is made all the more difficult by the fact that the central government still has shaky control over UNITA areas.<sup>23</sup> The MPLA controlled Angolan government makes up for it, however, by forcing oil companies to do business with firms that have links to the political elite.<sup>24</sup> Very little of the revenues generated by spin-offs from the oil industry makes it to the rest of the population.<sup>25</sup> The Angolan government has also laundered an exuberant amount of money through European banks; in 2000, authorities in Switzerland confirmed that banks had reported receiving the equivalent of about US\$ 480 million from Nigeria's former president General Abacha and his entourage.<sup>26</sup> Fiscal analysts have found an additional US \$500 million to US \$1.4 billion unaccounted for from the Angolan treasury; to put this into context, Angola's GDP was only US \$5.9 billion in 1999.<sup>27</sup> Further investigation revealed that when the Cold War powers decided to stop funding Angola's military, oil revenues took over to directly "finance the government's military operations".<sup>28</sup> A World Bank official for Angola explains the severity of the situation:

"Successive IMF/WB missions during the last few years worked with data supplied by the authorities and found large unexplained outlays equivalent to between one third and one-half of total reported fiscal

<sup>16</sup> The three groups were the National Liberation Front of Angola (FLNA), the National Union for the Total Independence of Angola (UNITA) and the People's Movement for the Liberation of Angola (MPLA)

<sup>17</sup> Jill Shinkleman.

<sup>18</sup> While a peace agreement was signed between the MPLA government and rebel group UNITA shortly after the death of UNITA leader Jonas Savimbi in February 2002, violence continues to simmer in the oil-rich Cabinda province. Jose Eduardo dos Santos of the MPLA, who has lead Angola since 1979, won in the September 2008 parliamentary elections (the first polls to be held in sixteen years). Presidential elections have been slated for the first time in nineteen years in 2009. While oil exports and foreign loans have sparked a reconstruction boom, most Angolans continue to live on less than US \$1 a day.

Ibid., "Angola's big boost." *BBC* 22 Feb 2009.

<http://news.bbc.co.uk/sport2/hi/football/africa/7899839.stm>.

<sup>19</sup> China has also promised significant aid and oil-backed loans to Angola, who is its second largest supplier of oil after Saudi Arabia. Ibid Sources.

<sup>20</sup> Angola is Africa's third largest oil producer with proven reserves of 9 billion barrels in 2008. The country was expected to produce about 2 million barrels per day in 2008 and became a member of Organization of Petroleum Exporting Countries (OPEC) on January 1, 2007 (EIA 2008).

<sup>21</sup> OECD. 2002.

<sup>22</sup> Ibid.

<sup>23</sup> Jill Shinkleman.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> OECD. 2002.

<sup>27</sup> Ibid.

<sup>28</sup> The Soviet Union and Cuba backed the MPLA, while South Africa, the United States, and briefly China supported the FLNA and UNITA. The estimated \$800 million of Soviet Union aid for MPLA's military activities lines up suspiciously with the \$900 million earned from signature bonuses from companies to use the offshore oilfields. Benjamin Petrini. "The Role of Diamonds in the Angolan Civil War." *Devex*. 28 August 2008. <http://www.devex.com/articles/the-role-of-diamonds-in-the-angolan-civil-war>, Jill Shinkleman.

revenues...These calculations are solely derived from government data. The information on current payments made by oil companies is still scant, since some companies claim confidentiality clauses and no framework has been established for an ongoing reporting of oil-related payments".<sup>29</sup>

The Burmese version of the tango is very much like the Angolan interpretation; the uneasy balance between MNCs, the state, and international economic institutions can be seen in the Yadana pipeline project, which serves to highlight how MNCs can not only finance abusive regimes but also directly support egregious human rights abuses against local communities. Despite ratifying the ILO's convention on forced labour in 1955, the ILO has been calling on the Burmese government to halt its widespread use of forced labour since the early 1960's; numerous NGOs and the UN have documented further human rights abuses (including rape, forced resettlement, and torture) of the military junta against the Burmese people for decades.<sup>30</sup> In 2005, Chevron entered into a joint venture project with the Burmese authorities<sup>31</sup>, Total, and Thai-based company PTT Exploration and Production Public Company Limited (PTTEP) when it took on the Yadana Pipeline Project.<sup>32</sup> The Yadana project represents "the single largest foreign investment project in Burma and the single largest source of income for the Burmese military," as it links offshore gas reserves in remote south-eastern Burma to a refining facility in Thailand.<sup>33</sup> In order to protect its investments, Chevron was obliged to hire security forces; here, the Burmese military. Observers have noted that incidences of human rights abuses (including extrajudicial killings, torture, rape, and extortion) by hired security forces in the area of the pipeline have increased since the 1990s, as has forced labour and the relocation of entire communities to not only clear the way for the

pipeline but also to provide additional sources of forced labourers.<sup>34</sup> The project participants deny any wrongdoing, claiming full knowledge of army activities (which they say were peaceful) and that village relocations were simply in furtherance of the pipeline.<sup>35</sup> Similar incidents have occurred in oil and gas developments in Colombia, Congo-Brazzaville, Indonesia, Nigeria and Sudan.<sup>36</sup> As the local becomes global, multinational corporations directly connect the forces of the world market to civil conflicts and abusive regimes. This becomes a central issue for global governance.

A critical prerequisite for any good tango is good music; and thus far, the band has been almost as uncoordinated as the dancers. In a concerted effort to confront MNCs who provoke violent conflicts and support abusive regimes, a new era of collaboration between major IGOs (such as the UN), NGOs, the private sector, governments, and trade unions has begun. This evolution of multi-stakeholder initiatives is a relatively recent phenomenon, developing only within the past decade; they are an innovative attempt at overcoming age-old tensions in order to tackle some of the most complex and wide-reaching issues of the twenty first century.<sup>37</sup> Inspired by motives as diverse as the self-interest of firms who see unstable civil wars as an impediment to profitable business, moral outrage against mass killings and human rights abuses, and concerns over collective security threats, various ad hoc formal and informal guidelines have been created to address the issue of the political economy of violent conflict.<sup>38</sup> A brief examination of the literature reveals a few leading policy documents which attempt to address the link between security, development, and the behaviour of MNCs in instances of violent conflict: the UN's Global Compact, the Sullivan Principles, various International Monetary Fund (IMF), Group of Eight (G8), World Trade Organization (WTO), International Labour Organization (ILO) and World

<sup>29</sup> "Angola's big boost." *BBC 2*

<sup>30</sup> OECD. 2002.

<sup>31</sup> Just as in Angola, it is compulsory in Burma to enter into a joint venture with the state when engaging in domestic gas and oil development; it is also prohibited to disclose payments made to the government by oil and gas companies.

<sup>32</sup> "Chevron and the Yadana Pipeline." EarthRights International. 2008.

<sup>33</sup> [http://www.earthrights.org/campaignfeature/yadana\\_pipeline.html](http://www.earthrights.org/campaignfeature/yadana_pipeline.html)

<sup>34</sup> Ibid. OECD. 2002.

<sup>34</sup> "Chevron and the Yadana Pipeline." EarthRights International.

<sup>35</sup> OECD. 2002.

<sup>36</sup> Ibid.

<sup>37</sup> Virginia Haufler, ed. "Case Studies of Multistakeholder Partnership: Policy Dialogue on Business on Zones of Conflict." UN Global Compact. April 2002. 21.

[http://www.unglobalcompact.org/docs/issues\\_doc/7.2.1/MultistakeholderInitiativeinZonesofConflict.pdf](http://www.unglobalcompact.org/docs/issues_doc/7.2.1/MultistakeholderInitiativeinZonesofConflict.pdf)

<sup>38</sup> Virginia Haufler. 2004.

Bank regulations, the Extractive Industries Transparency Initiative, and the US UK Voluntary Principles on Security and Human rights all focus on corporations' roles in the fight against corruption, money laundering, human rights abuses and forced labour. The UN's Global Compact in particular has taken a different tack from traditional sanctions and confrontations to a more dialogue based, flexible set of guidelines meant to facilitate learning through experience and the sharing of best practices.<sup>39</sup>

The Organization for Economic Cooperation and Development (OECD), however, seems to have the most exhaustive and effectively backed framework to explicitly address the unique role of MNCs operating in violent conflict situations through its Guidelines for Multinational Enterprises. Adopted by the 30 member states of the OECD, these guidelines serve as a corporate responsibility instrument by stating principles, standards and obligations by which corporations are to abide. All of these voluntary principles aim to build upon the positive role FDI can play in areas of weak governance and pre, during, and post violent conflict. Through job creation, the importation of new skills, and sound investment, MNCs can play a pivotal role in poverty alleviation and the encouragement of the "structural stability" of the host community and state. Given this important role in infrastructure development, MNCs are potential players in conflict prevention.<sup>40</sup> For example, a Security Council mission to Afghanistan in 2003 found that combatants were more willing to lay down their arms if they were provided with an

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opportunity to earn their livelihoods.<sup>41</sup> The jobs created by MNCs are not always for the local populace, however, and they often import their labour; indicative of this is the construction of soccer stadiums in Angola for the 2010 African Nations Cup. Out of the roughly 900 workers involved in the project, the vast majority are Chinese nationals.<sup>42</sup> Although Beijing insists that its \$12 billion dollars worth of loans to Angola are free of riders, seventy per cent of tenders for public works taken out in Angola must use Chinese firms.<sup>43</sup>

During conflicts the modicum of normalcy which responsible MNCs provide can save lives, however; some companies have even played a pivotal diplomatic role in bringing conflicting factions to the negotiating table or influencing governments on sensitive topics.<sup>44</sup> Post-conflict, MNCs can support peacebuilding initiatives through aiding in economic reconstruction, such as through trust funds financed by oil revenues to fuel future social infrastructure in Chad.<sup>45</sup> By recognizing the risks inherent in operating in violent conflict zones and their own limits to economic peacebuilding, MNCs can respond in a constructive manner that allows

them to play a positive role in all stages of conflict.<sup>46</sup> Whether this can be taken as solid evidence behind the rhetoric of the much-touted paradigm shift to the new "triple bottom line" of profitability, social and environmental responsibility is yet to be seen.<sup>47</sup>

Learning to dance the tango well, with all its complexities and subtleties, can be a tricky process, especially when there are three individuals trying to

<sup>39</sup> United Nations. "Private Sector Has Huge Responsibility, Potential Influence In Search For Peaceful Solutions To Conflict, Secretary-General Tells Bogotá Global Compact Meeting." 27 May 2004. <http://www.un.org/News/Press/docs/2004/sgsm9333.doc.htm>

<sup>40</sup> Peter Davis. "The role of companies in post-conflict reconstruction." Ethical Corporation Institute. Jan 2008. [http://www.ethicalcorp.com/resources/downloads/20082895715\\_EC%20-%20ECI%20-%20Companies%20in%20post-conflict%20reconstruction.pdf](http://www.ethicalcorp.com/resources/downloads/20082895715_EC%20-%20ECI%20-%20Companies%20in%20post-conflict%20reconstruction.pdf), OECD. "The DAC Guidelines: Helping Prevent Violent Conflict." 2001. <http://www.oecd.org/dataoecd/15/54/1886146.pdf>

<sup>41</sup> United Nations. "Security Council discusses role of business in conflict prevention, peacekeeping, post-conflict peace-building." 15 April 2004.

<http://www.un.org/News/Press/docs/2004/sc8058.doc.htm>.

<sup>42</sup> "Angola's big boost." BBC 2

<sup>43</sup> "Chinese reaching out to Angola." BBC 4 Dec 2007.

<http://news.bbc.co.uk/2/hi/africa/7047127.stm>.

<sup>44</sup> Premier Oil, for example, provided human rights training to Burmese officials in the army, police, energy ministry, labour, and immigration departments. Peter Davis., OECD. 2002.

<sup>45</sup> Ibid Sources.

<sup>46</sup> Ibid.

<sup>47</sup> OECD. 2001.

move as one. In Azerbaijan, MNCs, international economic institutions and the government are still wobbling through this learning process together; although it is evident their hard work is paying off. Despite grappling with a somewhat troubled democracy, serious issues with accountability and poverty, and a festering military conflict, Azerbaijan has served as a sterling example of the power of corporate social responsibility in reducing the conflict risks posed by natural resource revenues.<sup>48</sup> Azerbaijan was ranked 140 out of 145 countries in Transparency International's Corruption Perceptions Index in 2004 and is caught in an ongoing "frozen" conflict with Armenia over the geographically, culturally and economically significant area of Nagorno-Karabakh; with some impressive management and multi-stakeholder collaboration, however, the development of the country's oil reserves have actually served as an incentive for peace rather than another cash cow for the military.<sup>49</sup> With the MNC British Petroleum (now BP) as the operator of the \$4 billion Baku-Tbilisi Ceyhan (BTC) pipeline and oil rigs, a strong corporate social responsibility approach combined with effective cooperation between the government, oil companies, NGOs and multilateral organizations has helped Azerbaijan overcome the "curse of oil".<sup>50</sup> With the safeguard policies of the IMF and World Bank Group, and the encouragement of the oil companies themselves, finances from the oil field are being tracked. Oil companies are also able to use the threat of the halting of production to discourage conflict.<sup>51</sup> FDI and the promise of further investment have made peace the most attractive option. While these policies have been effective thus far, only time will tell if they will continue to hold true into the future.

One partner leans in right, the other spins out left, while the third decides they feel like doing a lift. Without a steady tempo and some common, agreed-upon moves, the tango stands no chance to work among two, much less three different actors.

<sup>48</sup> Jill Shinkleman.

<sup>49</sup> Ibid.

<sup>50</sup> Also known as 'Dutch disease' or the 'paradox of plenty', it is the phenomenon whereby countries rich in natural resources experience a decline in growth rather than an increase.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

Similarly, despite a seemingly widespread consensus that something needs to be done to regulate the actions of MNCs operating in weak governance areas or zones of conflict, there is equally shared disagreement on how to address the problem or even on what behaviour can be deemed "unacceptable".<sup>52</sup> Although there is a growing endorsement of corporate behaviour guidelines (as seen in the success of the Kimberley Process in the diamond industry, the recent overwhelmingly positive vote at the UN in favour of an Arms Trade Treaty, and the signing of a treaty to ban the production of cluster bombs by 110 countries), the UN, World Bank and other NGOs attempting to address the role of MNCs in violent conflict have yet to pass the stage of "norm entrepreneurs".<sup>53</sup> With such diverse opinions and policy documents, developing effective monitoring mechanisms and a framework to deal with unacceptable behaviour has been extremely challenging. For example, a UN sub-commission recently attempted to draft a document setting out universal legal norms and responsibilities for transnational corporations<sup>54</sup> but was met with strong resistance from the business community.<sup>55</sup> Many states, including Canada, have been very slow to take a strong stand on the overseas behaviour of their corporate citizens as they are anxious to respect the sovereignty of other countries and provide a legislative environment which is friendly to investment.<sup>56</sup> Canada has argued that it has no place in regulating the behaviour of its corporate citizens overseas because the government's first priority is to respect the laws of the host country.<sup>57</sup>

<sup>52</sup> Karen Ballentine. "The Role of the Private Sector in Conflict Prevention: Progress, Prospects, and Challenges." UN Global Compact. May 2004.

[http://www.unglobalcompact.org/docs/issues\\_doc/7.2.5/keynoteballentine.pdf](http://www.unglobalcompact.org/docs/issues_doc/7.2.5/keynoteballentine.pdf).

<sup>53</sup> Peter Davis, "Control Arms." Amnesty International, UK. 5 Nov 2008. <http://www.amnesty.org.uk/content.asp?CategoryID=10079>.

<sup>54</sup> This document was called: *Norms on the Responsibilities of Transnational Corporations*.

<sup>55</sup> Karen Ballentine.

<sup>56</sup> Canada also acts as a major hub for raising capital, playing host to sixty per cent of the world's exploration and mining companies. Jim Freedman. "International Remedies for Resource-Based Conflict." *International Journal*. 62.1 Winter 2006/2007. 108-119., Canada. The Department of Foreign Affairs and International Trade. "National Roundtables on Corporate Social Responsibility (CSR) and the Canadian Extractive Industry in Developing Countries: Advisory Group Report." 29 March, 2007. <http://geo.international.gc.ca/cip-pic/library/Advisory%20Group%20Report%20-%20March%202007.pdf>

<sup>57</sup> Ibid.

This is a false argument, as such international agreements are meant to fill the legislative vacuum left by countries struggling to deal with internal conflict and prevent abusive regimes from stealing public funds.<sup>58</sup> Even MNCs which have been taken to task with the OECD Guidelines due to unethical business practices have loudly protested the charges laid against them or claimed ignorance of the Guidelines, frantically lobbying their own governments and the UN Security Council to discredit the allegations.<sup>59</sup> In the case of questionable mining practices in the Democratic Republic of the Congo, many OECD signatory governments gave in to this exact pressure and declined to investigate the charges leveled at MNCs based within their borders.<sup>60</sup> Setting an explicit global agenda may be the best hope to force MNCs to change their business practices however, as many corporations are afraid of taking independent action to address corruption and other illegal activities that give them a competitive advantage in weak states.<sup>61</sup> Further government regulation could also damage the reputation and socio-political legitimacy of many MNCs, and place fetters on the free flow of goods and services upon which they have built their legacies.<sup>62</sup>

Critics have accused the UN of "selling out" and tarnishing its reputation by allying with the private sector even as the now intimate role of MNCs in civil wars has raised the question of the privatization of peace and conflict.<sup>63</sup> Concerns have been raised over the efficacy of voluntary agreements, as some corporations free ride off of the good publicity afforded by signing on without inheriting an equal obligation to follow through; this is a difficult worry to address as global governance, by definition, lacks the recourse of police or other analogous forces to support agreements, relying instead on shared norms and expectations.<sup>64</sup> The tension between

obligatory and self-imposed norms of behaviour has led to a debate about the role of enforceable, rigid, and transparent global frameworks versus voluntary and flexible self regulation in setting the bar for MNC behaviour (especially in areas of weak governance). The latter may make more sense as MNCs are starting to behave as their own independent mini states in their overseas operations by building schools and hospitals, providing employment and security, dealing with human rights abuses in their areas of operation, and acting as a source of taxes to state authorities.<sup>65</sup> Many CEOs worry that the public will now expect them to "fix the world", only contributing to the widening gap between societal expectations and corporate performance.<sup>66</sup> While it may not be fair to expect MNCs to mediate conflicts at the level which they have been in the past, "...in dire situations, there may be no other actor able to intervene effectively".<sup>67</sup> Another ideological tension exists between the Neomercantilist tendencies that drive many MNCs to seek ever greater profits and the cooperation demanded of them in finding solutions to the problems which plague their volatile areas of operation.<sup>68</sup> Even when operating with the best intentions, however, the involvement of MNCs in conflict zones is never neutral.<sup>69</sup> For example, US \$4.5 million of Chad's "future generations" trust fund designed to finance social development from the profits generated by the oil industry was used to buy arms instead.<sup>70</sup> Chadian President Derby later defended his purchase, claiming, "It is patently obvious that without security there can be no development".<sup>71</sup> Such disconnect between international expectations and domestic actions highlights the debate over the role of foreign states in the dictating resource use and the validity of such international economic interventions.

Despite the riot of voices feeding the debate over the appropriate role of MNCs in weak states, the importance of demographics seems to have been

<sup>58</sup> Jim Freedman.

<sup>59</sup> Ibid.

<sup>60</sup> "UN Panel of Experts: Illegal exploitation of natural resources in the DR Congo". Rights and Accountability in Development (RAID). April 2007. [http://www.raid-uk.org/work/un\\_panel.htm](http://www.raid-uk.org/work/un_panel.htm).

<sup>61</sup> Karen Ballentine.

<sup>62</sup> Prakash S. Sethi.

<sup>63</sup> Jean-Philippe Thérien and Vincent Pouliot. "The Global Compact: Shifting the Politics of International Development?" *Global Governance*, No. 12, 2006, pp. 55-75.

<sup>64</sup> Peter Davis., Karen Mingst and Margaret Karns.

<sup>65</sup> Virginia Haufler. *A public role for the private sector: industry self-regulation in a global economy*. (Washington, D.C.: Carnegie Endowment for International Peace, 2001.)

<sup>66</sup> OECD. 2002., Prakash S. Sethi.

<sup>67</sup> Peter Davis.

<sup>68</sup> Karen Ballentine.

<sup>69</sup> Ibid.

<sup>70</sup> OECD. 2002.

<sup>71</sup> Ibid.

overlooked. While many of the aforementioned guidelines for corporate behaviour in conflict situations mention in passing the specific concerns of youth in these conflicts, none seem to recognise the real potential of this age group. Of the 1.5 billion people between the ages of twelve and twenty four in the world, approximately 1.3 billion of them live in the developing world; this is the largest spike in youth in recorded history, leading some experts to christen the rise of the youth demographic as the “youth bulge”.<sup>72</sup> According to UN projections, the majority of these developing world youth will live in Asia, Africa and Latin America; Africa in particular, with its increasing incidences of civil war, is predicted to see its youth demographic continue to grow beyond 2050.<sup>73</sup> This trend must be taken into consideration in the creation of any meaningful multi-stakeholder initiatives and by any MNCs that plan to operate in conflict areas as youth are not only observers or victims but also combatants. While job creation mitigates this issue to a certain extent, youth must be actively engaged in the creation of peacebuilding policy and its implementation for multi-stakeholder initiatives to have lasting effects.

Similarly, action to engage and address the special concerns of rising mega economies such as India and China in the dialogue seems to have been limited at best; these two rising powers were only placed on the “enhanced engagement” list by the OECD in 2007 (India and China are not yet members), and many of the biggest MNCs to sign the UN Global Compact (including Nokia, Petro-Canada, Nike, Lufthansa, DuPont, Bayer, and Volkswagen among others) are from Europe or North America.<sup>74</sup> With China and India beginning to consume an ever increasing amount of natural resources, the importance of bringing these states’ MNCs onside only increases in urgency as they stand to become some of the most important battlegrounds in the fight for states to keep their corporate citizens accountable overseas.

The global governance mechanisms to address corporations which directly fuel conflict through the sale of arms and even machetes is also weak at best, as are the regulations to stem the flow of illegal arms sales. As seen by Angola’s extensive money laundering, the international guidelines to prevent global flows of investment (through pension funds, the investment policies of banks, etc) which feed unethical corporations have been thus far relatively ineffective. Also, despite the rhetoric that the key goals of the UN and global corporations are continuing to converge in terms of peace, development, and equity, there seems to be a definite lack of policy in the United Nations Department of Peacekeeping Operations (UNDPKO) to explicitly address and integrate the involvement of MNCs in UN peacekeeping or peacebuilding operations. Addressing this regulatory gap could serve to consolidate the ad hoc guidelines for MNC behaviour, and add legitimacy to MNCs already taking on critical peacebuilding roles in weak or failing states.

*“Quereme así, piantao, piantao, piantao... Abrite los amores que vamos a intentar la mágica locura total de revivir...”*

Infamous rebel and influential anarchist Emma Goldman once said, “If I can’t dance I don’t want to be part of your revolution.” Ironically, despite her anarchist leanings, she describes the revolution in global governance beautifully; with MNCs, governments and international economic institutions working together as one, the international community is better able to address the current realities of globalisation, corporate governance and civil conflicts. The ongoing debates over legitimacy and enforcement mechanisms are not a sign of failure, but rather of a healthy international community grappling with the contradictions of attempting to superimpose law and order in situations characterized by a distinct lack thereof. With time, as MNCs, governments, and international economic institutions learn to communicate, trust, and cooperate with one another, the three-way tango will become the work of ever changing art it has the potential to be.

<sup>72</sup> David Lam. “The Demography and Economics of the World’s Youth Bulge”. World Bank Institute. 2006.  
<http://www1.worldbank.org/devoutreach/june07/article.asp?id=408>

<sup>73</sup> Ibid.

<sup>74</sup> OECD. “About OECD.” 2008.  
[http://www.oecd.org/pages/0,3417,en\\_36734052\\_36734103\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/pages/0,3417,en_36734052_36734103_1_1_1_1_1,00.html), Karen Mingst and Margaret Karns.