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THE GLOBAL COMPACT: AN EXTRAORDINARY JOURNEY

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IN PRESCIENT REMARKS SOME TEN MONTHS before the disastrous 'Battle of Seattle', UN Secretary-General Kofi Annan urged business leaders at the Davos World Economic Forum, in January 1999, to join the UN and other global actors in an effort to help provide the social pillars that a sustainable global economy requires:¹

National markets are held together by shared values. In the face of economic transition and insecurity, people know that if the worst comes to the worst, they can rely on the expectation that certain minimum standards will prevail. But in the global market, people do not yet have that confidence. Until they do have it, the global economy will be fragile and vulnerable — vulnerable to backlash from all the 'isms' of our post-Cold-War world: protectionism, populism,

nationalism, ethnic chauvinism, fanaticism and terrorism.

Embedding the global market within shared social values and institutional practices represents a task of historic magnitude. The reason is obvious: there is no government at the global level to act on behalf of the common good as there is at the national level, and international institutions are far too weak to fully compensate. Business has a critical role to play, Annan believes, because it has so much at stake — not only large multinational enterprises but also smaller national and local firms, many of which depend on, directly or indirectly, a stable and sustainable global economy. Moreover, business has capacities that other social actors lack: it has global reach, through transnational firms and supply chains; it directly affects communities in which it operates; and it can move at a speed that few governments or international agencies are able to match.

Accordingly, Annan proposed a 'global compact', enlisting corporate engagement in promoting nine principles drawn from the Universal Declaration of Human Rights,² the Declaration of Fundamental Principles and Rights at Work of the International Labour Organisation (ILO)³ and the Rio Declaration on Environment and Development:⁴

- To support and respect the protection of internationally proclaimed human rights
- To ensure non-complicity in human rights abuses
- To ensure freedom of association and the effective recognition of the right to collective bargaining
- To eliminate of all forms of forced and compulsory labour

¹ Kofi A. Annan, 'A Compact for the New Century', address to the World Economic Forum, Davos, Switzerland, 31 January 1999 (SG/SM/6881/Rev.1). Up-to-date information about the Global Compact and its activities may be found at www.unglobalcompact.org.

² See www.un.org/Overview/rights.html; see also page 38.

³ See www.ilo.org/declaration; see also page 39.

⁴ See www.un.org/documents/ga/conf151/aconf15126-1annex1.htm; see also page 40.

- To ensure the effective abolition of child labour
- To eliminate discrimination in respect of employment and occupation
- To take a precautionary approach to environmental challenges
- To show greater environmental responsibility
- To encourage the development and diffusion of environmentally friendly technologies

These principles comprise the core elements of the UN normative agenda as it relates to business: human dignity, decent work and environmental sustainability, and, because they were adopted by the world's governments, they represent the aspirational goals of the entire international community. Companies are asked to help bridge the gap between aspiration and reality.

Annan's challenge was so well received that his proposal was soon turned into a programme. More than 1,000 companies worldwide now participate in it — nearly evenly balanced between developed and developing country firms — along with some 20 transnational non-governmental organisations (NGOs), international labour federations, representing 150 million workers, and five UN agencies. Governments provide financial support, and they participate fully at national and local levels in 50 or so country-based initiatives.

From the start, the Compact has differed from regulatory or quasi-regulatory approaches towards

the corporate world; it was never intended to monitor and police the behaviour of firms. Instead, it constitutes a values-based platform for social capital formation: bringing the relevant social actors together to seek joint solutions to the imbalances and dislocations resulting from the gap between the global economy and national communities.

The Compact employs three instruments to achieve its aims:

- **Information sharing and learning.** Companies are asked to communicate their progress in internalising the principles through their annual reports or similar public vehicles. Also, a Learning Forum is intended to identify and disseminate good corporate practices. The UN system promotes these 'good practices', thereby providing a standard of comparison for — and public pressure on — industry laggards.
- **Policy dialogues.** Through such dialogues the Compact generates shared understandings about, for example, the socially responsible posture for companies when operating in countries afflicted by conflict. The zones-of-conflict dialogue has explored how companies can: conduct impact assessments and reduce the risk that their own behaviour may fuel conflicts; achieve greater transparency in their financial transactions with the host government or rebel groups; and devise revenue-sharing regimes that will benefit local

populations.⁵ The results from these dialogues inform not only companies but also the UN's own conflict-prevention and peacemaking activities, and they play a normative role in the broader public arena.

- **Partnership projects.** Through partnership projects in developing countries the Compact contributes to capacity-building where it is needed most. Examples include support for micro lending, investment promotion, HIV/AIDS awareness and treatment programmes for employees in sub-Saharan Africa, the devising of sustainable alternatives to child labour, and a host of initiatives in eco-efficiency and other dimensions of environmental management. One of the success stories at the Johannesburg World Summit on Sustainable Development was a Global Compact partnership effort to promote private-sector investment in the least-developed countries.⁶

Organisationally, the Global Compact consists entirely of a set of nested networks. The five participating UN entities themselves operate as a network. The Global Compact Office in New York is by far the smallest component; its main functions are to provide strategic direction, policy coherence

⁵ For summaries of these toolkits, consult www.unglobalcompact.org.

⁶ See 'Global Compact Launches Development Initiative at Summit', at www.unglobalcompact.org.

and quality control — what would be called 'brand management' in the corporate world. The other partners are the relevant UN agencies — the UN Office of the High Commissioner for Human Rights (UNOHCHR), the International Labour Organisation (ILO), the UN Environment Programme (UNEP), the UN Industrial Development Organisation (UNIDO) and the UN Development Programme (UNDP). They lend unparalleled sectoral and country-level expertise. The transnational NGOs — including Amnesty International, the World Conservation Union (IUCN) and Oxfam — also bring their expertise to bear, and they articulate more nearly universal human interests than are normally heard in intergovernmental forums. The same is true of labour, represented by the International Confederation of Free Trade Unions (ICFTU) and several of its constituent federations.

The operating network comprises the five UN agencies and the other partners: namely, companies, international labour, transnational NGOs and university-based research centres, which help analyse company case studies for the Learning Forum. Most of the 'heavy lifting' gets done in this larger circle. Gradually, other global efforts to promote corporate social responsibility, including the World Business Council on Sustainable Development (WBCSD), Business for Social Responsibility (BSR) and the Global Reporting Initiative (GRI), are entering into alliance-like relationships with the Global Compact, whereby they develop and operate additional tools and protocols for the implementation of the principles.

The Compact has also triggered numerous complementary regional, national and sectoral initiatives. Typically, these take a subset of interested Global Compact participants beyond the minimum commitments. For example, Norway's Statoil and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) signed an agreement within the Global Compact framework whereby Statoil is extending the same labour rights and health-and-safety standards that it applies in Norway to all of its overseas operations — including in Vietnam, Venezuela, Angola and Azerbaijan.⁷ The same labour federation also negotiated the first ever such agreement with a mining company, AngloGold.⁸ A Nordic Global Compact Network has been established, as has a 'Friends of the Global Compact' network in Germany. Similar national efforts are under way in Brazil, China, Egypt, India, the Philippines, Thailand and several other developing countries and economies in transition.

A number of initiatives originally intended for entirely different purposes have associated themselves with the Global Compact — reflecting the expansive potential of its 'open systems architecture'. The most unusual is the multi-stakeholder Committee for Melbourne, which

incorporated the Global Compact principles into the strategic plan it developed for that Australian city and which is encouraging all firms doing business there to adopt them.

The uptake of the Global Compact has exceeded the wildest expectations of any of its architects — suggesting that it does indeed respond to a critical need, at a critical time. It has attracted considerable acclaim in the world's press: in the USA, for example, it has been praised editorially by the venerable *Washington Post*, and the *Christian Science Monitor* lauded it as Annan's 'most creative reinvention' yet of the United Nations. But, most importantly, it has begun to make a difference where it really matters: in companies and communities. Compared with the profound challenges posed by globalisation, we have barely begun, but already we are on a truly extraordinary journey.

⁷ See 'Statoil Signs Agreement with ICEM', *Europe Energy*, 30 March 2001.

⁸ See 'Historic First for Mining in Africa: AngloGold Signs Global Labour Agreement', available online at www.icem.org/update/upd2002/upd02-36.html.