

The Global View

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Marriages of Convenience – But Marriages Nonetheless

An Interview

Partnerships for the future. How is the world going to be governable and how can people come together to make it work?

We are living through one of those moments that macro-historians describe as conjunctural, meaning a time when various large social forces intersect and produce discontinuities at different levels of social organization. It's hard to disentangle those moments when you're living through them – it's much easier in retrospect: 'Oh yes, of course, this was caused by A, that by B and so on.'

One obvious conjunctural force with which we've experienced some difficulty in the last year is the extraordinary accumulation of power in one country, the United States – not only military but also economic, social, and cultural power. By definition, that sort of asymmetry is bound to ripple throughout the system and create friction. Secondly, we're faced with the realization that we've created a system of global economic exchange, global communication and increasingly integrated transaction-flows on the one hand, and yet on the other hand, we have a highly fragmented global political structure. As a result, I think we are beginning to experience

at the global level what we in the industrialized countries experienced in the early part of the 20th century: namely, that a radical disjuncture between economic forces and political forces can be very destabilizing.

Thirdly, there are some fundamental normative changes taking place in the world today. The impact of certain universal values in the realm of human rights, for example, has been much more pronounced than anyone would have thought 10 to 15 years ago.

To what extent is this due to the activities of NGOs and civil society?

I would trace it back to the Nuremberg Trials. They forced an awareness of individual responsibility and culpability that helped to give rise to the human rights movement. That agenda was pushed by the US – even as the US Congress continually sought to exempt the US for reasons of domestic racial practices from international human rights instruments. But it has put down much deeper roots. When I joined the UN, people beyond Mary Robinson's shop were still feeling apologetic about making universal arguments. Three years later that was conventional wisdom.

A fourth area of fundamental change is the discovery that it is increasingly beyond the capacity of any single sector of society to respond effectively to the magnitude and complexity of today's challenges. So today, governance cannot simply mean that which governments do. Increasingly, governance involves drawing on the skills and capacities of different social sectors and actors, and getting them to pull in the same direction for the sake of creating public value.

So there are at least four or five of these major historical changes that all happen to be bumping into each other at the same time, causing us academics grief because we can't keep up with them. At the moment, a great deal of the creativity lies with the practitioners on the ground.

Who are the practitioners on the ground?

That depends on the area you're talking about. Take the example of health. I've been directing a project this past year with colleagues in the Harvard Public Health School and the Business School on HIV/AIDS in heavily impacted countries. We've focused on how to make multi-sectoral partnerships work. In this case, the practitioners are the senior health officials of Anglo-American Mining Company, a third of whose work force is infected, and they can't wait for the state to act. The practitioners are Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) people in Germany, who saw a need to help establish and facilitate partnerships between NGOs, local business and German companies in South Africa, for example. You find practitioners in civil society organizations on the ground, who have the vision and the commitment but not the resources to make things work. And, of course, you have players at the various levels of governments and the international sphere: UNAIDS, the Global Fund, the Global Business Coalition, and so on. We rolled out a set of partnership guidelines at the World Economic Forum in Davos this January. They are particularly useful for the second and third movers but less so for the first movers because they are the ones who invented the practice. They identify good practices and then pass that information on to others trying to grapple with the challenges. I think that model is increasingly true of think tanks and academics in a number of these areas, not just HIV/AIDS: work with the first movers and then disseminate what works, while avoiding what doesn't. Obviously, academics contribute to the solutions, but by and large reality is being created on the ground.

*Who are the first movers, the people who start the ball rolling?
What motivates them?*

Well, the first movers often have diverse motives. Let's stay with the HIV/AIDS example. For Anglo-American, it was a no-brainer. Because a third of its heavily migrant workforce was infected, they had to do something. But they didn't necessarily have to go as far as they're going – moving right into community-based treatment programs. Something happened along the way. A commitment developed that was no longer purely instrumental – or at least their concept of self-interest became defined in a longer-term, more enlightened fashion than it might have been at the beginning. There is no question, however, that it began through instrumental logic. Another example is Coca-Cola, which is now engaged in providing HIV/AIDS treatment to the employees of its bottling plants in Africa. Their initial motivation was to protect their brand after being seriously embarrassed by activists. It was a question of brand management, reputation management. But neither motivation was true of DaimlerChrysler: only nine percent of their workforce in South Africa was infected versus nearly 30 percent in the case of Anglo-American, and the activists left them alone. And it wasn't true of Heineken either. In both cases, it was the leadership of the companies who decided it was the right thing to do – senior executives had served in Africa at one point or another and knew how much social degradation this disease could, and was likely, to cause.

After the first movers you get various patterns. Let's take climate change. You have the BPs and the Shells going in one direction and becoming strongly supportive of a climate change policy, and in another direction ExxonMobil is fighting against greenhouse gas emission controls. At a certain point, when there's a severe polarization of leaders and laggards, fundamentally there is only one response that will work: the state has to do what the state is there to do, i.e. it

has to provide a relatively level playing field and get involved in more traditional regulatory action.

But what if the state is unwilling to step in? I'm thinking of the United States and Kyoto.

Then you get to a second level of the game. President Bush nixed Kyoto, and somehow believed that that would put an end to the discussion. Let me mention just a few of the things that happened in the US within a year or so of his saying 'No': first, a number of oil companies lobbied Congress for voluntary controls because they had so much invested in an effective treaty. They had made long-term investments in alternative technologies, and they feared those investments would go down the drain. Secondly, we have a federal system in this country, and environmental activists started working at the level of individual states. Nearly half of all the states have now passed so-called 'Sons of Kyoto' legislation aimed at establishing state-based regulatory frameworks. This will drive industry crazy because they could end up with 50 individual regulatory standards. If movement in that direction were to succeed, they would start to agitate for uniform federal standards – which, of course, are precisely what environmental groups want. The insurance industry has gotten into the picture, led not by an American but a Swiss company. Out of the blue, Swiss Re caught everybody's attention by sending out notices to firms for which it provides liability coverage for officers and board members saying, essentially: We're increasingly concerned about how effectively you as a company are managing your climate change exposure risk, so we want to know what your policies are for mitigating those financial risks. If you have no such policies, we may have to reconsider premium rates and perhaps even coverage.

Pension funds are increasingly becoming involved. Recently, treasurers of individual US states and municipalities – in all about 30 worth about a trillion dollars in pension

funds – met at the UN to discuss climate change and how it might affect the pension holdings of the City of New York, the State of New York, and the State of California. Some of their money is invested in energy-intensive companies, and those funds might be subject to considerable risk if some of the more negative consequences of climate change were to occur.

An example that kept cropping up during the discussion was that of asbestos: pension funds with investments in companies associated with asbestos lost their shirts. And asbestos lawsuits are nothing compared to the possible magnitude in the area of climate change. So you've got directly affected oil companies; you've got insurance companies; you've got pension funds – and individual states are getting in on the act. On top of that, the northeastern states are suing the federal government. In short, the battle didn't end when President Bush said no to Kyoto; it escalated.

Sooner or later, the balance of power and the incentive structure are going to shift considerably for any administration. This is politics of a sort that we are used to in our country. It's a multilevel game because of the federal system. But increasingly, these processes are becoming transnationalized. The environmental movements are transnationalized – Swiss Re is a Swiss company, but it insures American firms. Increasingly, you have global platforms and transnational networks through which pressure is applied. So the Bush administration, in the end, will look like the little Dutch boy and the dykes – shove your finger in one hole and water comes out another. Borders are so porous these days that even the most powerful country in the history of the universe can't pretend it's going to stop social responses to climate change.

How will all this play out in Asia – in China, for example?

It's different there, of course. Recently, I had a really interesting conversation on HIV/AIDS with a senior Chinese official

in Beijing. In the past, the Chinese didn't like to talk about this subject, particularly with foreigners. The meeting was part of a series of workshops we were holding in Asia on our HIV/AIDS-partnership guidelines during which the senior official presented statistics that were much more accurate than those that had been made public. The Chinese announced to us what they then made public a week later, namely that they were going to start treatment programs for the very poor who couldn't afford it themselves. We persuaded them to agree to issue a statement encouraging the private sector to get involved. But then we ran into a couple of roadblocks, one of them being the issue of condom distribution, particularly to prostitutes. The senior official said: 'Well, you know, prostitution is illegal. If the state distributes condoms to prostitutes, it is endorsing an illegal activity.' And I said: 'Well, you've got two problems. One, AIDS is a sexually transmitted disease, and if you can't come to grips with that fact, you're going to have a hard time coping with the epidemic. But secondly, you have a problem because of your exclusive reliance on the state. In the US prostitution is also illegal, and the state does not distribute condoms. But we have civil society organizations that do. So it would be in your interests to allow for the flourishing of certain kinds of civil society activity precisely to help resolve these kinds of moral dilemmas, where the state cannot do the "wrong" thing'. This led to a very interesting discussion. It all comes down to the trade-offs you have to make if you're committed to coming to grips with some of these issues.

The foreign corporate sector in China is becoming increasingly involved with AIDS because they are being pressured from elsewhere. They've seen what has happened in South Africa, they've learned from Thailand. They want the Chinese state to tell them they can get involved in China. The Chinese firms are not engaged yet, and that's the next challenge for these multi-sectoral initiatives. The long and the short of it is that the situation is different in China because

China has such a different political system. But to switch back to the pollution issue: Beijing is horribly polluted, and the Chinese are fully aware of it. They recently announced that they were adopting fuel efficiency standards, or emission standards, that are on a par with Western standards; we'll see. The Chinese have also developed sophisticated models of how regional and global climatic phenomena interact with each other; they are beginning to understand what could happen to China – and they don't like it. Although China may not be moving as fast as ideally we would want it to, there's a lot happening. Once the Chinese put their minds to something, they can usually figure out a way to get it done.

So is Asia a concern? Of course it's a concern. But it isn't as though nothing is happening, and again transnational networks have a role to play. Foreign firms are very important. Linkages with foreign science academies are important. Obviously, the character of trisectoral partnerships has to differ, depending on local circumstances – there's no cookie-cutter formula that can be applied. But increasingly the phenomenon is a general one because of the pressures of real life unless, of course, you have a government that is so corrupt that it doesn't care at all. There are no such partnerships in Zimbabwe for obvious reasons – or in Burma.

Would you say a few words about the Global Compact? Is it attempting to set standards for companies to live up to?

The Global Compact is based on a set of universal principles derived from UN conventions or declarations in the area of labor standards, human rights and the environment. Translating those principles into certifiable standards has never been the ambition of the Global Compact. It was never intended as a regulatory arrangement. It's a platform for engagement and for dialogue, and it's an increasingly effective bridge between corporate social responsibility activities and development. Half of the 1200 companies currently in the Compact are in

developing countries. And the Global Compact has had country rollouts in nearly 50 countries, many of them in the developing world. The appeal there is not so much to adopt standards – every country has its labor laws. The challenge is to try to figure out ways of bridging the three sectors in a principled way, around the nine principles of the Compact. Setting standards is easy. It's developing the capacity to move in the right direction, or the willingness to move in the right direction that is difficult; getting companies to understand that social expectations about the precise role of a company are changing. Society and government look increasingly to business to work in partnership to solve large-scale social problems. But at the end of the day, there is no substitute for effective governance.

Thank you.

The conversation was conducted by Susan Stern

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