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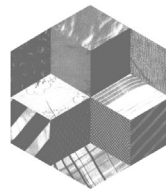
A Report of the
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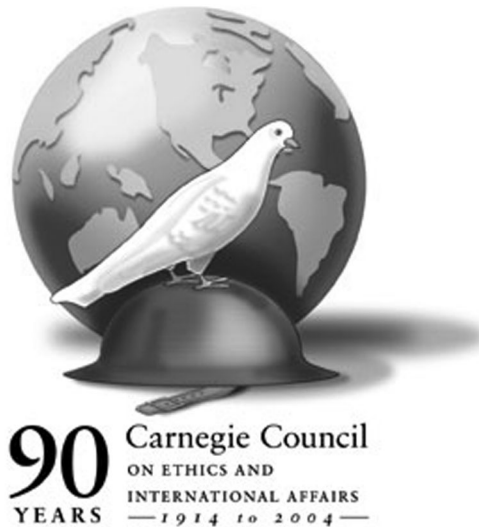
John Ruggie

Charles Kolb

Dara O'Rourke

Andrew Kuper
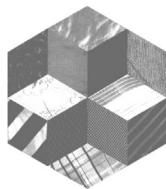
CENTER ON INTERNATIONAL COOPERATION

Carnegie Council
ON ETHICS AND
INTERNATIONAL AFFAIRS

The Carnegie Council on Ethics and International Affairs

The Carnegie Council on Ethics and International Affairs, established in 1914 by Andrew Carnegie, is an independent, nonpartisan, nonprofit organization dedicated to increasing understanding of the relationship between ethics and international affairs. For ninety years, the Carnegie Council's programs and publications have focused on the moral and ethical dimensions of politics among nations.

The Center on International Cooperation

The Center on International Cooperation, established at New York University in 1996, conducts policy research and international consultations to improve the effectiveness of multilateral cooperation. Consulting with officials from government and intergovernmental agencies, as well as corporate and civil society leaders, the Center seeks to build political consensus on essential multilateral activities and on the means to implement and sustain them.

For the background paper to this report, see:
Derk Segaar, "Corporate Power and Democratic Responsiveness:
The Impact of Corporations on Global Public Policy"
(Center on International Cooperation, 2004)
www.cic.nyu.edu/multilateralism13.html

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on Global Governance* (New York: Carnegie Council, 2004).

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FOREWORD

From the Carnegie Council on Ethics and International Affairs

When Andrew Carnegie founded the Carnegie Council in 1914, he envisioned new forms of cooperation as key to the promotion of human rights and the peaceful resolution of conflict. He wanted us to think further, harder, and more imaginatively about how to pursue an idealist agenda in international politics. He wanted us, at the same time, to recognize the constraints and opportunities of power politics. He believed that this synthesis of idealism and realism could be achieved by bringing diverse groups together.

Mr. Carnegie's views on corporate power and corporate social responsibility are a complex subject, worthy of their own report. His record was mixed, certainly. But he had an intuitive understanding of something closely akin to corporate social responsibility, believing that as a benefactor of the capitalist system he should give back to society. He also cared about the stakeholders that were part of this community. Indeed, this report would not have been possible without his commitment to promoting the causes of social cooperation and world peace.

For these reasons, we are especially pleased to present the first fruits of our collaboration with the Center on International Cooperation, an organization that shares these values and that mission. This report also would not have been possible without our featured contributors—John Ruggie, Charles Kolb, and Dara O'Rourke—each of whom is a bridge-builder between intellectual and practical communities.

The report was produced under the auspices of an innovative project of the Carnegie Council, the Empire and Democracy Project. Ably and energetically led by Andrew Kuper, the project has conducted original research, created valuable internet resources, and convened high-level panels in order to provide compelling multi-stakeholder alternatives to "empire," originating in whatever source.

During 2003–2004, the Empire and Democracy project produced two previous reports, both of which I strongly recommend: "Multilateral Strategies to Promote Democracy" (with Joseph Stiglitz and other leading thinkers) and "Promoting Democracy through International Law" (with Aryeh Neier and Richard Goldstone). The first explores alternative strategies for democracy-building in the wake of September 11, 2001, and the conflicts over the war and postwar efforts in Iraq. The second focuses on the role of international law in improving the prospects for democracy in this new and dangerous world.

Both previous reports pointed to the key role of economic actors and economic incentives in creating more equitable societies and a fairer global order. This third report closes the circle, by focusing on perhaps the pivotal economic actors—corporations—and their role in undermining (at times) and advancing (at other times) a new dispensation. We believe it is possible for corporations to do better, more of the time. We offer this report in that spirit of practical hope.

Joel Rosenthal
President
Carnegie Council on Ethics and International Affairs

From the Center on International Cooperation

The Center on International Cooperation at New York University is dedicated to one simple proposition: improving multilateral responses to global problems. We tend to focus on a key set of issues: international law and justice, humanitarian assistance, and a range of peace and security activities. In all these cases, we address three essential subject matters: first, the changing international environment for multilateral cooperation; second, new actors who are asserting themselves in the area of multilateral responses to global issues; and third, and importantly, the central role played by the United States as the quintessential global actor.

The project on New Dimensions of Multilateralism grew out of our concern with what was being characterized as "a crisis in the multilateral system." While there are some obvious institutional crises, we did not think there was a crisis in the system per se. What we saw, rather, was a great deal of dynamism—new actors, new forms of governance, a lot of experimentation with ways to deal with collective action problems.

We thought it was important to examine that dynamism along a number of fronts. How effective is this new set of responses? How sustainable? How accountable? How inclusive? We wanted to chart the changing nature of governance in circumstances in which intergovernmental organizations are being replaced or modified, in which a set of new hybrid institutional arrangements is developing, in which there are a range of public-private partnerships, and in which private initiatives are often undertaken in areas that we normally think about as (international) public space.

Derk Segaar largely designed the project and has carried it forward by organizing a series of meetings on environmental management, health, economic development, humanitarian assistance, international law, and international security. We approach the project as interactive research. At each meeting, our core group of about thirty people meets with leading thinkers and practitioners to examine the crosscutting issues in these areas of concern. The Rockefeller Foundation generously provides the support that makes this project possible, and the Canadian and Dutch missions to the United Nations have been generous in lending us their conference rooms.

This report is based on a meeting in that series—a critically important one, because the role of the corporate sector in international governance is growing and is an extremely interesting phenomenon—one that (despite a lot of work on the subject) we do not understand thoroughly enough. John Ruggie, Charles Kolb, and Dara O'Rourke were stimulating and inspiring guides at that meeting and—through this report—have advanced our knowledge significantly.

Finally, we thank the Carnegie Council for hosting and helping to organize the meeting, and for producing this valuable report. The partnership with the Carnegie Council is extremely important to us. We have found many common interests and synergies worth exploring together, and we look forward to collaborations that are equally fruitful in the future.

Shepard Forman
Director
Center on International Cooperation

From left:

Joel Rosenthal – President, Carnegie Council on Ethics and International Affairs

Shepard Forman – Director, Center on International Cooperation

John Ruggie – Director, Center for Business and Government, Harvard University

Andrew Kuper – Director, Empire and Democracy Project, Carnegie Council

What Is Responsiveness?

introduction by Andrew Kuper

ANDREW KUPER: Forty years ago, in *The Concept of Representation*, Hannah Pitkin defined democratic representation as "acting in the best interests of the public, in a manner responsive to them." There remains no better definition. It does not, however, settle the vexed issue of the meaning of responsiveness. So, in confronting our question of corporate power versus democratic responsiveness, I want to begin by putting aside misleading and sometimes irresponsible talk about the meaning and mechanisms of responsive governance.

First, responsiveness does *not* refer simply to a government being able to bind people to its decisions. A number of autocratic states induce obedience quite well, through violence and propaganda, so the compliance of the people is certainly not a sign of responsiveness.

Second, when we ask about responsiveness, we are not merely asking whether the conditions or the standard of living are good or improving. A government may be acting sensitively in the best interests of the public, but under difficult conditions somewhat beyond its control; or, if conditions are improving, that may be due to factors other than the government's policies. We must tease out and assess the causal contribution of government in every instance.

Finally, we are not even asking simply if the government's policies promote what an informed and uncoerced public takes to be in the public's interests. An autocratic government may sometimes happen to act in the interests of the public, for instance; but this contingent effort may not be sustained and can be suspended at any time at the whim of the rulers (and almost invariably is).

What is missing entirely even from this last conception of responsiveness is any consideration of citizens as *agents with a degree of active control* over rulers and policies rather than as merely passive recipients, beneficiaries, or victims of rulers' actions. As Pitkin pointed out, members of the public must be able to have an impact on government through their own judgments and actions. It is not enough for that impact to be accidental, transitory, and insignificant; it must be regularized, unavoidable, ongoing, and significant. People must have some kind of systematic control over authoritative decisions rather than being mere objects of the exercise of power.

Seen as such, democratic responsiveness raises the issue of participation—participation that goes beyond simply giving everyone a seat at the table. The question becomes: How can we make public discourse and institutions effective both in the sense of enabling each potential agent (people, organizations, institutions) to have an effective voice and in the sense of improving understanding, negotiation, and concerted action between agents?

Here we face a problem: Citizens do not deliberate on many of the issues that affect them, because they have other time-consuming demands such as earning a living or looking after family members. Corporations, however, have large institutional structures dedicated to championing and lobbying in their own interests on a daily basis. Some citizens have some of their interests pursued by citizen sector organizations, but coverage here is uneven, and many citizens' interests are underrepresented in the halls of power. In short, between corporations and citizens, there is a deeply disturbing asymmetry of capacities for impact.

> **Between corporations and citizens, there is a deeply disturbing asymmetry of capacities for impact.**

This problem takes on a special urgency in a world where governments are failing to deliver certain social services and public goods, and where corporations are picking up some of the slack. In such cases, corporations may be performing governmental tasks, and perhaps at times acting in the interests of the public; but it is extremely difficult to determine if and how they are responsive to the views of the public. For one thing, corporate leaders are not elected. For another, states—especially developing states—have limited control over corporations given current power relations.

How can we reduce this dangerous asymmetry, increasing the responsiveness of corporations—and other powerful actors—to the views of the public? That is the question that must frame our analyses.

How to Marry Civic Politics and Private Governance

remarks by John Ruggie

Shepard Forman introduces John Ruggie

By word and deed, John Ruggie, perhaps more than anyone else, has demonstrated that "multilateralism matters"—the title of an important article by him that set the framework for this field. He is the Evron and Jeanne Kirkpatrick Professor of International Affairs and Director of the Center for Business and Government at Harvard University. From 1997 to 2001, he was Assistant Secretary-General and Chief Advisor for Strategic Planning to United Nations Secretary-General Kofi Annan. In this capacity, he was the lead architect of the UN Global Compact. He has been Dean of Columbia University's School of International and Public Affairs, where he taught for many years. He has also taught at the University of California at Berkeley and at San Diego. As a thinker and practitioner, he is ideally suited to frame the burning issues that we now confront.

FRAMING QUESTIONS

CORPORATE RESPONSIBILITY FOR GOVERNANCE

* Which actors have been the driving force behind the recent proliferation of corporate social responsibility (CSR) initiatives? Who will be key actors in the future?

* Why are many corporations now willing to play a strong role in formulating and implementing multi-stakeholder codes that aim to protect workers and communities?

ACCOUNTABILITY AND EFFECTIVENESS

* How does increased corporate involvement in creating and implementing codes of conduct impact on the accountability and effectiveness of those codes?

* How legitimate are concerns over wider private sector involvement in international public policy-making?

DEMOCRATIZING THE GLOBAL ORDER

* Nongovernmental and intergovernmental organizations are also increasingly involved in CSR initiatives. Does this signal a power shift away from states and toward a system of global governance, in which nonstate actors play a leading role?

* How can current CSR initiatives be scaled up and connected, in order to establish an interlocking network of regulatory instruments and governance structures?

JOHN RUGGIE: My main intellectual preoccupation nowadays is the relationship between the transnationalization of capital, the transnationalization of social movements and civil society actors, and the issues of global governance. When it comes to the subject of transnational corporations, a good deal of intellectual and practical energy has been focused on how to regulate them and how to develop codes of conduct to govern their behavior. But I want to look at it from a broader perspective: the potential role of the corporation in making the global system more effective at pursuing multilateral objectives.

Transnational corporations, for obvious reasons, are central players in this arena. The rights they have enjoyed have expanded significantly over the past two or three decades: Their reach, their capacity, their organizational skills, their ability to manage integrated systems on a global basis is unparalleled. The universe of transnationals consists of about 65,000 firms with about 800,000 subsidiaries, and of course millions of suppliers in various kinds of contractual relationships. This is an extraordinary platform for social organization, focused around the workplace to be sure, but with enormous spillover capacity for what goes on in local communities and at the global level.

This expansion in the scope, scale, and rights of transnational corporations has also generated a steady escalation in expectations about what the contribution of multinationals should be to various social and environmental objectives. These expectations go well beyond the traditional forms of compliance and philanthropy, which is how we thought of corporate social responsibility (CSR) in the past. The escalation was initially driven almost entirely by civil society actors, but the mainstream investment community is becoming increasingly engaged, and so too—slowly—are governments.

Accountability

Let me tell a brief story in three chapters about how this change in expectations has unfolded and what inferences can be drawn from it.

The first is the *accountability* chapter. This is the most familiar: the idea that firms, having created a single global economic space that is transforming how people work and live all over the globe, ought to be held accountable

not only to their shareholders but also to the broader community of stakeholders who are affected by their decisions and behavior.

To help establish accountability vis-à-vis broader communities of stakeholders, a new reporting industry has slowly emerged, providing information on the social and environmental performance of firms. Such basic transparency and information-sharing is the first step in any system of accountability. This reporting industry consists of statements of principles, voluntary codes of conduct, third-party auditing, certification initiatives, and other instruments that verify that firms, or entire production cycles, meet prescribed standards.

The number of these arrangements has grown quite rapidly over the last decade, so much so that some companies have begun to complain of "code fatigue." When I was in China in November 2003, I encountered a group in the Chinese Confederation of Industries complaining about and mobilizing against the proliferation of codes in South China, so I will be watching this and similar developments with great interest.

Yet, despite the proliferation of these instruments of transparency and accountability, the coverage of the existing arrangements is still quite limited. For example:

● The Organization for Economic Cooperation and Development's survey of company codes of conduct shows that of 188 companies that had an individual code of conduct, only twenty-four provided any public disclosure. The rest used the information for internal purposes.

● The Forest Stewardship Council, which is one of the most successful certification institutions, covered, at last count, less than 5 percent of the total acreage controlled by timber companies, and most of that was in non-threatened temperate zones, not in the tropical rain forests that one normally worries about.

● There are approximately 1,500 companies eligible to participate in the U.S. chemical industry's Responsible Care Program. Fewer than 200 actually participate.

● There are approximately 1,500 companies in the Global Compact, but according to the recent McKinsey & Company impact assessment only about 40 percent of those have been seriously enough engaged for the Compact to make a difference to their companies.

The list goes on. There is a proliferation of instruments but the coverage is shallow, and thus it is far too early to say that effective accountability systems have been established in any significant way.

It is also clear that the purely voluntaristic nature of some of these largely NGO driven initiatives is not going

Despite the proliferation of CSR instruments, the coverage of existing arrangements is shallow. It is far too early to say that effective accountability systems have been established.

to push things much further. As a result, one begins to look to other social actors who have begun to play a role or could play a role in the future. One important group of actors is the investment community. In fact, the investment community has become increasingly interested in various parts of the CSR world, from a variety of perspectives. In the area of climate change, for example, the attention of energy-intensive companies was piqued very quickly when Swiss Re, the world's largest reinsurer, sent out notices to companies requesting information on what their policies were with regard to potential liability for global warming. It really mobilizes companies when they open their morning mail and are greeted with the suggestion that their insurance rates and potentially even their coverage might be affected if they do not have a climate change policy in place.

So we are beginning to see examples of new actors having an impact. Stock markets are beginning to require modest forms of social reporting as part of listing requirements. And some European governments are beginning to encourage or require social and environmental reporting as well.

My sense is that we have reached the end of what I would call phase one of the social reporting/accountability era: Largely NGO driven initiatives have somewhat reached their limit. CSR is now moving increasingly into the mainstream investment community and also into certain governments—although not the U.S. government.

Social Capacity-Building

The second chapter of this story concerns the role of companies in social capacity-building. I helped establish the Global Compact initiative at the United Nations, an initiative that seeks to engage the corporate community in the promotion of UN principles in the areas of human

rights, labor standards, and the environment.

Activist groups attacked the Global Compact from the beginning on the grounds that it lacks teeth—that is, enforcement mechanisms—and some American firms have avoided the Global Compact because they feared it would grow such teeth. Both groups have fundamentally misunderstood the nature of the enterprise.

The initiative was and remains an attempt by the UN to reach beyond the constraints of its own intergovernmental system and to engage other social actors and align them behind meeting UN goals. It reflects a desire to tap into the capacity of the private sector, not a desire to regulate companies. It has been difficult sometimes to get that point across to critics. A whole series of governance gaps and governance failures, both within and among

John Ruggie, foreground, with Shepard Forman

countries, is at the heart of the social capacity-building challenge, and this is what drives the Global Compact.

Now, what is the rationale and motivation for the corporate sector to get involved in these things? Why would companies be willing to engage in these efforts, leaving public relations aside (but accepting that it may be a major factor)? National firms in the industrialized countries have traditionally given back to the communities in which they operate as part of their social license to operate. Philanthropy has been around since Mr. Carnegie's time, and bless him for it. Slowly, multinational companies have begun to do the same in developing countries, typically in partnership with other social actors. Why? In some instances there's a simple explanation: economic necessity. If you are Anglo American, a natural resources and mining

company with many operations in South Africa, you either provide HIV/AIDS treatment to your workers, or you go out of business because more than a quarter of your workforce is infected and you can't replace well-trained people fast enough to meet your operating needs.

In other instances, corporate leaders look at the economics of global demography: They see 2 billion rich consumers who are getting older, and they see 4 billion poor consumers who are getting more numerous and younger. Like Henry Ford, who got rich by paying his workers enough so that they could buy his cars, these corporate leaders do the math and figure that certain kinds of social investment are smart business that helps sustain and grow markets.

There are numerous other points on this spectrum between immediate necessity and longer-term opportunities. One is what my Harvard Business School colleague Michael Porter calls "strategic philanthropy": social giving built on the firm's core competency. For example:

- Cisco Systems is partnering with various UN agencies and with local actors to establish "network academies" that train individuals in the least-developed countries. I believe these academies are up and running now in every least-developed country.

- TPG, the former Dutch postal and telecom monopoly, is providing logistical support to the World Food Programme (WFP). TPG knows a lot about logistics, and the WFP has benefited enormously.

- Ericsson is supplying emergency telecommunications services to humanitarian aid workers and to the UN system in Afghanistan.

- Merck is partnering with the Gates Foundation and the government of Botswana to make HIV/AIDS treatment universally available in that country.

Social capacity-building can be seen as a combination of traditional philanthropy and strategic thinking by a company, wherein the company leverages its core competencies in order to promote longer-term market opportunities for itself and helps create public value at the same time.

The list of such examples is long. The problem is that we are not keeping up with the experiments and drawing lessons from them fast enough to drive them in a systematic fashion. We need to take care that these efforts actually build local capacity and become sustainable over the long run. There is concern about Merck's five-year

CSR initiatives that are largely voluntary and NGO driven are not going to take us much further. We must look to other social actors, too. In fact, the investment community has become increasingly interested.

partnership with Botswana, for example. It is now in its third year and they have just gotten started. Unless indigenous capacity is created, such partnerships will end in frustration, and we will be able to write about yet another fad in global development thinking.

Achieving that goal will require far greater collaboration between different kinds of social actors than has ever been tried. New hybrid organizations, networks of knowledge, and practitioner communities are needed. Models may be found in initiatives like the Global Compact or the Global Fund to Fight AIDS, Tuberculosis, and Malaria. There is a promising beginning to partnerships for social capacity-building, but if they are to be sustainable and contribute to overall objectives, much more work is needed.

Growing Imbalance in Global Rules
The third chapter of this story, which is the trickiest, concerns the growing imbalance in global rules over the course of the past twenty years or so.

The system of global rule-making has increasingly privileged private capital over other social actors, and the spread of global markets over other social concerns—be they human rights, labor standards, or environmental principles. The famous "battle of Seattle" in 1999 was all about global imbalances or imbalances in global rule-making. The same goes for the clashes over the price of HIV/AIDS drugs: How do you explain to 40 million people who are living with HIV that the protection of intellectual property rights somehow should trump their need for life-sustaining drugs? It is a tough sell. In the end, the pharmaceutical industry had to make substantial moves to restore its reputation.

If you look back over the past two centuries at the relationship between the market and the state in industrialized countries, extreme imbalances of this kind are socially not sustainable. Something has to give. Often, if the issues are related to trade (such as outsourcing), protectionism is the first safety valve—society responds by clamping down on market forces because they are too disruptive.

What makes these imbalances so tricky is that they reflect, of course, imbalances of power. It is not easy to make the case to the corporate sector that it should impose self-restraint in exercising power to pursue its

objectives. And yet, essentially, that is what we are asking.

One more modest way of convincing the corporate sector is to say, "You can help by adopting practices that don't undermine your own long-term sustainability but that make a significant contribution in the short run." The pharmaceutical firms have now come around to this position on HIV/AIDS treatment: They have recognized that their own long-term viability requires them to treat poor people in poor countries differently from the way they treat the purchasers of pharmaceutical products elsewhere. So change is possible in this domain.

Conclusion
Two trends have been discerned in the corporate social responsibility regime I have described: On the one hand, focusing on the role of civil society, observers speak of the emergence of a world civic politics and the contribution of NGOs to the emergence of an increasingly institutionalized world civic politics. On the other hand, concern has been expressed about the emergence of "private governance," or the extension of privatization to governance itself.

My goal is to merge these two trends. How is it possible to marry world civic politics with global private governance, in the pursuit of a larger public space at the global level (a space of contestation, of challenge, of debate, and possibly of resolution) in order to deal with some of

The problem is that we are not keeping up with experiments in corporate responsibility and regulation, and drawing lessons from them fast enough to drive them in a systematic fashion.

the major governance challenges, governance gaps, and governance failures before us? There is a potentially "progressive" platform here: The marriage of world civic politics and private governance can create a more inclusive arena within which, and from which, other social actors can graft the pursuit of broader social agendas onto the reach of the corporate sector.

Though imperfect, an analogy can be made with what took place in the United States in the late nineteenth

century. Before then, companies had been largely oriented to the individual states in the United States, and the regulatory system in the United States was largely state-based. Gradually, companies began to realize that they were operating in a national economy and began to behave like national firms. They discovered they could only operate nationally if they had a license to do so, and this required changing a whole series of laws. But other social actors were able to piggyback their own social concerns onto that process, although not always as successfully as the companies. For example, to avoid ruinous competition, some of the railroads sought out national regulation. But it came at a price: the institution of some labor protections at the national level, in addition to those in existence at the individual state level.

The analogy is imperfect because in the United States we were dealing with a central government that ultimately could act on behalf of the common good. Internationally, no such central government exists, and so the process is less robust and far more circuitous. But that does not mean that the dynamic itself cannot happen, and it is eminently worth thinking about how to make it happen.

To summarize: These developments are contributing to a more institutionalized global public domain, a stretching of the notion of the public at the global level. In traditional international law and politics, states were the public. (Public international law is the law that states decide to promulgate and adhere to.) But the notion of the global public as consisting of states alone has collapsed. Other actors are now performing public functions in the global arena, including civil society actors and corporations. This process is becoming more institutionalized, predictable, and routinized. An arena that I would describe as a global public domain is slowly evolving—driven by the dynamic interplay between the corporate sector, civil society, and other social actors.

If we look back over the past two centuries at the relationship between the market and the state in industrialized countries, extreme imbalances in power and rule-making are not socially sustainable. Something has to give.

QUESTIONS AND ANSWERS

The Lessons of Market Expansion

CHARLES KOLB: At one point you said that the system of global rule-making had privileged private capital and had spread markets around the world better than it had addressed other concerns. I think this is correct. Maybe that happened because private capital operates within a market system and markets, almost by definition, are better organized than the other social concerns that you mentioned. If that is the case, I am wondering if there is anything that NGOs and other actors can learn from the private capital experience about how to organize themselves as effectively as market-reliant organizations?

JOHN RUGGIE: I would modify that formulation of the semi-Darwinian explanation of why markets and market expansion succeeded over other objectives, in one respect. As markets have gone increasingly global over the course of the last twenty-five years, they did not do so automatically or on their own. Governments had to change laws and put in place new rules, regulations, and institutions in order for markets to function more efficiently.

But governments did not do the same thing for other social objectives. So the competition has been unfair (I don't intend this as a moral judgment): Governments modified existing institutional arrangements in order to allow markets to function as efficiently as they do once set loose, but government did not make the same kinds of institutional and legal commitments in other social arenas.

The Public and the State

INGE KAUL: What fascinates me is the equation in English of the "public" and the "state"—a distinction that does not exist in German. For Germans, the public is the people, and we look at the state and the market as two public goods that we use for coordination purposes, the market through horizontal exchange and the state for our vertically organized coordination. Germans actually call the state "the public's head." Your argument certainly fits with the notion of the public as the people, because it envisions "we the people" putting pressure on markets and companies. People can exercise purchasing power to protect and obtain various public goods and to make companies internalize all the external operating costs; they can also put pressure on the state through voting power.

Maybe we, the general public, have to take the lead,

learn a lesson from all these voluntary initiatives, and suggest to governments that they start formalizing corporate social responsibility. We need to demand more of the state. It would help if we first tried to break this unfortunate equation in English between "public" and "state."

JOHN RUGGIE: Inge is absolutely correct in her description of what the public can and should do. But the public does not act coherently on its own. It needs mobilizers and ways to represent and channel its beliefs and interests. My argument here took a top-down approach, looking at the issue from the perspective of the institutions that are capable of accomplishing vital objectives. I deliberately assumed the link to the publics behind these institutions, but I would never ignore the fact that the public can operate on its own. The two approaches—institutional and civic—are complementary and should work in tandem.

ANDREW KUPER: Regarding the distinction between "public" and "state," I believe that the problem goes well beyond the English language. If you look at the UN charter, there is a seamless transition from thinking that all people have rights, to states being the agents that will secure those rights, to language about citizens of states instead of the original language about all human beings. So this disjunction is enmeshed in our very conception of the international order. Indeed, at the convention to establish the UN charter, Eleanor Roosevelt substituted "we the contracting parties" for "we the peoples" at the last minute but did not change the rest of the charter in a similar fashion; so statism is implicit as well as explicit in the rest of the charter.

Scaling Up and Going Global

DERK SEGAAR: If voluntary instruments have reached the limit of what they can achieve, and if what is really needed now is a more systemic approach and a scaling up of these individual initiatives, which actors (governments, the private sector, NGOs) do you view as pivotal in moving toward a broader approach?

JOHN RUGGIE: The big question is how to scale up individual CSR initiatives to a more systemic level. At the World Economic Forum in January 2004, Bill Clinton addressed this issue in his opening remarks. He looked around the room and said: There are 2,100 people here at

Davos this year, and each of you has started some smart and innovative experiment. But how do they all add up? How do they become a systemic intervention? Clinton was exhorting us to overcome an institutional deficit, to take the set of proliferating experiments and turn them into a systemic intervention. He is absolutely right about this being the central challenge.

In terms of voluntary initiatives to establish transparency and accountability, there has to be some mechanism of convergence. You simply cannot sustain a proliferation of small boutique operations with very costly monitoring systems and other means of establishing accountability. The only question is: Where is convergence going to come from? Governments are one potential source of convergence. I think financial actors such as the investment community—stock markets and so forth—could be another. But I do not think the current system is sustainable.

Moral and Social Motivations

JOHN CLARK: I noticed that you focused only on external pressures—the NGOs, public opinion, investors, sometimes governments—as drivers of change within the corporate world, and there is good reason for that. But I think it is important not to forget the internal pressures as well. When I was a student, all of the brightest students in my university wanted to work in the "state sector" or they wanted to become academics. Many people rather pitied those drab students that were talking about going on to become an investment banker or a corporate lawyer or something similar. Nowadays, the brightest students often have ambitions to work in the private sector. I think that is a really powerful factor. If you look at why it is that corporations change their behavior, I don't believe that economic or political pressure is the main motivation; I think it has much more to do with sociological pressure. The chief executives of corporations are not actually facing a drop in profits because of consumer boycotts; they are not actually bothered by pressure for ethical investment. A statistically significant amount of corporate investment—portfolio investment—has some ethical criteria attached, but that amount is so minimal that it is not really affecting the investment base of corporations.

So what is it that drives major changes in corporate policy and in the level of airtime that is given to these issues? I think that it has much more to do with chief executives who do not like going to meetings with their top staff and hearing that those staff are concerned about what their children are saying in regard to the image of their

corporation. I believe this sociological factor is quite important, and perhaps leads us to ideas about 1) bringing these matters into business schools; 2) focusing as much on a carrot approach as a stick approach when addressing these issues; and 3) looking more closely and astutely at the roles of corporations in helping to develop more ethical management of global change.

JOHN RUGGIE: John is right about internal pressures for change. The role of employees in all of this is greatly underappreciated, including by critics of companies. In broad surveys by the World Economic Forum and other entities about the major concerns to which CEOs respond, employee satisfaction is certainly in the top five. I am not sure it would be number one—I think protection and promotion of the brand typically is number one—but employee satisfaction is up there much higher than most of us would think.

New Institutions as Mediators

SHEPARD FORMAN: Is there not an emerging set of intermediary institutions that is helping to change the way in which corporations act, even though corporations may not be direct parties to these institutions? I am thinking of various dispute settlement mechanisms in the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA), the International Labour Organization (ILO), or corporate-based institutions like the World Intellectual Property Organization, that seem to be driving at least some decisions.

For instance, you spoke earlier about the decisions of pharmaceutical companies regarding HIV/AIDS drug treatments. Had the United States not decided to take Brazil before the WTO and then backed down, would the corporations have moved as decisively to change their thinking about the way in which they deal with the cost of drugs?

As I've heard you pose the argument, the battle is really between the corporations and an external set of civil society actors, and the UN is in the mix somewhere; but through a set of legal proceedings, states are also pushing corporations in new directions. That should surely be added to the list.

JOHN RUGGIE: Intermediary institutions are certainly important and have not been studied enough. Researchers have begun to look at the role of business associations and how they can help broker agreements and partnerships, but our understanding and actions must be extended well beyond that.

As for who was responsible for making the pharmaceutical companies change their minds, it's not at all clear. But I do remember a series of *Wall Street Journal* articles that beat up on the companies, saying, "You are destroying the intellectual property rights regime. Back up! Back up, before it's too late!" That warning came from an impeccable source as far as the companies were concerned.

The Power of Labor

MANFRED BARDELEBEN: I am surprised that you did not mention the role of trade unions—which might be seen as a typically American point of view in the sense that people wonder if trade unions really play a role in the United States as far as corporate social responsibility is concerned. If you were to develop these ideas in Europe, you would have to lump the trade unions, the state, and the corporate sector into what they call a tripartite dialogue.

Of course, trade union federations, the so-called global unions, have been involved in some thirty agreements that are much more important than all other agreements—the "framework agreements." Twenty-nine of these agreements are with European companies. (The one exception is Chiquita, and Chiquita was in a desperate situation—it had filed for bankruptcy and thought it could open up the European market.) All the bigger companies are signed on to those framework agreements led by global trade unions. And the agreements are binding, unlike any other agreements, including the Global Compact. In light of these facts, what role do you see for trade unions in the overall discussion of corporate social responsibility?

JOHN RUGGIE: In order to shorten my argument I left out a paragraph that dealt with the framework agreements between labor and several major companies (including Statoil and Anglo Gold) within the Global Compact. Union participation is integral to the Global Compact. The International Confederation of Free Trade Unions has been a participant from the beginning, and so has the International Federation of Chemical, Energy, Mine and General Workers' Unions, and they have made very good use of it. Indeed, one of the main impediments in getting American companies to sign up to the Global Compact is its commitment to four key labor principles, including freedom of association.

MNCs in Under-Regulated Societies

BERNARD YEUNG: Let me make a contentious point about the imbalance in the equation favoring the marketplace: Such an imbalance may be a very good thing for global social responsibility, especially when combined with a trend toward more accountability and social capacity-building. In my studies, I have found that there are some multinational firms that invest in developing countries with poor environmental conditions but adopt very high environmental standards for themselves. They don't race to the bottom. Indeed, about half of them adopt environmental practices that meet high global standards. Those firms also have higher market value than other firms, and they become an agent of change for local environmental standards. I think this is the kind of relationship we want to see replicated. The marketplace itself is going to effect positive change if there are reasons for firms to behave in these ways. And such reasons exist: These companies see the benefits of social capacity-building. It may also be the case that the socially conscious groups that are looking into these companies' behavior and reporting on it are having an effect. Certainly, the investors and consumers and social interest groups in the West are pressuring companies *not* to race to the bottom—all of which pushes corporate practices up to a level that is broadly satisfactory.

This raises the question: What is driving the adoption of labor and environmental standards in certain locations? Is it because transnational enterprises compensate for the deficiencies of national and local institutions?

As a Chinese person, I know that the local Chinese firms are guilty of a lot more abuses than foreign firms. It is very difficult to figure out how to make them change. Certainly, we have to think in terms of a political economy equilibrium when thinking about how to influence them. After all, corrupt governments that do not pay attention to social responsibility are like people who make friends too casually: In the end they will make bad friends instead of good friends. So how do we achieve change with such governments? My view is that instead of suppressing the ability of multinational firms to effect change, we should encourage and supplement their ability to influence recalcitrant states. Market forces actually help good companies to change the local institutional environment.

JOHN RUGGIE: My concern is not whether companies do bad things or good things. Across the spectrum, companies do both. There is no such thing as a perfect company, and there is no such thing as a perfectly horrible company if it is operating in accordance with standard rules.

Currently, the way things stand, your generalization is not sustainable. The companies that tend to do good things

tend to be branded companies. In every study that I have seen, unbranded companies tend to do less and fewer good things than branded companies. In every industry, there are leaders and there are laggards. My starting point is: How do you work with companies to help overcome governance gaps and governance failures?

The Role of UN Conventions

LEONA FORMAN: What role could UN conventions play in the transition from national-scale to global-scale corporate social responsibility? And when you talk about the creation of a global space of contestation and debate, how can these conventions, which are usually forgotten in discussions of CSR, be brought to the attention of local governments, especially considering that education about these conventions is very limited?

JOHN RUGGIE: Various UN conventions could and should play a role. Some of them may need to be specifically adapted to reflect the fact that there is a global dimension to corporate social responsibility and not simply an agglomeration of national settings. But this takes us back to my point about the United States: The United States has ratified only fourteen out of 7,200 ILO conventions. So if we are going to rely on ILO conventions to help push labor rights, we have a real challenge in this country. There is a long way to go.

Tipping Points and Champions

ANDREW KUPER: Clearly, economic globalization is out-stripping political globalization, and thus we have an insti-tutional deficit at the global level—all these experimental initiatives need to be systematized, connected, and scaled up. At issue is the strategy for accomplishing this task.

As I see it, there are two basic strategies, one exempli-fied by the Global Compact, and one exemplified by organizations like Transparency International and Global Witness. Leaders in the Global Compact have tended to insist: Let's get as many companies on board as possible; champions will then emerge. Then we will know who the leaders are; they will lead and others will follow.

Other initiatives have used the "tipping point" logic. Namely, they have attempted to find the key actors—initiators, connectors, and disseminators—and get them involved. For example, Global Witness persuaded De Beers to adopt a system for limiting the flow of "conflict diamonds" from war zones. Once De Beers was on board, almost everybody else followed suit in attempting

to stop the trade in conflict diamonds. Transparency International adopted a similar strategy. It developed a corruption index and then convinced a few key leaders, publications, and banks to incorporate the corruption index into risk assessments and country ratings. Once that occurred, suddenly Transparency International's index became part of the international financial architecture, and was quickly adopted elsewhere, as well.

So the tipping point method is really about finding a few key actors that can have disproportionate causal power in changing a system, whereas the Global Compact has been criticized for its more scattershot "champion" approach. Do you think there is a role for both of these

John Ruggie and Andrew Kuper

approaches in the CSR domain? Or do you think the Global Compact and other initiatives would be more effective if they adopted a tipping point strategy?

JOHN RUGGIE: I am in favor of a multiplicity of approaches because I have not seen a single one yet that solves all problems. This seems an easy answer, but it happens to be true. The tipping point model worked fine for the diamond industry, but the market for diamonds is very unusual. In other markets and industries, there are not many nearly monopolistic companies like De Beers that could almost single-handedly change the way their market operates. The tipping point model also worked with regard to the Montreal Protocol on Substances that Deplete the Ozone Layer. One company had an alternative to ozone-damaging CFCs, which it had ready to deploy in a reasonable period of time. That pushed the issue to a tipping point. But I think the instances in which this model can be applied are probably not widespread, and so other approaches are needed to complement those kinds of opportunities.

Corporations in Conflict Zones

HEIKO NITZSCHKE: We should also consider a situation where there is a lot of corporate power and very little democratic responsiveness—that of armed conflict. Having followed the Security Council debate in mid-April 2004 on the role of corporations in conflict prevention, peacekeeping, and post-conflict peace-building, I noticed the stamp of the Global Compact approach on this issue, stressing the positive role of companies in rebuilding Afghanistan, and so forth. At the same time, within the UN there are efforts under way to investigate the economic dimensions of conflict. In the case of the Democratic Republic of Congo (DRC), a UN expert panel has named (and shamed) a few companies that happened to be signatories to the Global Compact.

What role should the UN play in reconciling these two very different approaches: the largely voluntaristic CSR/Global Compact approach, and the much more regulatory approach of sanctions and other mechanisms that may be necessary to deal with the hard-core peace and security issues? What should be the next steps to take advantage of the whole range of mechanisms that are in play—from voluntary to regulatory (or even legal) frameworks?

There does seem to be a real set of tensions here: The prosecutor at the International Criminal Court, for example, caused a huge outcry when he mentioned the financial dimensions of war in the DRC, saying that he may prosecute the heads of companies if any links are found to the conflict.

JOHN RUGGIE: I don't think that CSR and regulatory approaches are mutually exclusive when it comes to the involvement of companies in armed conflict. Companies do and can contribute to capacity-building in Afghanistan. That does not preclude focusing on what companies may or may not have done in the DRC or elsewhere. Surely, the international system is capable of doing both of those things simultaneously. I believe that the Security Council deliberations and decisions, first with regard to Angola and then the DRC, were extremely worthwhile and ought to become part of the regular modality of how the Security Council deals with these issues. I have suggested on a number of occasions that the Security Council look to some of the methods developed (during those processes) for dealing with financial transfers that support terrorism. The Security Council should also use those methods as precedents for investigating the activities of companies in conflict zones, including their role in money laundering. The Nigerian military dictatorship was said to have siphoned $27 billion out of the country. They did not do that in suitcases; they did it through banks. And yet the banks were never challenged, they were never fingered, and they are still in London and elsewhere doing business.

We need to consider all aspects of corporate involvement in development, and that should include getting companies involved in post-conflict reconstruction. Like you, I do not see a contradiction.

Mobilizing Financial Markets

CRAIG CRAMER: In discussions about global corporate social responsibility the financial community is often left out in favor of manufacturing, construction, and consumer goods industries. Yet the financial markets are as influential as those other industries, if not more so. Why are they not present at the table to the same extent as other industries? How do you think that can be changed?

My experience tells me that this is extremely difficult. After leaving the financial world, I founded a nonprofit organization called EMPower – The Emerging Markets Foundation, which draws on the wealth of financial professionals to invest in social projects in the developing world. People in the international development community did not know quite how to engage with our organization (which has had a fair amount of success in terms of people who have become involved and the amount of money that has been raised), unless we wanted to talk about micro-credit, which we really did not, because there was enough work being done on that already. So what is to be done to build better bridges of understanding and action?

JOHN RUGGIE: With regard to the financial markets, there have been socially responsible investment funds and indices for quite some time now.

CRAIG CRAMER: I think these are mostly focused domestically rather than internationally.

JOHN RUGGIE: Yes, this is true. It has been very hard to penetrate the mainstream analyst community in particular. Analysts' time horizons are very short and the issues they consider are very short-term; nonetheless, I think that we can get through to them. The example of Swiss Re that I mentioned earlier probably did much to awaken the analyst community to a potentially huge liability—people who otherwise do not care much about the environment or similar issues.

I have talked to CEOs many times about CSR and other topics. Not long ago, one of them held a quarterly telephone call with the analysts for his industry and we had helped him prepare some answers on CSR-related questions. He wasn't asked a single one—and this was a very carbon-intensive company that faces serious environmental concerns. So the financial markets community is a tough group to penetrate. The only ways to get their ear are through risk-based persuasion (such as the Swiss Re example) or via stock markets, some of which are beginning to require social reporting as part of listing requirements.

Imbalances in Global Rule-Making

JACKIE SMITH: Given the growing imbalance in global rule-making, are social capacity-building and accountability really possible? These are not parallel concerns: Rule-making is structural while the other two constitute capacities or agency options.

Andrew Kuper raised the distinction between economic globalization and political globalization, and I think analysts have started making a clear distinction between the two processes because each has a very different logic of governance. The market logic is more oriented toward property-seeking, and the governance logic is more oriented toward democracy and equality rather than concentration of wealth or power. Markets produce such concentration. Hence a lot of the data show—and I think there is growing consensus on this—that there has been a systematic transfer of wealth globally from one (poorer) class to another (wealthier) class, alongside the systematic exclusion of people who cannot participate in markets. These interdependent but competing logics of governance are creating and exacerbating an imbalance of power. Given that context, what kinds of agency are possible without really confronting this systemic and structural problem?

JOHN RUGGIE: I never want to put myself in the position of arguing that you cannot solve any problem until you have solved them all. I appreciate and agree with the idea that there is a structure in place that systematically produces certain kinds of outcomes and that structural changes must come first in our analysis. But I am also convinced that it is hard to tackle structures head-on and that you need to find ways of getting around, inside, and through them. So the kinds of initiatives that I have thought about and promoted have fallen short of frontal attacks on structural impediments, but they are all

designed to contribute to a process that might lead to modest structural changes that will compound over time.

I am well aware that even during the 1990s economic boom, the longest in American history, the bottom quintile of the income distribution rose by a fraction of a point for two years and then fell back to where it was before. So we do face real challenges.

Giving Voice to the Global South

JUDY GEARHART: I want to return to the point about how to build local capacity, especially regarding sustainability, and how to give equal voice to both grassroots organizations and the global South. We have to be careful not to over-credit the NGOs and civil society organizations, especially given their low level of representation. The 11 percent of the workforce that unions wield is still a lot more than any NGO. But these differences aside, how can we help the trade unions and local grassroots groups interface with the international policy debate? Some NGOs are better at being interlocutors than others.

Can you comment on increasing the representation of these less powerful groups? For example, the Ethos Model in Brazil seems to illustrate how the Global Compact can relate to the local level—not merely to local companies but also to the grassroots groups and sometimes through the tripartite (labor-business-government) approach.

JOHN RUGGIE: You will be happy to know that about half of the companies participating in the Global Compact are from the South—and I confess that this came as a surprise to all of us working in the Global Compact. There has also been extraordinary interest, at the country level, in replicating the experience of global multi-stakeholder processes. Forty-five countries have now had a Global Compact national event; a good number of those events took place in the global South. So we are moving in the direction of increasing representation for marginalized groups. The aforementioned McKinsey study was designed to lead to the articulation of a new strategic concept, and as a result the Global Compact Leaders Summit (June 24, 2004) was much more South-focused.

Service-Delivery vs. Governance

ELLEN KALLINOWSKY: You mentioned Bill Clinton's challenge to the leaders at the World Economic Forum to systematize all their diverse and creative CSR experiments. I agree that this is an important end goal. All the scattered, small, local impacts of CSR or public-private partnerships

show progress and are important to study, but I'm not sure that they have strong trickle-down effects on poverty reduction and democratization.

It would be interesting for us to look at two processes where companies and labor unions and other civil society actors are part of a policy-design process meant to have regional or global reach: One is the multi-stakeholder CSR processes happening in the European Union. (So far, the process has been interesting, but the policy recommendations are lower than the bottom line that every individual group had before.) The other process is the work of the United Nations Subcommission on Human Rights. With that group in mind, how can we use the positive dynamics of private sector engagement to genuinely shape policy design, rather than just public-private partnerships or CSR?

To speak metaphorically, there is a danger here of comparing apples and oranges because the public-private partnerships thus far have focused on service-delivery. It is not clear if cooperation on service-delivery is a good basis for understanding the capacity of the private sector to become an active partner in a new structure for policy design and governance.

JOHN RUGGIE: If we are to overcome the continued proliferation of experiments, we need to find ways of aggregating and leveraging them, perhaps by establishing intermediary institutions, such that together they become more of a systemic intervention. We need to ask: Who are the social actors who are best equipped to do that? By "leveraging" I mean pooling the resources that are out there and focusing them on a set of objectives, rather than simply letting everyone's energies flow all over the place. In some cases it may be UN agencies. In others it may be private foundations. In the agricultural area, the Rockefeller Foundation has a huge portfolio and a lot of credibility; it probably would have the entrée to do something like this, as would the Gates Foundation in some of the public health areas. So there is a multiplicity of players that could serve the function of aggregation and leveraging.

With regard to your question of policy design, I think you are absolutely right: Much of the multi-stakeholder process has been focused on service-delivery partnerships and not on how to design adequate policies. There are beginning to be exceptions to that, and you mentioned some of them. The Global Fund to Fight AIDS, Tuberculosis and Malaria is increasingly thinking of itself in this light (whatever its other troubles may be), as a mechanism to help design policy through a multi-stakeholder process, and also to aggregate and leverage.

The Global Fund is now authorized (that is, governments finally agreed) to undertake co-financing with the private sector. So there are beginning to be hybrid organizations that are active in the policy domain, and we need to identify them and learn from them.

Prospects for Global Democracy

LISA JORDAN: It is a great pleasure to watch somebody else try to describe the burgeoning global public sphere. In that spirit, let me ask two framing questions: What are the prospects for representative democracy in the global political arena? And, if there are any prospects at all for such a development, who would be its champions?

JOHN RUGGIE: We are certainly hearing voices that we have not heard before in global affairs because of the involvement of different kinds of social actors. But I think it would be an exaggeration to talk about them as representative because most of these actors—while they do provide input from multiple voices—do not represent anybody in the normal political sense.

The UN toyed with the idea of turning its Trusteeship Council into some kind of People's Assembly. But nearly all member states came down hard on this idea and insisted it was a fantasy. The challenges of creating some form of global democracy are enormous. However, a greater diversity of actors and voices is now being heard, and it is fine to call such changes broadly "democratic."

When to Involve Governments

TOMAS CHRISTENSEN: Having sat through numerous negotiations on these CSR questions in the basement of the UN, I keep coming back to this point about the systemic void. If what Bill Clinton is saying is that governments should be able to somehow negotiate a common ground, I am a bit skeptical of this possibility. Even the Clinton administration was vehemently against the efforts being undertaken at the UN. I recall that in the negotiations on the Montreal Consensus (a loose international agreement that resists the one-size-fits-all development model and supports social protections along with economic growth), the U.S. government, some European governments, and most developing country governments did not want any strong language on CSR in the text. So the pragmatic approach seems more fruitful, and the Global Compact was created, I suspect, because you realized that it would not be possible to make CSR an issue of negotiation among governments.

So there is a paradox, in that some of the governments that epitomize bad governance or a lack of governance are able to oppose the international community's attempts to make rules in that field. The race to the bottom is certainly happening in some countries. Those governments that attract investment by lowering their labor and environmental standards do not want to have international regulation that stops the flow of money into their coffers. How can this paradox be overcome?

JOHN RUGGIE: I agree that government negotiation is a central part of any solution, but it certainly is not the only part, and in the short run it may not even be the main part. For the first two or three years of the Global Compact we were very reluctant to involve governments in its operation out of a fear, which I think was entirely justified, that they would ruin it if they got their hands on it too soon. Now that the Global Compact has been up and running long enough, we are very comfortable. Governments have begun to buy in and understand the usefulness of its heterodox approach. Developing country governments have become very interested, in part because companies in developing countries are interested. For example, the Indian Delegation to the UN was skeptical about the Global Compact until two dozen major CEOs in Mumbai organized a Global Compact meeting. Much the same was true in Egypt.

At the end of the day, none of these efforts of aggregation and leveraging can be successful without governments, because governments are the global embodiment of representative politics. Yet, at the same time, when devising strategies for change, it is not always wise to begin with governments. Now that I am no longer at the UN, I can confess to that heretical thought.

Why Some Issues Take Off

BARRY HERMAN: The model that has been laid out so far has really been about process. I want to ask about content: Why do some issues take off and others not?

I don't think it was bad that labor was initially left out of the CSR discussion because labor issues have not really taken off. (There was a lot of discussion about bringing labor into the WTO, but of course that did not work.) Corruption, on the other hand, has taken off as an issue. Jimmy Carter led the effort in 1976 to adopt the Foreign Corrupt Practices Act, whereas in Europe not only was it legal at the time to bribe a foreign official, companies could even get a tax deduction for it! Such practices have since ceased, but consider how long it took to make this change.

What determines whether an issue captures attention and makes waves? Are there waves of ethics, like the progressive period of muckraking in early twentieth century U.S. politics? What makes ethics work at some times and not at others?

JOHN RUGGIE: The transparency case was, in fact, a relatively simple collective action problem. It was in everybody's interest not to bribe, but nobody wanted to be the first to stop bribing because they would lose competitive advantage, so they needed some way in which to overcome that collective action problem. The OECD Convention, which had been in existence for a while, didn't solve anything because its coverage wasn't wide enough, and so there was movement toward a global convention. It took a quarter century. But that is fast in policy terms!

The Role of Influential Individuals

INGE KAUL: I want to return to the topic of multilateralism. Why did it have to be Bill Clinton who negotiated the deal for the cheapest AIDS drugs? Why did no one in the UN system rally everyone around lengthening purchasing contracts and lowering prices? What does this tell us about the capacity of multilateral institutions? Does the UN only come in at the end of the debate and place a seal of approval on the process, when the world is already in agreement?

SHEPARD FORMAN: This discussion has largely been about corporate governance and CSR, but one of the things the Center on International Cooperation is exploring is the role of wealthy and influential private individuals in driving the international public policy agenda. It is a very important issue, because it is Clinton, Gates, Soros, Turner, and others who often provide the impetus for change.

JOHN RUGGIE: On the AIDS issue, Kofi Annan played a major role in bringing the pharmaceutical companies together. He met with the CEOs of all the major companies and pressured them on pricing. So he did a lot to set the stage.

INGE KAUL: But it is different for Kofi Annan to do this than for the system to do it. I don't deny his role, but the UN system did not work in this case. As an organization, the UN was not there when it mattered.

JOHN RUGGIE: You're right. It was very slow to come around. That's why we need the innovative approaches for which I've been proselytizing.

Responsible Leadership and Corporate Engagement

remarks by Charles Kolb

Andrew Kuper introduces Charles Kolb

If business leaders are to "play a more influential role in national and international policy, CEOs must do more than repair their collective reputations. They will also have to see their responsibilities extending beyond insuring the health of their own companies or industries." When Jeffrey Garten wrote these words, he singled out one organization as a pioneer: the Committee for Economic Development (CED), a nonpartisan organization of 250 business and education leaders dedicated to economic and social policy research and implementation. Charles Kolb, as its president, has cumulated rich expertise in addressing the many questions raised by corporate involvement in social and political affairs. He also served as General Counsel and Secretary of United Way of America (1992–1997) and as Deputy Assistant to the President for Domestic Policy (1990–1992). Having been "on the inside" in government policy-making and business decision-making, he is an ideally equipped guide to the perils of and prospects for democratic responsiveness of the private sector.

FRAMING QUESTIONS

EXPANDING BUSINESS RESPONSIBILITIES

* What are the best incentives for moving business leaders to focus on CSR?

* What are the respective roles of governments, NGOs, and intergovernmental organizations in enhancing these incentives?

APPEARANCE AND REALITY

* What steps can be taken to close the chasm between professed commitment by most business leaders and sustained action by corporations?

* According to an extensive survey by Edelman PR Worldwide, around 50 percent of business leaders agree that "governments need to be more involved in oversight and regulation of private enterprise." Why, then, is it so difficult to mobilize the political will within the business community and within state governments, to entrench and scale up regulatory efforts?

VOLUNTARY AND INVOLUNTARY REGULATION

* What can be done to create more synergies between voluntary CSR initiatives and more formal regulatory efforts?

* Is the combination of appropriate voluntary and involuntary regulation at the national level different from the corresponding combination in the international context?

CHARLES KOLB: I want to start by describing some of the history of CED, which I think is relevant and revealing for our theme. CED was founded in 1942 by a group of businessmen, and it cut its teeth on two important issues—one domestic, and one international. First, the domestic issue: In 1942, a number of the founders were concerned with how the U.S. economy would evolve from a wartime to a peacetime setting without going through another dislocating recession or depression. And so the founders organized several thousand forums with business leaders around the country to plan the transition. Part of that process was driven by economic self-interest on the part of the CEOs who were founders. But Robert Maynard Hutchins, president of the University of Chicago from 1929 to 1950, was also one of the founders, and we have maintained both business leaders and prominent university heads on our board to this day.

The international issue had to do with engaging business leaders in providing support for the emerging postwar institutions—the Bretton Woods system and, most significantly, the Marshall Plan. It was not guaranteed that the business community would care at all about those institutions, and the CED founders felt that it was important to marshal support. In fact, one of our founding trustees, Paul Hoffman, who was the CEO of Studebaker, went on to become the first administrator of the Marshall Plan.

Even from CED's origins, then, there has been a convergence of practices and ideas from people in the corporate and university worlds, and this theme resonates with our discussion of corporations and possible positive routes to democratic responsiveness.

Why did these business and university leaders make such an effort? Part of the answer is obviously self-interest. But CED has been privileged throughout its sixty-two-year history to have people on its board who come to CED for reasons other than those that might motivate them to join the U.S. Chamber of Commerce or the Business Roundtable, whose agendas are more slanted toward lobbying and advocacy. CED generally has CEOs and others on its board who care deeply about medium- to long-term issues affecting the United States, and so the organization has been very active recently on topics that some people might find counterintuitive for a business group to tackle.

Campaign finance reform is an example. We were *the* business group that came out against soft money, and we

Many businesspeople thought that soft money was a bad thing. They did not like being shaken down. It was also bad for the image of business. Every time the term "special interest" came up, people thought it meant the business community. When CED came out against soft money, people were surprised because they thought that the business community liked the system the way it was.

have had a fairly significant impact working with McCain-Feingold, Shays-Meehan, and other groups to change the environment in which money enters the political arena. We did that because many of the businesspeople on our board thought that soft money was a bad thing. They didn't like being shaken down, and of course they felt that it gave the business community a bad image. Every time the term "special interest" came up, people thought it meant the business community. When we came out against soft money, people were surprised because they thought that the business community liked the system the way it was.

So we were very active in issues relating to democratic institutions and politics, but we've also been involved in education and workforce issues; international issues, such as trade, globalization, and development; and finally, macroeconomic budget issues—for instance, we have come out strongly against the re-emerging structural budget deficit. Our reports are all driven by our trustees. The business leaders and academics on our board decide what the issues will be and then we bring them together in working groups to hammer out our findings. Our recommendations—for instance, on early childhood education—tend to get a lot of attention because our organization is a significant voice in the business community, speaking out on public issues that affect U.S. citizens.

The Corporation as a Political Institution

In my experience, there are two different views about the role of business in philanthropy and public policy. I call them "A Tale of Two Als." One view comes from the first president of CED, Alfred Neal. The other view is that of Al Dunlap, the former CEO of Sunbeam.

The "good Al," Al Neal, my predecessor, said: "The corporation is essentially a political institution, whatever its economic objective may be." I think this is a very astute observation—he made it in 1970. His view contrasts sharply with that of the other Al, Al Dunlap, who thought that corporate philanthropy and social responsibility were nonsense, that they detracted from what a company really should be about, which is maximizing shareholder value and profits.

I have yet to find a company that completely adheres to this impersonal, Dunlap model. There are probably a few that are headquartered in post office boxes in Delaware or the Cayman Islands, but most companies exist in communities and they care about the quality of their workforce and the health of their employees. So the "good Al" was absolutely right in recognizing that a company is essentially political, in the sense that it has to take into consideration both economic issues and practical issues that involve public policy, the company, and its employees.

I think most Americans would reject Al Dunlap's view, because if he were correct, we would not have companies supporting community organizations or hospitals or symphonies. That type of relationship with society would be an irrelevant waste of shareholder money according to his model.

In 1971, driven by our convictions in this regard, CED published a report called "Social Responsibility of Business Corporations." The following three quotes from that report are still highly relevant:

> Business functions by public consent and its basic purpose is to serve constructively the needs of society to the satisfaction of the society. [This can be applied to the American as well as the international context.]

> There is broad recognition today that corporate self-interest is inexorably involved in the well-being of the society of which business is an integral part and from which it draws the basic requirements needed for it to function at all—capital, labor, customers.

> This process of adaptation of business structure and performance to the changing requirements of society can be facilitated greatly by the development of a clear corporate rationale of the role business must play in the national and international community, a role as a responsible participant determined to resolve any conflict of human values or the social environment.

There is now a consensus that the relationship of business to the philanthropy world, to the civic world,

to the NGO world, is important. But we need to understand the international context for this relationship far better. I believe we can do so by looking first at how the issue of corporate responsibilities evolved in the U.S. context.

Companies get involved in social and community activities for four reasons, all driven by enlightened self-interest. The first is a genuine desire on the part of some companies to do what they think is right and good. The second is positive brand identification associated with goodwill. The third is concern about labor markets both in this country and abroad. (CED has been active in education issues for the last thirty years because it cares deeply about the quality of the global workforce.) And the fourth reason, of course, is profitability. Companies exist for a whole host of economic reasons, as Mr. Neal would recognize.

Refining the Process of Engagement

In 2003, CED published another report called "Reducing Global Poverty: Engaging the Corporate Enterprise," which updates and expands to a global scope the 1971 report. We tried to explain why a company like Merck or Pfizer or Volkswagen would become involved in Africa and address issues relating to HIV/AIDS.

We found that corporate philanthropy, or civic engagement, in the international context evolves from the same principles as in domestic contexts—a genuine desire on the part of some companies to do what they think is right and good; brand identification; labor market concerns; and profitability.

But some aspects of the international context differ from what we saw thirty or forty years ago in the domestic context. Among these differences are the rapid flow of capital, the rapid flow of information, the evolution of different standards—as evidenced by the OECD and UN Global Compact codes—the evolution in the role of NGOs, and a different and growing understanding of the role of shareholders and stakeholders. All of these trends in my view have affected this debate in a positive way.

Most importantly, these changes have raised expectations, which become the first step in an interesting

Charles Kolb and Janet Maughan

pattern. Subsequently there is the evolution of norms or customs. Some of those get reflected in the next step, which is nonbinding voluntary codes. The fourth step along this continuum is the passage of laws and regulations, which either codify the norms, customs, and codes, or penalize bad actors. The Global Compact reflects the first three steps but does not yet constitute law or regulation, since some companies have concerns about the way labor issues might be involved.

The larger international context, however, is substantially different because there are more actors than in the domestic context, the lines of governance are murkier, and the picture is evolving rapidly. As we look for ways to engage corporations, I would recommend bearing in mind first, the motives for why they might be interested and second, the language that is used to approach them. Companies do not come at these issues from an academic or theoretical viewpoint, but from a practical viewpoint. That is by no means to dismiss either academics or theory—it is simply to say that one has to be careful to use a different vocabulary in a corporate context. Absent a scandal that brings a particular issue to a head, or a specific corporation to awareness of its social responsibilities, the best way to engage companies in these issues and debates is to look for common ground. Merely preaching to a company or a corporate actor that "you need to do the right thing on labor rights or environmental issues" is unlikely to work.

As we look for ways to engage corporations, we should bear in mind first, their motives and second, the language that is used to approach them. If you go to the business community and list everything they are doing wrong, you are going to turn them off. If you can find areas of common ground with practical solutions, however, then constructive relationships will evolve.

CED issued another report called "From Protest to Progress," which addresses labor and environmental issues through the lens of free trade. We argued that issues relating to the environment and labor are very important, but they need to be raised in the right context. Trying to raise these issues in the context of the WTO is a mistake because the WTO is not structured to deal with them. We need to find other forums where there can be constructive business, labor, environment, and NGO dialogue.

The domestic parallel to this issue is the current debate on outsourcing. Much of the time, the opposing parties just speak right past each other; preaching won't help, but finding common ground might. Both employers and labor organizations can reach common ground on the issue of how employees are treated. They have a common interest in not having employees harmed or in providing adjustment systems such as wage insurance. But if you open the dialogue with organized labor by preaching free trade and the theories of Adam Smith, you are going to turn them off. Likewise, if you go to the business community and list everything they are doing wrong, you are going to turn them off. If you can find areas of common ground with practical solutions, then constructive relationships will evolve, both domestically and internationally, that will advance the agenda we have been discussing.

Now—to respond to Andrew Kuper and John Ruggie's earlier debate—I am not sure whether a tipping point or a champions approach is more appropriate for moving the process forward. You have to look for ways to evolve these relationships on a case-by-case basis. Consider the analogy of campaign finance reform in the United States. What brought that issue to a head? Two things: a national leader and a scandal—John McCain and Enron. As we consider ways to further the relationships between, for example, the business community and the NGO community, understanding this dynamic is very important. Who are the leaders who can drive the issue and reach out to the people who will bring about change? It is crucial to identify and nurture these leaders; but it is also important to engender a new social ethos that is shared by a wider group of leaders. Scandals can even be very helpful if they are handled correctly. In this area, too, there are many parallels between corporate engagement domestically and what we all hope will happen internationally.

Corporations and Enlightened Self-Interest

Companies get involved in social and community activities for four reasons:

1. A genuine desire to do what is right and good
2. Brand identification associated with goodwill
3. Concern about labor markets at home and abroad
4. Profitability

– Charles Kolb

Community Monitoring and Corporate Accountability

remarks by Dara O'Rourke

Andrew Kuper introduces Dara O'Rourke

Dara O'Rourke is deeply involved both in the theory and the practice of CSR initiatives. He has consulted for the United Nations Industrial Development Organization, the World Bank, the United Nations Development Programme, the Environmental Protection Agency, and numerous nongovernmental organizations. He is currently an assistant professor at the University of California, Berkeley, and he has written a new book called *Community-Driven Regulation: Balancing Development and the Environment in Vietnam.* The title is illustrative of Dara's ability to seal the gap between theory and practice—by looking at a particular case but then articulating the more general issues involved.

I should also mention his recent study of PricewaterhouseCoopers' third-party evaluation of labor conditions in various factories—partly because it is both shocking and amusing. PwC allowed factory managers to select the employees who were to be interviewed and had the managers physically bring these employees to the interviews. It is deeply doubtful that under these conditions staff would risk offering honest comments that managers would not want to hear.

FRAMING QUESTIONS

FROM PROLIFERATION TO PRIORITIES

In the last decade, the number of "independent" monitoring and regulatory organizations has expanded exponentially. Enabling these "thousand flowers to bloom" may have been useful initially, but this proliferation now threatens to damage overall monitoring and regulatory capacity. Among the suggested remedies are 1) transparency, 2) comparability of monitoring, 3) a public ranking system, and 4) social pressure on monitors as well as companies.

* What are the priority goals and pioneering initiatives in these four areas?

* What are the main obstacles to achieving those goals and advancing those initiatives?

* What are the key steps in acting to overcome those obstacles?

FROM PASSIVITY TO POWER

Local communities have detailed knowledge of conditions in their places of work and abode, and have a strong claim to be involved in the monitoring and regulation of industries that affect them.

* What progress has been made, conceptually and practically, in establishing "best practice" for involving local communities in planning, monitoring, and regulatory processes?

* What is the ideal division of labor between "independent" NGOs, states, and intergovernmental organizations when it comes to empowering local communities?

* Are new multi-stakeholder codes and processes of scrutiny achieving a better balance of actors from the global North and South than did the (largely failed) initiatives of the 1970s?

FROM PARTICIPATION TO POLITICS

* To what extent do recent CSR initiatives bypass local and national (democratic) authorities, operating outside of ordinary domestic political and bureaucratic channels?

* Given the limitations of many states, including bureaucratic inertia and corruption, to what extent is such bypassing of existing authorities avoidable and/or desirable?

* In what ways does community involvement in regulation impact, more broadly, on *democracy* within states?

DARA O'ROURKE: I want to build on both of the earlier big-picture discussions of corporate power (and imbalances of power) and democratic responsiveness by focusing on specific cases. My recent research focuses on the local accountability component of these new strategies of governance, and on new experiments for governing global problems—particularly the labor, environmental, and human rights impacts of multinational production.

First, there has been a rapid emergence of new types of nonstate governance in a number of different industrial sectors and on a range of issues—from environment, to human rights, to labor and social issues. These forms of governance are attempts to build new regulatory systems, to alter existing markets, and to change the way private actors operate in the market in the hopes of both uncovering the existing problems and creating strategies for solving such problems.

These systems of governance are motivated by a number of broad trends:

● Global outsourcing, or the internationalization of almost everything that is consumed in the global North, including products and services.

- The widespread perception that traditional state regulation has failed, or at least that these strategies are not working for global systems of production and consumption.

- The rise of branded, reputation-sensitive companies striving to correct problems in their global supply chains, which they do not own but for which increasingly they are being held accountable by the broader public and consumers.

- A broadening, deepening, and increasing awareness and concern among average citizens and consumers in both the global North and South about issues of social, environmental, and economic development. One of the successes of the anti-sweatshop and environmental movements has been increasing public concern about these issues. Although few victories have been won, awareness of these problems has grown all around the world, and I think this leads to increasing demands for democratic accountability.

Returning to the problem of power imbalances and ways to hold companies accountable, I would like to point out that this is beginning to occur in many arenas. Thus a host of accountability initiatives are emerging on a range of issues: from so-called conflict diamonds to fair-trade schemes for coffee, cocoa, wood, and bananas, to forest stewardship and sustainability schemes.

Aims, Structures, and Effectiveness of CSR Initiatives
There are broad variations in what these initiatives aim to do and how they operate. Some of them are quite corporatized—that is, dominated by the corporations (who are under scrutiny themselves), with privatized, top-down, elite structures and often only voluntary self-regulatory mechanisms. Thus they suffer from very little democratic accountability, and there is very little serious participation in them.

Other CSR initiatives, however, are attempting to build democratic, locally accountable, substantively responsive, participatory strategies of governance. They are debating and developing efforts at locally accountable global governance, from actualities on a specific banana plantation all the way up to the broader rules of the game in our political and economic systems.

These initiatives vary across a spectrum from unilateralist to multilateralist, or multi-stakeholder, approaches. They also vary across the spectrum of participation.

For example, the conflict diamond issue is largely a top-down, voluntary, self-regulatory system led by a few key firms, but with no external monitoring and no third-party certification.

Within industrial sectors there are also varying approaches and concerns. For instance, in forest codes there are four major global initiatives competing to certify the sustainability of forests: the Forest Stewardship Council, originating in the NGO community; the Sustainable Forest Initiative, originating in the American Forest Products and Paper Association; a regional pan-European system; and a national Canadian system.

On labor rights there are six major systems: Social Accountability International; the Fair Labor Association; the Worker Rights Consortium; the Ethical Trading Initiative; the Fair Wear Foundation; and the Worldwide Responsible Apparel Production initiative. They all have quite different methods for achieving their aims.

As far as goals are concerned, some initiatives try to identify problems, to establish mechanisms for workers to complain, or to "pull a fire alarm" in the global economy so that the press and consumers can find out about ongoing problems. Other initiatives are more focused on internal supply chain management. Some seek to build systems for remediation within the supply chain, while others work to influence consumer choices. These different approaches include very different versions of participation, power, and accountability.

Some of these initiatives are privatizing regulation—taking functions that were previously state functions and moving them into corporate hands. Others are trying to democratize regulation—bringing in new voices and new participants to make the dialogue more reflective of social values and bring about more socially grounded governance of global economic systems.

These governance schemes also have very different standards and methods. Looking just at those organizations that deal with labor issues or forest products certification, we see that freedom of association, a standard that the ILO has established as a core principle of labor rights, is interpreted very differently in different schemes and places. In China, there is one union, the All-China Federation of Trade Unions, which is controlled by the state and the communist party. In Mexico, there are protectionist unions essentially controlled by corporate managers. In the United States, with the diminishing power of unions, there are wide variations in the capacities of workers to form a union. So even a concept that should be straightforward—such as freedom of association, or discrimination, or environmental sustainability—

Individual companies "self-regulating" is not only the fox guarding the henhouse, but the fox's overpaid consultant guarding the henhouse. These consulting firms are certifying conditions that are not being independently verified, are not locally accountable, and are not assessed through open and transparent processes.

is interpreted and implemented very differently.

The complexities are compounded further when it comes to figuring out how to monitor and enforce corporate responsibility mechanisms. How do these systems go about tracking problems, investigating them, and inspecting and verifying corporate processes? Quite a range of solutions has evolved, and not all are effective. Often the monitoring is privatized. Yet individual companies self-regulating in this manner is not only the fox guarding the henhouse, but often the fox's overpaid consultant guarding the henhouse. These consulting firms are certifying conditions that are not being

Dara O'Rourke, right, with John Clark

independently verified, are not locally accountable, and are not assessed through open and transparent processes, all under the banner of some CSR schemes.

There are also major differences in what these initiatives actually certify—from brands, to individual factories, to the whole supply chain—and differences in what their model of regulation is and what the public gets to see. A really critical issue is the transparency of these schemes.

The sanction and reward aspect of these CSR schemes is not standardized either. Many schemes operate on a carrot, or incentive-based, model in which a firm gets certification or a label that may help it in the marketplace. Other schemes threaten punishment for nonperformance or noncompliance. These approaches to sanctions and rewards have a number of problems:

Information asymmetries. It is very difficult to monitor or govern global production networks. Take apparel manufacturing, for example. A company like Gap has approximately 3,500 contract factories operating around the world every year. The set of factories being employed changes literally week to week—their orders sometimes change day to day—within countries and between countries. It is very hard even for the firms themselves to track where their production is at any one time, let alone for it to be tracked by an external third-party process that would try to find these factories and monitor them. These supply chains are very local, very flexible, very fast-moving, and changeable. So there are problems simply of collecting information, which leads to problems of transparency in production systems.

Power asymmetries. Among CSR schemes, there is significant variation on who sets the rules, who is at the table, who determines the standards and the code and the norm of performance, how the monitoring is controlled, who gets to participate in the identification and definition of problems, and who participates in resolving and remediating these problems. In many of these schemes, even those focused on labor rights, workers have a very limited role in influencing either the identification of problems or their solutions. This is a problem of participation for both communities and workers.

Problems of accountability. How are firms held accountable in a democratic, public, open way? Many CSR schemes have not moved yet to that level of accountability. Expanding participation is a key issue across the board. So how do we make these processes more democratic, more participatory, and more responsive? Workers, communities, consumers, local state agencies, and firms themselves all are key participants, and we need to think about how to bring them in.

New Strategies for Community Participation

New strategies are emerging to bring communities, workers, and impacted stakeholders into community-level monitoring. Previously, monitoring of environmental,

social, and labor problems was primarily the purview of the state agencies: the labor ministry, the environmental ministry, and so forth. Increasingly, there is a perception that those agencies are not doing an effective job of identifying problems in global supply chains, both in many developing countries and in the United States. This has led to experimentation with community and worker participation in the actual monitoring process.

For example, I conducted research on air monitoring that ranges from high-tech to low-tech to no-tech strategies, all of which incorporate impacted parties in the identification and documentation of environmental hazards.

The no-tech version involves teaching community members and workers how to do odor and symptom surveys—to track what they smell, when they feel dizzy, when their child gets nauseous or has an asthma attack. This way, the community members begin to play a role in the monitoring. Members of the community are in these locations all the time, which none of the monitors and state inspectors can be, so this incorporates them in a meaningful way.

One of the medium-technology advances is the bucket brigade, which is just a five-gallon paint bucket with a sealed sterile Tedlar bag on it. When there is a leak, a fire, or an explosion—which happens all too often at these petro-chemical plants—community members take a three-minute air sample. The Tedlar bag is sealed, they put it in a pre-prepared FedEx box, and send it off to the lab; two days later, there are verified results on what was in the air. This significantly moves the debate from community members complaining about "Oh, it smells bad" or "I feel sick" to "There are twenty-seven parts per billion of benzene, there are eight parts per billion of methyl ethyl ketone." We actually know what was released from the factory; it is no longer just smoke, which is often what the firm claims.

Workplace committees have also been an effective remedy for labor issues. The idea is to include workers as

New Trends Driving Corporate Accountability

1. Global production outsourcing
2. Failure of traditional state regulation
3. Rise of branding
4. Increased consumer awareness
5. Growing demand for democratic accountability

–Dara O'Rourke

researchers and monitors. Some tremendously interesting experiments are taking place in very difficult environments like Vietnam, Indonesia, and China. I have been involved in some experiments with workplace health and safety committees in the factories of multinational shoe manufacturers. These worker committees are beginning to identify problems on factory floors and to create mechanisms to report these problems, either to external NGOs or to the branded companies themselves; it then becomes possible to begin to remediate problems and negotiate longer-term solutions. So workplace committees are both finding and resolving problems.

There is a phenomenal transformation in accountability in these factories where young migrant workers, almost all women who literally came off the farm a year or two ago, are now negotiating in a serious way with foreign factory managers, after receiving training in capacity-building and participation. These women actually write tickets to the factory managers for problems they find, demanding resolution; and then the information they provide goes to the brands or external groups that support them.

Unions are also a part of this picture. Reebok and a number of other firms have been experimenting with developing unions in their factories in China, though these projects are in the early stages. Social Accountability International (SAI) is also experimenting with supporting worker councils, training them for what SAI calls "parallel means of representation." In places where one cannot develop what we think of as a union, how can experiments in worker organization be developed? These strategies start from the perspective that workers need both to monitor problems in the workplace and to play a larger role in the remediation. This elevates the position of the workers beyond a simple monitoring role, into the collective

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Different Codes Have Different Goals

1. Identify problems.
2. Support firm supply-chain management.
3. Support remediation of problems.
4. Support consumer campaigns.
5. Support worker organizing and empowerment.
6. Support improved government regulation.
7. Democratize versus privatize regulation.

– Dara O'Rourke

bargaining arena and all the way toward a connection with global framework agreements and global collective bargaining agreements—where multinational corporations and their supply chains are formally required to respect the rights of workers to freely associate, to collectively bargain, and to play a role in making decisions that affect their lives (wages, hours, health and safety, etc.).

Efforts have also been made to establish accountability teams, connecting worker committees and groups with transnational advocacy networks. For example, there are a number of initiatives between the Worker Rights Consortium and the Fair Labor Association concerning entering into conflict situations. They try to put together a transnational inspection team, which has labor lawyers and health-and-safety experts and people who can assess the issues at stake. Then such outsiders are paired with local teams—not workers from the specific factory of the complaint but other workers, other local NGOs, other local experts—to develop a process of local participation in a transnational accountability process. This creates conditions for both finding problems and putting pressure on international brands; it also creates space for experimenting with pragmatic, participatory, democratic approaches to remediating problems at factory facilities.

All of these initiatives are in the early stages of experimentation, but I think they are making some progress in expanding the space for local participation and regulation.

The CSR Agenda and Its Future

There are a number of necessary steps for moving these kinds of CSR schemes forward and for building on them. First of all, I think we need to think about how we can improve transparency. There has been a huge movement in the last several years toward greater transparency in both voluntary and mandatory reporting—on individual corporate governance, on the South African Stock Exchange, on the French Stock Exchange, within the British pension system—demanding more disclosure from the firms that are operating large global supply chains. There has also been movement within these multi-stakeholder initiatives toward requiring more transparency in their auditing methods, their findings, and their remediation processes. People need to know what happens after you find a problem in a supply chain, how it is resolved, and whether workers' lives and the environment are improved.

Expanding participation is another necessary step in advancing the recent CSR initiatives. Many of the participation experiments so far have been at the point of production where the problems are found. There needs to be more participation in the standard setting. Organizations in the global South are still rarely included in the formation of corporate social responsibility schemes, and their roles need to be expanded in setting the rules of the game, as well as in the realm of monitoring and remediation.

There also needs to be more public learning from these processes, especially on benchmarking firms and monitoring systems—finding the best practices as well as the leaders and the laggards, in these systems. Processes need to be opened up in a way that will allow us to put some pressure on firms that are not complying.

Another key concern is the interoperability, or even convergence, of these different schemes. Monitoring and accountability systems are being enacted, as I have mentioned, in many different industrial sectors, in many different forms. How can we harness their diverse successes collectively? There have been some interesting initiatives in labor monitoring and regulation. For example, the main multi-stakeholder initiatives in this area are working together cooperatively on a project in Turkey right now. That kind of collaboration needs to happen within sectors and then eventually across sectors and across different kinds of schemes—the union efforts, the privatized efforts, the NGO driven efforts—to bring all competencies and experiences together in a mutual learning environment.

Furthermore, the state does need to remain involved. In the long term, we need to think about how privatized, nongovernmental schemes connect up with national and local state regulation. For example, we need to be think-

ing ultimately about Chinese regulatory structures, local governance, and local corruption. These issues are critical for long-term management of CSR, and thus how CSR initiatives complement, strengthen, and connect up with state regulation.

Also critical is how we connect up worker and NGO alliances with existing consumer-based groups. Many campaigns for change in corporate behavior and regulation are driven by consumer concerns in the global North, and a key opportunity is lost when the connection is not made to local accountability organizations, worker participation, and community-driven regulation.

Finally, while these initiatives clearly have problems, weaknesses, and limitations, they also offer points of leverage over serious problems of global governance and the power of corporations in global economics and politics. These initiatives are a small step forward, but they offer us an insight into how we might build wider and more effective regulatory mechanisms. CSR initiatives can hold individual firms accountable, they can bring workers and communities into the debate in meaningful ways, and they can help us to think about how we might build, expand, scale up, and ultimately coproduce global governance.

This process is one that will require new types of hybrid organizations that seek to work together to lay down a new path for social cooperation.

Moving Forward

1. Increase transparency of accountability initiatives.
2. Expand participation:

    Standard setting, monitoring, and remediation.
3. Compare and benchmark:

    Manufacturers, brands, and monitors.
4. Advance cooperation or interoperability among sector initiatives.
5. Make governmental and intergovernmental connections.
6. Support consumer-worker alliances.
7. Coproduce democratic governance.

– Dara O'Rourke

QUESTIONS AND ANSWERS

Engagement vs. Targeting

SHEPARD FORMAN: Charles Kolb and Dara O'Rourke seem to me to present quite different points of view. Let me characterize their positions very briefly: Charles points to the evolution of the corporation in contributing to the greater public good, whereas Dara sees the corporation as a target—which is why he focuses on the proliferation of initiatives that are designed to constrain or redirect corporate power. Would it be correct to say that those are two very different perspectives on corporate governance and on the position that corporations occupy within the broader social framework?

CHARLES KOLB: Corporations can be targeted, and they can be engaged. While these two approaches are different, they can—if used properly—be complementary. If a corporation behaves badly, it should be a target and it should fix the problem. If one is trying to advance an agenda for the greater public good, success is more likely when one looks for common ground, instead of attacking corporations from the perspective of "here's what you have to do." Corporate engagement is a different approach than corporate targeting, but my sense is that one serves as an accelerator and the other as a brake; and you need both when you are trying to drive public affairs.

From Philanthropy to Public Policy

ELLEN KALLINOWSKY: There are many definitions of "corporate social responsibility." In the English-speaking world, CSR has been interpreted as philanthropy, whereas in other parts of the world CSR is much more related to the capacity of management systems to provide the best possible social and environmental conditions. Is it not important to look beyond the philanthropic form, which is generous and useful but not the be-all and end-all of what corporations can accomplish?

Someone once said to me, "You can only be a philanthropist if the government fails to raise taxes properly." There is some interesting thinking behind this idea, and it highlights the thought that CSR can be much more than just philanthropy and the large sums of money that go with it.

CHARLES KOLB: I was not trying to limit my analysis to philanthropy, but to use the way philanthropy has evolved in this country as an example of broader issues. I have

always been concerned about the phrase "corporate social responsibility" because it immediately puts the company on the defensive. In creating the report to which I referred, we debated the term "corporate engagement"; in the end, the subtitle became "Engaging the Global Enterprise." This is an important distinction, because CEOs will not react well if you are accusatory or assign them responsibilities at the outset.

Let me also point out that we have a serious problem in this country with the breakdown of shareholder democracy. If our domestic and international public companies are already having difficulties addressing the concerns of their closest constituents, namely their shareholders, then other actors that are several steps removed, like the CSR organizations, are going to have an even harder time being heard. In fact, CEOs in this country are now a little bit gun-shy of public policy. I have had numerous discussions with corporate leaders, particularly after the wave of recent scandals, and what I am hearing is that their general counsel, their public relations people, their communications people, or sometimes even their boards, are telling them, "Keep a low profile, don't be out there as a leader, let's let this pass." In the current climate, it is very important to determine how one should engage the corporate sector on these issues, and coming at them immediately with a set of rules or regulations is counterproductive. But it is very important to work with them to understand expectations that could be placed upon them, and how those expectations are now being reflected in norms and customs and values among the different stakeholders. Carefully managed, these interactions may ultimately evolve into a code.

The Sarbanes-Oxley legislation on public accounting and investor protection provides a good, easily traceable example of how we go from a set of expectations that are not met to a set of very prescriptive rules to deal with an issue.

DARA O'ROURKE: I also have a problem with the term "corporate social responsibility," but I have a different conclusion as to how it should be rephrased. I am more comfortable with the idea of corporate accountability: There is a growing movement in a number of spheres, from financial to social to environmental, that demands that firms be held accountable for their impacts on society and the environment.

We need to think about how to bring corporations back in line with the interests of society. Although clearly

there are leaders and firms that are doing some very positive things and being responsible, there are unfortunately many more laggards or slow-moving firms. In the sectors I have studied, it has primarily been branded and reputation-sensitive firms that are participating in accountability initiatives. Even where there is that pressure, they still do not respond in some instances. For example, Wal-Mart has not responded to massive concerns about its labor, environmental, and social practices, whereas Nike, Levi's, The Gap, Reebok, Disney, and other more brand-sensitive firms have responded.

So there is a need for mechanisms of pressure and targeting, but they also need to create room for democratic experimentation on how to solve these problems. It is quite clear that traditional state regulatory strategies—fixed rules and regulations—often do not cover the issues with which we are grappling. Individual states have not been successful at regulating these issues. Bright-line standards often do not apply on many of the most complicated issues with which we are concerned, like freedom of association, discrimination, and sustainability. We do not have clear, natural, or easily applied regulatory responses, so we need to think both about how to create incentives—in my view, pressure—for firms to come to the table and act in good faith on these issues. We also need to think about how to make room for creative, experimental, democratic approaches to dealing with these problems.

The Poor and the Informal Sector

MARY ROODKOWSKY: Should we not also differentiate between the way that we approach these issues for the global South and for the South of the South (the poorest and most marginalized people)? We have been talking a lot about the role of civil society and democratic institutions, and about the need for bringing local communities into the debate to help define and remedy these problems. What happens when the community is quite disempowered—whether through exceedingly low literacy rates, as in much of sub-Saharan Africa, or through a lack of political empowerment, as in many countries of Central Asia? Do we need a different model in these cases so that even something as simple as strategic philanthropy can be effective?

Disempowerment is even more crucial when the continuum between capital, labor, and consumers is completely disconnected. In such situations, the corporation, which is mainly focused on delivering benefits to the wealthy parts of the South or to the North, has neither the constraints nor the self-interest that usually work in other parts of the world.

CHARLES KOLB: I am not sure what the right model is, but I do think that corporate leaders can be more concerned about issues faced by the underdeveloped South than many people suppose. Consider Paul O'Neill when he was Treasury Secretary and his revealing trip to Africa with Bono: O'Neill discovered the importance of one very simple solution to development problems—safe drinking water. He is a national leader—a former CEO and cabinet secretary—who is really quite agitated about why companies and countries cannot do a simple thing like provide safe drinking water to sub-Saharan Africa. In his view, that is the single most important thing we can do to help some of these countries and people to reach a higher level of development.

Why can't we make this happen more broadly, across a range of issues? How does one engage a set of companies and CEOs around this issue—like Merck and Pfizer and others have been engaged around AIDS? These are the questions we should be asking.

DARA O'ROURKE: A critical result from my research is that the positive news stops when you hit the informal sector and the South of the South—that is, the poorest of the poor. In my view, it is no longer a North/South, developed/undeveloped divide. We have parts of Brooklyn and the Bronx that are as removed from the global economy as are parts of Burundi. All over the world there are people and locations that are in the global game and people and locations that are out of it. A key challenge is thinking about how we can connect in and bring these issues of human rights, labor, the environment, and social policy to those parts of the world. CSR initiatives have been very good at targeting leading brands and then working down through their first few tiers of suppliers, but not so successful at getting down to where the really pressing issues of poverty alleviation and development are located.

Reforming Financial Controls

BARRY HERMAN: From the two analyses, I was able to draw out two different models of political change. Dara O'Rourke refers to grassroots political struggle, and Charles Kolb refers to something more akin to gentlemen commentators with policy proposals. So my question is: What process does CED use when tackling an issue? For example, campaign finance reform legislation emerged in the United States and then was quickly gutted. And as far as public discourse and perceptions are concerned, the only consistent press coverage of campaign finance is the latest tallies of how much money George W. Bush and

John Kerry have raised. The talk is all about monetary totals. Has anything really changed? If CED is engaged on this issue, what does it do next in the struggle?

CHARLES KOLB: I do not agree with you that campaign finance reform has been a failure and that the law has been gutted. For one thing, the jury is still out as to what will happen with the Securities and Exchange Commission (SEC) regarding Section 527 organizations. The way money comes into our political system is very different today from what it was two years ago, and it was exactly what some of us hoped would happen: Namely, the use of large corporate and union dollars is now illegal. Politicians, for the first time in many years, are engaging in retail politics. They have to court the small-dollar donors and both parties have jumped on this—Howard Dean and John Kerry through the Internet, George W. Bush through the enormous Republican small-dollar donor base. The limits on hard money were raised from $1,000 to $2,000, but all the soft-money contributions were taken out— and in my view that is a good thing. Politicians now have to court real people and not just big companies and big labor unions that give six- and seven-figure checks. John McCain will tell you that it is not perfect. We are probably going to have to make alterations ten or fifteen years from now, but the data I have seen suggest a significant change in the way money is coming into the system.

There is another issue here for which I don't have a clear answer: What is the right thing to do in America about CEO compensation? Most people are aware of what the customary relationship was thirty or forty years ago between CEO salaries and employee salaries, namely 40:1 or 50:1 versus the current ratio of 400:1 or 500:1. Some people on my board at CED have even proposed establishing something that might look like a set of principles or a code to resolve this growing inequity, though it has not come to fruition yet.

In the end, people may get fed up enough that they will agitate for Congress to pass a law to regulate this domain. In the meantime, what is the best way to get CEOs and companies to do the right thing? I pose the question at the national level because I think it is analogous in many ways to what we are talking about in the international arena.

Avoiding a Race to the Bottom

BIBI BALOYRA: I have an in-the-trenches viewpoint on these matters: I worked for branded companies as a buyer of retail apparel and accessories, with most of the goods

coming from Asia and India, and recently I did some wholesale work in the specialty gift markets. In my experience, China is much more accepting of the human rights, child labor, and environmental standards with which we are trying to get companies to comply than most other countries. The implementation is very top-down. But the situation in India is very different. Work occurs on the village level. There are agents who basically take orders and then farm them out throughout the country. They do not go and check production conditions, so they have no idea what is going on. They just want the order filled so they can get their percentage once it ships.

This leads me to ask two questions, both about how problems of countervailing motivations can be addressed. First, as a merchant today, I can go to India and find a very special product and leverage that uniqueness in the market. But I worry that by setting strict global standards for future production cycles, the market will look more or less the same wherever I go. Retailers will lose their competitive edge as far as inventory is concerned, if they can only buy from companies that meet global standards. Similarly, I have not heard much discussion about how to protect smaller or less branded companies. Nike is doing a great job of cleaning up its act, but it is a multibillion-dollar company. What about the $200-million companies? Should they be offered a subsidy? If they buy from factories on some sort of list of acceptable facilities, are those purchases subsidized because compliance adds to the cost? How can such concerns about a homogenized marketplace be addressed?

Second, I have been in situations where a product was flying off the shelves but I could not get any more of it because the agreed export quota had been already bought up in China. The purpose of that ten-year quota restriction was to try to give Singapore, Vietnam, and other countries the opportunity to receive orders from the United States (primarily). That quota in China will be lifted in January of 2005. When China starts getting all the orders that they have been anticipating and for which they have been making capital investments—building and expanding their factories—there will be an economic collapse on the horizon in some other Asian countries. Forget about compliance in those cases. They are just going to scramble for orders. Could there be a more effective transition strategy?

CHARLES KOLB: You ask a really tough question, and one that gets right down to the root dynamics of free trade and how it affects countries. My guess is that an appropriate transitional strategy will probably include elements

analogous to what CED is recommending to be done in the United States for our own workers who are adversely affected (through no fault of their own) by globalization and outsourcing. These efforts include ideas such as Brookings Institution economist Robert Litan's wage insurance proposal, as well as serious retraining opportunities. It is a powerful argument—and CED trustees have felt this way for a long time—that the benefits of free trade are so great that they must not be forgone, but we also know that the dynamic can be harmful and disruptive for some people. It is perfectly appropriate from the perspective of people who are harmed through no fault of their own that the people who are benefiting from free trade should share some of these benefits.

Local Experiments, Global Solutions

JUDY GEARHART: As a program director at Social Accountability International (SAI), I share Dara O'Rourke's enthusiasm for community monitoring and participation experiments. A lot can be done with the different initiatives he has studied, in terms of setting best practice and showing how situations can be improved.

At the same time, I am tired of being an experiment. I am wondering how SAI can begin to link into a bigger vehicle. Since you have been consulting with the World Bank and other large institutions, I'm interested to hear your thinking on what those other vehicles might be.

I would also like to ask Charles Kolb, from the corporation side, what those vehicles are. How do we broaden serious corporate change among not just the leaders but the laggards as well? When I first moved into the accountability field, I thought that corporations would be more agile and adaptive in their abilities to change; however, real change is not easy. Even at companies that are leaders in supply chain management, the top people confess that they have not made a lot of headway. When you ask them what impact they have on the production end (for example, changing the way the buying department gives the production department enough lead time, so as to avoid excessive overtime), they report minimal positive change.

Then there is the difficulty of engaging governments: SAI is providing worker training in China, but we constantly run into problems. Our website has been blocked, and we never know if the government or the Chinese trade unions will allow our projects to go forward. In the case of Reebok, there has been some very good progress in terms of direct elections and direct representation, but there have also been cases of intervention by the All-China Federation of Trade Unions

that infringed on that process. How do we keep the governments engaged, not just in China but also in other countries? In Latin America, governments and corporations are going to be quite affected by the end of the Multi-Fiber Arrangement (MFA). What is the best way to deal with this issue, and how can SAI link with corporations in a partnering role?

The UN, the United States, and bilateral donors can surely play a huge role. The U.S. government, for instance, is now looking to public-private partnerships within the Global Development Alliance. There is a renewed focus on how to extend these projects out to larger numbers of people and how to have a larger impact; but that often limits our ability to get more experiments moving forward. Large-scale impact generally requires multi-stakeholder inputs, which can lead to a watering down of the potential for real change.

To what extent can the UN and other multilateral groups really take hold of the rights-based approach to development and make it into something real? How can they talk to governments and ask: "What is your strategy for dealing with global economic change? You have some real responsibilities related to economic, social, and cultural rights as well as civil and political rights. These rights are going to be impacted by global change. To what extent is this reality reflected in your country development plan?"

CHARLES KOLB: We need to adopt at least four strategies. First, our struggle on campaign finance reform is indicative of how to move beyond being an experiment. The answer is to keep at it. It took John McCain and Russ Feingold more than eight years to do this; we should never give up. Second, we have to look for allies. Third, we have to look for ways to promote those allies and give them "cover," since corporate executives are very conscious of what their peers are doing. Fourth, we must generally use an incentive-based (carrot) approach if at all possible; the more regulatory (stick) approach becomes necessary only when serious problems arise.

DARA O'ROURKE: I trained as an engineer, which has led me to focus on many of these issues as design problems and to think about design solutions for them. The expiration of the MFA is a critical issue that will be an example for how we think about these transitions and think about moving forward. The World Bank, some leading companies, some leading NGOs, and some developing country governments are all trying to think through a transition strategy to help reduce this major dislocation. Most of

these actors at the table agree that you cannot win by adopting the low-road strategy anymore in the garment industry; you cannot beat China if you are El Salvador or Bangladesh or an African state. So the question is: What is a high-road strategy that combines thinking about development impacts with thinking about social protection, safety nets for dislocated workers, retraining for the workers that are going to lose their jobs, and skill and technology improvements in various industries? Can corporations and governments outside of China create socially responsible platforms for production, and thereby attract the firms that do not want to operate in China, do not want to take the low road, and do not want to risk exposés and problems in their factories? There is only early work on this, although it is very pressing as MFA phaseout occurs at the end of this year and the transition will occur rapidly thereafter. Huge challenges lie ahead, and we need to respond quickly.

Labor, Consumers, and Managers

MANFRED BARDELEBEN: I have three short points. The first is that unfortunately in the CSR framework agreements Charles Kolb mentioned there are no stipulations yet concerning wages. At most, there are stipulations about working hours, and a lot about workplace safety.

Second, it is an important point that the 11 percent of workers who are unionized in the United States have much more power than almost any other group that works on these issues. However, there is one group that is more important—the consumers. Wouldn't you be interested (as a consumer) in the working conditions of other people if these were explained to you and you perhaps had economic incentives to do something as a consumer?

My third point concerns voting and internal controls over corporations. The most popular theory of corporate governance is the so-called agency theory, which holds that managers in fact tend to run firms in their own interests and not those of the shareholders or wider community. I am always intrigued as to why it is much easier to talk with European companies about CSR issues than with American companies. It may be partly due to the fact that the concentration of voting power in the hands of those actually running the company tends to be much higher in Europe than in the United States (about 30 percent versus 3 percent). Also, in Southern Europe—especially Italy—there is a strong role for the state in many big companies. In Northern Europe and Middle Europe—Austria and Germany are the best examples—it is often families and

private interests that control those companies. In your view, is there a link between managerial control of companies and the larger issue of political will and capacity for responsible corporate governance?

CHARLES KOLB: We are debating intensively the relationship between control and corporate governance in America right now. SEC Chairman Bill Donaldson is trying hard to rebuild the agency relationship between shareholders and management, and between shareholders and the board. What has evolved so far is an agency relationship in which boards tend to look to management for guidance rather than fulfilling their agency responsibilities to the shareholders. This debate needs to go forward, and it should touch on CEO compensation, on the need for independent directors, on proper governance of mutual funds, and more.

We must accept that we have an agency theory that has failed; certainly, it has failed the shareholders. Hopefully, this will play out in a positive way. Personally I hope Bill Donaldson and good people like Bill McDonough from the Accounting Oversight Board win out, because I think they have a lot of courage and good ideas. Bear in mind, however, that we are experiencing a relatively new phenomenon for U.S. companies, when it comes to the impact of globalization and the highlighting of good and bad practices abroad. I am optimistic that the CEOs that I deal with are bright people who want to do good things. Engaging them in a dialogue around these issues and pointing out what others are doing will result over time in the type of practices that we would like to see.

But we are working in a context in this country in which even the good leaders among CEOs have been put on the defensive in the last few years because of scandals. I would like to see more ways to get more CEOs actively engaged in public policy issues both domestically and internationally because I think it is good for them, it is good for their companies, and it is good for the country. It is a bad thing in my view right now for corporate America to be on the defensive and to have CEOs regarded as on par with criminals, which is what some polls have shown. This is not even humorous. Such low morale and lack of trust is bad for the economy, bad for the country, bad for those companies, and bad for their employees; it makes it harder to have exactly the type of dialogue that I have been suggesting that we need.

So you need to keep at it and try a variety of strategies. The movement for greater corporate responsibility is actually growing, not diminishing. But bear in mind that this is relatively new, particularly in the international context.

Innovations in Participation

DERK SEGAAR: Let me continue to press on three issues. First, how is it possible to engage informal sector workers in community-based monitoring? Second, how is it possible to engage non-brand-name firms? Third, does recent work on either of these issues provide lessons on how to move forward in expanding all the small, experimental initiatives into a larger system of corporate accountability?

DARA O'ROURKE: In dealing with the informal sector, we need different strategies. We have to move away from top-down strategies that focus on branded companies and to start looking more to community-based strategies. If we think about examples like child labor, all the exposés and top-down attacks on brands have been distinctly unsuccessful. The solutions sometimes end up forcing kids out of sweatshop jobs and into even worse conditions. The best strategies on child labor have been community-based strategies that create economic opportunities like literacy, education, and incentive plans. Those strategies work at the community level where the community conducts oversight, monitoring, and self-regulation to much better effect than any external, top-down strategy.

But that leaves us again with the problem of scale: How do we move from these individual projects to greater integration and broader coverage across sectors? That for me is the million-dollar question. Network schemes of governance seem promising. We have moved from hierarchical systems of manufacturing and production to heterarchical networked organizations of production. We need to be thinking the same way about governance and regulation: developing heterarchical networks, both local and across regions, and then scaling up to intergovernmental, international strategies. We do not have good infrastructure or knowledge in place for achieving such grand visions. Corporations are way ahead of the public or governments when it comes to thinking through new forms of networked organization, control, and management. So although there have been some interesting experiments, we have a long way to go.

On the broader question of how to move the field forward, there are a number of strategies and a number of immediate steps that we can take. The first step is transparency. We need to know more about where firms operate in the global economy, how they operate, and what their practices are—both in terms of finding problems and identifying good management strategies. This is something that a number of individual governments and nongovernmental initiatives are attempting to move

forward, but there is a lot more to be accomplished.

The second step is to establish systems of comparison. How do we compare individual firms publicly in a way that we not only learn from them but also create pressure on them, so that the good firms are known publicly for behaving that way? Right now it is impossible for consumers to know whether Nike, Reebok, or Adidas is the more responsible or accountable firm. In fact, I have

Derk Segaar and Bernard Yeung

studied these firms and I know their supply chains, and I still do not know a number of facts necessary to determine which is the most socially responsible. So consumers can accomplish only a limited amount right now, though consumers really are the major point of leverage on many of these questions. It is important to harness consumer power in a more serious way.

A third step involves effective use of technology. Technology exists now that allows you to go into a store with an infrared-enabled cell phone or Palm Pilot and pull information off a product e-tag about where the product was made and under what conditions (for example, did it have a union, what were the wages, etc.). But we do not have the infrastructure in place that would allow us to put this technology to use and realize that level of public transparency for products.

Fourth, incentives and sanctions are key, especially when we try to encourage good actors. We cannot simply rely on people to be altruistic. They also need to obtain market benefit from improved practices. We do not have good mechanisms for creating appropriate market incentives. A lot of the leading firms have basically just suffered further public embarrassment. There have not been great returns to the early adopters of transparency schemes.

As Charles Kolb said, this is a process of continuous improvement, one for which there is no end. It is

Corporate engagement is a different approach than corporate targeting, but my sense is that the one serves as an accelerator and the other as a brake, and you need both when you are trying to drive public affairs.

something that all firms think about—continuously improving quality, price, and delivery time. But when we demand labor and human rights, we need to get firms and society thinking about the fulfillment of these rights with the same eye to continuous improvement. There is no endpoint to the efforts to improve quality, price, and delivery time, and there is also no endpoint to the efforts to advance human rights, labor issues, and environmental protection. We need to create the mechanisms for all of us to think about continuous, joint, learning improvements.

How CEOs Can Break the Deadlock

DERK SEGAAR: My question is stimulated by *The Mind of the CEO*, in which *Fortune* magazine publisher Jeffrey Garten argues for a larger role for business leaders.

There seems to be an impasse here, in the sense that it is hard for any individual CEO, confronted with competition, to get the accountability process moving. I wonder whether we can think of any ways to break that deadlock or find a new starting point. Should governments try to create a more level playing field where it would be easier for CEOs to act, or are corporate associations better positioned to break this deadlock? Are there other ways to improve CEO coordination?

CHARLES KOLB: A key part of the answer is finding ways to give cover to those corporate leaders who might be inclined to do the right thing. Again, drawing an analogy with the U.S. experience with campaign finance reform, CED has a very conscious strategy to enlist endorsers of the CED report on this topic. We have over 300 CEOs, senior corporate executives, and presidents who endorse it. Now the reason we made such efforts was to make it easier for people like Gerald Levin to do what he did when he ran Time Warner, which was stand up in the middle of merger negotiations with AOL and say, "I'm taking Time Warner out of the soft money game." Time Warner used to be a seven-figure player. The best way to provide cover for CEOs is to show them that they are not alone, that there are others who have similar views, and that there will be no fallout if they simply say "no."

CONCLUSION

ANDREW KUPER: In closing, I want to chart five key steps that—in light of our discussion—must be taken in order to advance efforts to improve corporate responsibility and democratic responsiveness.

First, problems and potential motivations need to be seen from the inside. We must come to understand the different perspectives of the various agents involved in each issue or sector, whether it is corporations or particularly marginalized people in the global South.

Second, corporate social responsibility efforts must be made to work across each organization. Many of the problems raised concerned communication within the organization and its supply chain.

Third, it is necessary to ensure intensive and regularized interaction with all relevant stakeholders with whom the firm is involved. Here network schemes seem to offer significant hope.

Fourth, these different organizations, the initiatives, and the networks that are being created need to be linked up—for instance by enabling consumer networks and worker networks to collaborate more closely. As it stands, multiple stakeholders from one industry or one network get together, but there is too little effort to link up and integrate their aims and strategies.

Finally, more work is needed to establish best practice for rapidly moving from local experiment to universal practice. The key issues here concern scaling up and finding the appropriate vehicles by which to turn networks into effective collective agents. In efforts to democratize the global order by making all actors more accountable and effective, it is not good enough only to have a highly inclusive process of participation. That process must also feed into institutions with the power to make decisions and translate them into tangible results.

Five Dimensions of the Corporate Responsibility and Responsiveness Agenda

1. Come to understand from the inside the perspectives of different actors in each issue or sector.
2. Improve communication and coordination across each organization and its supply chain.
3. Develop processes for intensive and regular engagement between the firm and stakeholders.
4. Link up different organizations and initiatives, across industries and networks.
5. Learn and articulate best practice for scaling up from local experiments to global practice.

– Andrew Kuper

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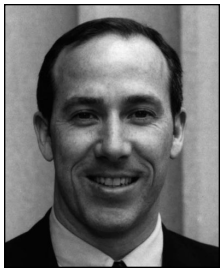
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