

TWO

Global Markets and Global Governance

The Prospects for Convergence

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THE CONCEPT OF embedded liberalism was intended to convey the manner by which the capitalist countries learned to combine the efficiency of markets with the broader values of community that socially sustainable markets themselves require in order to survive and thrive.¹

That lesson did not come to them easily. It took the collapse of the Victorian era's variant of globalization—followed by, though not precisely in this order, World War I, extreme left wing revolution in Russia, extreme right wing revolutions in Italy and Germany, militarism in Japan, unprecedented international financial volatility, the shriveling of world trade and the Great Depression. Nor was that the end of it. The social strains produced by *those* upheavals were so powerful that the world descended into yet a second world war in the span of a single generation.²

When the lesson finally did take root, the new social understanding was described by different names in different countries: the New Deal state, social democracy, and the social market economy. But the underlying idea was the same: a grand social bargain whereby all sectors of society agreed to open markets, which in some cases had become heavily administered if not autarchic in the 1930s, but *also* to share the social adjustment costs that open markets inevitably produce.

Governments played a key role in enacting and sustaining the embedded liberalism compromise: moderating the volatility of transaction flows across borders and providing social investments, safety nets, and adjustment

assistance—but all the while pushing international liberalization within a framework of multilateral principles, norms, and institutions.

In the industrialized world, this grand bargain formed the basis of one of the longest and most equitable periods of economic expansion in human history, from the 1950s into the 1990s.³ And it provided the institutional foundation for the newest wave of globalization, which is far broader in scope and deeper in reach than its nineteenth-century antecedent.

But today, it seems, the lesson has to be learned all over again, only in far more difficult terrain. Why? Two related transformations have eroded the postwar compromise, one in the domestic political economies of capitalist countries, the other in their global context. On the domestic front, the broadly Keynesian macroeconomic policy tools with which the compromise was associated succumbed long ago to attacks from monetarism, rational expectationism, supply side economics, and other approaches consistent with more orthodox, or neoliberal, economic views and preferences. As Mark Blyth has put it, “attacking embedded liberalism meant attacking Keynesian ideas” (2002, 126)—though there was no inherent reason why technical defects in the policy tools should have undermined underlying preferences. That link, in turn, is best accounted for by the fact that the domestic political coalitions on which the compromise rested, expressing the different ways in which countries accommodated the new relationships among capital, labor, and the state, became increasingly incapable of delivering the goods effectively or, as in the case of the United States, unraveled altogether.

The framework of embedded liberalism was challenged on a second front as well. It was predicated on the existence of an *international* economy: comprised of separate and distinct national markets, engaged in *external* transactions, conducted at *arms length*, which governments could buffer effectively at the *border* by point-of-entry measures such as tariffs, non-tariff barriers, and exchange rates. But markets and firms have gone increasingly global, threatening to leave behind merely national social bargains. Many developing countries are doubly disadvantaged, having never enjoyed the privilege of cushioning the adverse domestic effects of international market exposure in the first place, and lacking the resources, institutional capacity, and, in some cases, the interest on the part of their ruling elites to rise to the new challenges of globalization.

The past is not inevitably prologue. But here is how United Nations Secretary-General Kofi Annan assessed the state of play at the Davos World Economic Forum in January 1999, ten months before antiglobalization protesters and the authorities waged the so-called Battle of Seattle at the ill-fated ministerial meeting of the World Trade Organization:

Our challenge today is to devise a similar compact [similar to embedded liberalism] on the global scale, to underpin the new global economy. . . . Until

we do, 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. (Annan 1999)

The magnitude of this task is monumental. For, while the world economy is becoming increasingly globalized, political authority remains fragmented and anchored in territorial states. International organizations cannot adequately compensate for the resulting governance gaps because they simultaneously lack the global reach of markets, firms, and civil society actors on one side, while being tightly constrained by territorial states on the other—in recent years, especially so by the United States.

In a world comprised of sovereign states a stable economic order requires, I argued in the original embedded liberalism essay, the combination of three factors: shared social purposes, a supportive structure of state power, and a set of institutional means through which the shared purposes can be enacted (Ruggie 1982, 382). Thus, the prospects for a “new grand compromise” today—by which I mean some variant of “taking embedded liberalism global”⁴—hinges significantly on how these factors unfold in the current context.

I can do little more than touch upon a few key dimensions of these very large issues in this chapter. Accordingly, in the first section I address whether the underlying principles of embedded liberalism could still provide the normative basis of a renewed compromise if appropriate means and the political will were found to institute them in the new global context—in light of antiglobalization concerns on the Left, the “new sovereigntist” reaction on the American Right, and the widespread move toward neoliberalism in between. The second section assesses the extent to which the Bush administration’s turn against multilateralism is the consequence of a structural change in the distribution of world power, as many have argued, signaling a relatively permanent shift in US foreign policy, or is more volitional and, therefore, subject to modification or reversal. Presumably, if the former were to be the case then prospects for any multilateral reconstitution would be limited. To anticipate, I conclude that neither normative challenges nor the current structure of world power pose insuperable obstacles to reconstituting something like the embedded liberalism framework at the global level.

The truly difficult challenges, therefore, may reside in the realm of agency and practice: who and how? Accordingly, in section three I suggest that, in contrast to the state-centric multilateralism of the *international* world that we are moving beyond, reconstituting a *global* version of embedded liberalism requires a multilateralism that actively embraces the potential contributions to global social organization by civil society and corporate actors; I briefly describe the domain of corporate social responsibility, and specifically Kofi Annan’s “Global Compact,” as examples of such a multilateral form.

SHARED OBJECTIVES

The legitimacy of an international economic order derives in part from the extent to which its main provisions reflect the shared social objectives of its constituent units. Shared objectives do not imply an identity, merely sufficient overlap and compatibility to provide a coherent platform for international action. The specific domestic institutional forms that embedded liberalism took varied across the capitalist countries, reflecting different national traditions and configurations of interests among leading social sectors. Indeed, securing such a degree of domestic policy autonomy was among its central objectives.

Thus, the International Monetary Fund's original articles of agreement stipulated that the Fund could not oppose any change in exchange rates on the grounds that the full employment policies and social safety nets of the country requesting it had led to the disequilibrium that made the change necessary. Moreover, it not only permitted, but was predicated upon the maintenance of certain forms of capital control. At the same time, however, the pursuit of that policy autonomy was constrained by multilateral principles and practices: no discriminatory exchange rates or competitive exchange rate changes were permitted, liberalization was promoted, and the Fund exercised oversight and conditionality. Finally, the compromise was never intended to be a fixed formula linking greater openness to, say, precisely proportionate increases in domestic public expenditures by each country on a year-to-year basis; it served as a set of constitutive principles structuring social expectations and policy practices in the aggregate and over the longer term.⁵

Although specific instruments of the regime were modified almost from the start, and several jettisoned along the way—the most important being fixed exchange rates and dollar convertibility into gold—in its broad contours it continued to operate for much of the postwar era into the 1980s. For example, Vito Tanzi and Ludker Schuknecht (2000) document levels of public expenditures in the major industrialized countries starting in 1870. They find that the most rapid expansion took place between 1960 and 1980, during the period of the most significant liberalization in trade and monetary relations—much as would be expected from the embedded liberalism compromise.

The 1980s first witnessed the emergence of greater skepticism about the domestic interventionist state, especially in the United States and the United Kingdom. Though public spending continued to rise, it did so at a decreasing pace and it was purchasing fewer social services. This was due in part to increased military expenditures and a growing public sector debt burden, and in part because of the declining cost-effectiveness of traditional social interventions.

More telling, Geoffrey Garrett has found that, whereas greater exposure to trade had been an important contributor to domestic fiscal expansion in

the past, by the 1990s marginal increases in trade exposure began to lead to *lower* government spending, reversing the traditional relationship (Garrett 2000b; Garrett and Mitchell 2001). Parallel results hold for marginal increases in financial openness. The magnitudes remain small, but if sustained they may indicate the beginning of a profound shift in the domestic role of the capitalist state: away from a *compensatory* posture vis-à-vis international liberalization under embedded liberalism, to a *competitive* one, allowing the effects of global economic market forces to be imposed more directly on domestic factors of production, especially labor.⁶ Indeed, the main resistance to this shift, Garrett (1998) notes, comes from European social democracies where strong left-of-center political parties remain allied with strong and centralized trade unions.⁷ The Blair and Clinton administrations sought to chart a “third way” (Giddens 2000), with mixed results, but by and large neoliberalism and the so-called Washington consensus gained broad ascendancy in policy circles by century’s end.⁸

But by then so, too, had serious social concerns about globalization. From the Left, the antiglobalization backlash has focused unprecedented popular scrutiny and pressure on multilateral economic institutions. The legitimacy crisis faced by the WTO and ongoing protests aimed at the Bretton Woods institutions result from the perception that they have abandoned their earlier mandates to secure domestic social stability and inclusion in favor of global market expansion and deepening, and that they have failed to embrace quickly and firmly enough such newer concerns as environmental sustainability.⁹ By and large, the solutions proposed by the Left consist of a different and more robust system of global economic governance: rebalancing the objectives pursued by the multilateral economic institutions, securing greater public accountability for their decisions and operations, and establishing binding rules governing the behavior of global private sector actors. Rolling back globalization, which is another way of saying greater protectionism, is their default option, should the preferred strategy fail.

The exact mirror image is advocated by American neoconservatives, in this context sometimes described as the “new sovereigntists.”¹⁰ Existing forms of global governance, and even more so the European Union, they claim, are already serious threats to American interests and even to the US Constitution, and must be resisted if not dismantled. Writes John Bolton (2000), who went on to become a Bush administration senior State Department official, and then US ambassador to the UN: “In substantive field after field—human rights, labor, health, the environment, political-military affairs, and international organizations—the Globalists have been advancing while Americanists have slept” (206). But now, he states, the great awakening has come. Jeremy Rabkin (2000), one of the originators of the new sovereigntist doctrine, considers the EU to be particularly problematic not only because it has “many practical ramifications for U.S. policy. But it also presents a clear ideological

alternative" (273)—by pooling sovereignty, favoring a more active economic role of the state and supporting transnational civil society organizations.

As Andrew Moravcsik (2000) notes, however, it isn't global governance per se that neoconservatives oppose, "just multilateral cooperation around certain emerging policies" (298). They include, as we saw in Bolton's list, environmental sustainability, human rights, and labor standards. Trade treaties arouse no concern as long as they don't touch on "social" issues. The power of transnational corporations is ignored, yet NGOs get a drubbing. Indeed, their political agenda reaches far deeper. Rabkin (1998), for one, doesn't so much want to defend the *current* US constitutional order as to *restore* an earlier one. He writes, nostalgically: "Before the political upheavals wrought by the New Deal in the 1930s, established constitutional doctrine sought to limit the reach of federal power to matters of *genuinely* national concern" (7; emphasis added). And his understanding of what is "genuinely national" does not venture far beyond protecting property rights and national security. Thus, Rabkin desires a rollback not only of certain forms of global governance, but also central elements of the post-New Deal domestic political order onto which the postwar system of global economic governance was built. This position is at least as radical as any on the antiglobalization Left, except that it would push the world in a very different direction.

Where, then, does the public stand in these increasingly bitter debates? For illustrative purposes, I summarize briefly in-depth surveys of public opinion on this subject in two countries, the United States and Canada.

Nowhere has the "disembedding" of the postwar compromise gone farther than in the United States. For example, measured in terms of income distribution the United States may be the most unequal of any advanced capitalist society, while American workers pay a greater share of their own pensions and health insurance—or, in the case of the latter, a larger fraction go without altogether—than is true in other advanced capitalist countries.¹¹ Yet a University of Maryland survey conducted just prior to the 1999 WTO ministerial meeting in Seattle showed that a solid majority of Americans still expressed views consistent with embedded liberalism. They supported trade liberalization in principle. But they viewed business to be the prime beneficiary: 61 percent of respondents felt that business was better off as a result of lower barriers, compared to only 25 percent who believed workers were. Overwhelming majorities felt that US trade policy makers were giving "too little" consideration to "working Americans" (72 percent), "the general public" (68 percent), or "people like you" (73 percent). Some 60 percent felt that policy makers paid too little attention to trade's "impact on the environment."¹²

However, overall support for trade liberalization soared (to 84 percent) when respondents were offered the option that the government would help workers adapt to changes associated with increased trade. Moreover, 78 percent felt that the WTO should consider issues such as labor standards and the

environment in making trade decisions; and respondents were fully prepared to support trade sanctions to advance these (and related) social goals. As for globalization—conceived as the broader process of growing interconnectedness in the world—respondents saw it as having a mixture of positive and negative elements, with the pluses moderately outweighing the minuses.

In a similar survey conducted five years later doubts about free trade had become stronger. But the reasoning continued to reflect the same underlying principles: “People generally do not believe the government is adequately mitigating the effects of free trade. . . . This is a bipartisan consensus; there are only modest differences between the parties” (Kull 2004, 3).

In short, Americans are neither protectionist nor do they favor unfettered global markets. They do view the benefits of free trade to be unequally distributed and safeguards for workers, labor standards, and the environment to be inadequate. Their underlying anxieties resemble some of the antiglobalization concerns, though the broader public is not prepared to adopt the proposed solutions fully. But nor is there any indication that the public supports further rolling back social protections provided by the government in response to the competitive pressures of more extensive globalization; indeed, the evidence is strongly to the contrary. In these survey results one readily sees the political rationale for the Clinton administration’s rediscovering the utility of the International Labor Organization and encouraging its closer collaboration with the WTO, and for adding labor and environmental provisions to regional and bilateral trade pacts. The prevalence of such views makes it harder to explain the domestic economic policies of George W. Bush’s administration, though it hit the proverbial “third rail” of American politics when it sought partially to privatize the social security system.

Mendelsohn and Wolfe, in their contribution to this volume (chapter 3), examine public attitudes toward these issues in Canada, based on a survey they designed specifically to test whether the principles of embedded liberalism continue to resonate. The Canadian public strongly supports new trade agreements (65 percent positive responses), they find, including a Free Trade Area of the Americas (67 percent positive). Moreover, Canadians favor more international cooperation across a variety of fields, ranging from climate change to promoting democracy and human rights. But when it comes to protecting their own labor and workplace standards, and even more so their social programs, Canadians overwhelmingly want the responsibility to remain in the hands of their own government—by an 83 percent majority in the case of social programs—apparently fearing that they would be less well protected otherwise. The survey questions also permit the authors to differentiate the Canadian public’s attitudes toward trade, specifically, and globalization, more generally. Whereas attitudes toward trade reflect individuals’ calculations of self-interest as economic agents—their education and skill level, and sense of competitiveness in the marketplace—attitudes toward

globalization, about which Canadians are more dubious (46 percent favorable), reflect core values concerning the kind of society in which they wish to live, and their best judgments about how to preserve the essential elements of social community.

To the extent that these findings are broadly representative, the North American public continues to express preferences and attitudes consistent with the underlying principles of embedded liberalism—and less so either with neoliberalism or the protectionist versions of antiglobalization, let alone the neoconservative agenda of rolling back the post–New Deal state and its international complements. There is no reason to believe that European opinion differs significantly in these respects.¹³ It is well beyond the scope of this chapter to account for misalignments between public opinion and actual policy practices. My objective has been solely to argue that efforts to reconstitute the embedded liberalism compromise in the global context would not be lacking in popular legitimacy.

THE STRUCTURE OF STATE POWER

The United States exhibited extraordinary leadership and invested considerable resources in the construction of the postwar international order.¹⁴ It entrenched the principles of multilateralism in trade and monetary affairs, de-legitimizing discriminatory and preferential systems. In security relations, the United States grafted a collective security organization onto a concert of power in the form of the United Nations, and when that proved inadequate to deal with the Soviet threat in Europe it implanted indivisible security guarantees in the North Atlantic area—stipulating that an attack on one would constitute an attack on all—and pushed actively for European unification. Even though the United States pursued its own interests vigorously, it did so within a rule-based system that encouraged not only acquiescence but active participation by other and lesser powers. That feature also made it much easier to accommodate the inclusion of new entrants into the system, including, most important, an emerging China and a disintegrating Soviet Union and its East European empire.¹⁵

In light of that history, the Bush administration's turn against multilateralism—which predates 9/11—jolted transatlantic relations as no other rift before. The divergence came to a head over the Iraq war, but strains had been mounting as a result of the administration's rejection of the Kyoto protocol, the International Criminal Court, and multilateral as well as bilateral arms control treaties, coupled with its attacks on and attempts to marginalize the United Nations.¹⁶ Its new national security strategy expressed the aim of perpetual military predominance, while also proclaiming a highly controversial doctrine of "preventive," in contrast to "preemptive," warfare (White House 2002).¹⁷ Its economic policies on the domestic front further eroded the eco-

conomic security of the lower half of the American wage distribution, driving an additional wedge into the shared political cultures of the advanced capitalist countries, and internationally they turned the United States into an importer of capital from emerging markets.¹⁸ Its treatment of prisoners from the wars in Afghanistan and Iraq raised serious questions abroad about America's commitment to the rule of law. Reputable polls soon showed favorable attitudes toward the United States in most countries surveyed to have sunk to all-time lows.¹⁹

Much of this debate has focused on implications for alliance relations between the United States on the one hand, and the European Union and NATO on the other. But multilateral orders contain strong elements of indivisibility that cannot be easily compartmentalized. In good times, this makes it possible to practice diffuse reciprocity among the major players across different issue areas and over time, as opposed to requiring specific *quid pro quos* on each item and every round.²⁰ But it also means that questions about any potential new grand compromise in global economic and social organization are unlikely to get resolved in the absence of a more general reinvigoration of the multilateral system itself. And that, in turn, hinges in considerable measure on whether the recent US policy shift represents a permanent or a temporary change. I contend that the shift has been largely discretionary, not structural.

In the run-up to the Iraq war, the opposite was the more popular opinion among American commentators: that we were witnessing the emergence of two genuinely different worldviews based on a deep and growing transatlantic power gap. Americans are from Mars, Europeans from Venus, in Robert Kagan's (2002) evocative and frequently cited phrase. The United States is militarily powerful; Europe, in relative terms, weak. So it is axiomatic that America would use force and project power to pursue its interests, downplaying norms and institutions, while Europe stresses diplomacy and writes checks. America is unilateral because it can be; Europe favors multilateralism because it must. But this reasoning is deeply flawed.

About the power asymmetry there can be no dispute. The United States now spends nearly as much on its military as the rest of the world combined—and yet that still consumes less than 5 percent of its GDP. The gap in technology and combat experience is even greater. Policy differences inevitably will result from an asymmetry of this magnitude. But permissive conditions do not constitute causal factors. Yes, the United States *can* do many of the things Kagan and other neoconservatives ascribe to it, including prosecuting what some among them have happily described as a policy of “democratic imperialism.” But it follows neither that it must nor will do those things by virtue of its power differential alone.

Consider the fact that, for all practical purposes, the transatlantic power gap was as great in the 1990s as it is a decade later. When the Soviet Union

imploded, the American neoconservative commentator Charles Krauthammer (1990/1991) already heralded the advent of “the unipolar moment” (23–32). Then-Secretary of State Madeleine Albright hectored the allies and the United Nations at every opportunity that the United States was “the world’s indispensable nation.”²¹ And Hubert Védrine (2003), French foreign minister at the time, coined the term *hyperpuissance* to express the unique extent of American hegemony even then. Yet transatlantic grumbling was not appreciably worse than in earlier times. And everyone—including the German Red-Green coalition government—was on board for the US-led Kosovo intervention that arguably had less legal justification going for it than the war against Iraq.

One significant difference between the two decades lies in the politics of legitimation. When the Clinton administration reminded the world of America’s indispensability, it invariably did so in the context of values and policy objectives that were broadly shared but which could not be achieved without active US involvement—be they opening global markets, promoting nuclear threat reduction, fielding robust peacekeeping missions, or sustaining the Middle East peace process. Even American triumphalism in the 1990s—and there was plenty of it—celebrated a *shared* achievement: the victory of free markets and democratic governance against an adversary the West, collectively, had combated for much of the twentieth century.

In contrast, in its first term the Bush administration rarely missed a chance to tell others that they were not needed even when they could have been helpful—as in postwar Afghanistan, when it rejected expanding the International Security Assistance Force beyond Kabul, before the regional warlords had a chance to rebuild their power bases; or in the postwar reconstruction of Iraq, when European (and initially Canadian) firms were excluded from bidding on contracts. The new national security strategy assigned no role to multilateralism and, indeed, acknowledged no serious need for international support.²² The administration’s triumphalism was largely self-referential, and it professed as well as practiced the belief that the use of American power was entirely self-legitimizing, determined solely by US interests, neither requiring nor welcoming any form of external accountability. And it risked the NATO alliance to fight an elective war on false premises and before other means had been exhausted. This was, in short, a *doctrinal* unilateralism, not simply routine unilateral behavior, of a kind the nation had not seen on a comparable scale perhaps since the time of William McKinley—a president from whom George W. Bush claims to have learned much.

Thus, the extent of American power may be a necessary condition for the Bush administration’s turn away from multilateralism, but the sufficient conditions reside elsewhere: in some combination of the political preferences of its electoral base, sectoral interests, and ideological predispositions.²³ But the turn was hardly cost-free, as seen especially in the case of Iraq, an inter-

vention paid for largely by American taxpayers—and the lives of American troops. Indeed, perhaps in recognition of “why the world’s only superpower can’t go it alone,” to borrow Joseph Nye’s (2002) poignant phrase, early in its second term the Bush administration exhibited modest signs of changing its posture. The president and his new foreign policy team seemed far more solicitous of the European allies, opposed congressional efforts to begin a new round of withholding UN payments—and even permitted the UN Security Council to refer the Darfur genocide to the International Criminal Court, thereby adding to the court’s stature despite having spent the previous four years maligning and undermining it. In broader Republican circles, Newt Gingrich, former House Speaker and an architect of the party’s 1994 “Contract with America,” one of the original blueprints for doctrinal unilateralism, in 2005 co-chaired a congressionally mandated bipartisan commission that urged serious US engagement with the UN, based on its assessment of American interests (United States Institute of Peace 2005). And the neo-conservative commentator of Mars and Venus fame, Robert Kagan (2004), published an article acknowledging, albeit grudgingly, that international legitimacy can be bestowed on a state’s actions only by others, not by itself.²⁴

The Bush administration is unlikely to take the lead in reconstituting a global grand compromise along embedded liberalism lines, or a new multilateral order more broadly; its domestic and international policy preferences push in very different directions.²⁵ But my point has been that this fact is not determined by the structure of international power. On the contrary, the recent US move toward unilateralism was highly discretionary and, therefore, in principle it is reversible by an administration with different priorities and interests.

AGENCY AND PRACTICES

Constructing the postwar order was an affair of states, as such matters had been for three centuries. Thus, at Bretton Woods, San Francisco, and later Havana and Geneva, governments created *intergovernmental* means for dealing with *international* problems faced by *national* states. But over the course of the past generation, as an integral part of the globalization process, the role of non-state actors in world politics has grown significantly. They may be animated by universal values or factional greed, by profit and efficiency considerations, or the search for salvation. They include transnational corporations and financial institutions; civil society organizations; faith-based movements; private military contractors that in some respects resemble the mercenaries of yore; and such illicit entities as transnational terrorist and criminal networks. Whatever their other differences, this much they have in common: increasingly they think and act globally; the territorial state is not their cardinal organizing principle; nor is serving national interests their primary driver.

Accordingly, successful efforts to construct a new grand compromise for the global economy can no longer be limited to the interstate realm, as important as it remains. They need also to engage and build upon the global reach and capacities of two sets of non-state actors: civil society organizations (CSOs) and transnational corporations (TNCs).²⁶ One productive point of intersection between them in responding to the challenge of “taking embedded liberalism global” is the domain of corporate social responsibility.

NON-STATE ACTORS

The nonprofit sector, excluding religious organizations, has become a US\$1 trillion-plus global industry (Center for Civic Society Studies 1999). US noncommercial private transfers to developing countries, including grants from foundations and private philanthropies, are now twice the size of US official development assistance (Adelman 2003, 9–14). More than thirty thousand nongovernmental organizations (NGOs) operate international programs, and roughly one thousand draw their membership from three or more countries (Smith and Sikkink 2002). There are no reliable numbers for purely national NGOs, many of which have international ties.

The major transnational CSOs, such as Amnesty International, Oxfam, Greenpeace, Human Rights Watch, or the World Wide Fund for Nature, have both global and national presences, much like TNCs. And in their campaign modes, transnational activist networks are capable of acting in near-real time. Perhaps the iconic case remains CSO opposition to the Multilateral Agreement on Investment in the 1990s, when a coalition of more than six hundred organizations in seventy countries sprang into “virtual existence” on the World Wide Web almost overnight (Walter 2001; Kobrin 1998).²⁷

The role of CSOs has been fundamental in certain areas of international norm creation and implementation. The global agenda in human rights, the environment, and anticorruption, for example, would not be nearly as advanced were it not for their influence. CSOs exercise that influence through their own global campaigns and operational activities, as well as by direct involvement in official forums such as periodic UN conferences or the ongoing UN human rights machinery—where the documentation provided by Amnesty carries special weight precisely because it is detached from national interests.²⁸ Moreover, governments increasingly rely on CSOs to deliver humanitarian services and development assistance; fully 75 percent of US Agency for International Development funding for HIV/AIDS in sub-Saharan Africa, for example, is disbursed through such entities (United States Department of State 2003b).

The universe of transnational corporations now comprises more than sixty-five thousand firms, with some eight hundred thousand subsidiaries and millions of suppliers and distributors connected through global value chains.²⁹

The foreign sales of TNCs have exceeded worldwide exports of goods and services by a substantial margin for some time. Intrafirm trade accounts for a significant and growing share of overall world trade—approximately 40 percent in the US case (Clausing 2001)—and those figures do not fully capture related party transactions of branded marketers (“manufacturers without factories,” such as Nike) and branded retailers (such as the GAP and Wal-Mart) that source overseas but whose ties to suppliers are contractual, not equity, relationships (Gereffi 1999, 2001). Consequently, even as country borders have become more open to the flow of international transactions, in an institutional sense significant aspects of the international division of labor have become internalized at the level of firms or within globally integrated networks in the financial sector.³⁰

Improving those companies’ social and environmental performance has direct benefits for their employees and the communities in which they operate. But equally important is its potential for generating positive social spillover effects. Three are especially critical for the purposes of the present discussion. First, in the developing world the adoption of good practices by global firms and their local affiliates may exert some upward pull on the performance of other enterprises in the same sector.³¹ Second, in the industrialized countries the diffusion of good practices by global companies’ social and environmental performance abroad may lessen the fear that a global “race to the bottom” will undermine domestic policy frameworks for achieving social inclusion and economic security at home. Third, successfully involving the private sector in this endeavor would ease the public sector’s burdens—political and financial, and within as well as among states—thus potentially helping to narrow the governance gaps that now exist between global markets and state-based authority structures. Broadly speaking, these are the strategic aims behind other social actors’ efforts to engage the corporate sector in the rapidly expanding web of corporate social responsibility initiatives.

CORPORATE SOCIAL RESPONSIBILITY

The rights enjoyed by transnational corporations have increased manifold over the past two decades, as a result of multilateral trade agreements, bilateral investment pacts, and domestic liberalization—often urged by external actors, including the international financial institutions. Moreover, the corporate sector’s influence on global rule making is well documented, such as the pharmaceutical and entertainment industries pushing the WTO’s intellectual property rights agenda in their favor, or Motorola managing to write many of its own patents into International Telecommunication Union standards.³²

Along with expanded rights, however, have come demands, initiated by civil society actors, that corporations accept greater obligations. To oversimplify only slightly, while governments and many intergovernmental agencies

were creating the space for TNCs to expand and deepen their global operations, other social actors have sought to infuse that space with greater corporate social responsibility (CSR).

For CSOs, the sheer imbalance between global corporate rights and obligations, coupled with their desire to establish some form of countervailing power, has been and remains a key driver.³³ But there are also two more proximate factors behind their strategies of engagement with the corporate sector. First, individual companies have made themselves, and in some instances their entire industries, targets by doing bad things: think of Shell in Nigeria, Nike in Indonesia, the Exxon Valdez spill and others like it, unsafe practices in the chemical industry as symbolized by Union Carbide's Bhopal disaster, upscale apparel retailers purchasing from sweatshop suppliers, unsustainable forestry practices by the timber industry, and so on. Even where companies break no local laws they may stand in violation of their own self-proclaimed standards, or be accused of breaching international community norms in such areas as human rights, labor practices, environmental sustainability, or corruption.

CSOs, in turn, have pushed companies, and in some cases entire industry sectors, to adopt verifiable measures to reduce the incidence of such practices. Firms not directly involved have taken steps to avoid similar problems, or to turn their own good behavior into a brand advantage. A norm of voluntary nonfinancial performance reporting is emerging as a result, in the first instance mainly among large TNCs, which potentially creates the basis for greater corporate accountability.³⁴

In practice, this consists of statements of principles and codes of conduct (company-based or sectoral; unilateral or multi-stakeholder); social and environmental performance reports by companies; the growing interest of non-profits and commercial firms in auditing company codes or providing other forms of third-party assurance; a Global Reporting Initiative, established as a Dutch NGO, which offers standardized social and environmental reporting systems; and so-called certification institutions, which verify that an entire production and distribution cycle—be it of forest products, coffee beans, or diamonds—meets prescribed conditions.

Apart from CSOs, the financial sector has become increasingly involved. Socially responsible investment funds have existed for some time. But mainstream actors—including institutional investors, especially public sector pension funds; some of the world's stock exchanges; and investment banks—have begun to encourage or demand more information from firms on their social and environmental performance, to better account for the risks this may pose.³⁵

Nearly three-quarters of the world's largest firms now issue some form of social and/or environmental report (KPMG 2002; ACCA 2004).³⁶ Nearly fifteen million pages on the World Wide Web address various dimensions of

the corporate social responsibility of *Business Week's* Global 1,000; those same firms, in turn, have more than one hundred thousand pages on the same subject on their own corporate websites.³⁷ And some leading companies, notably Nike, once the “poster child” for bad corporate behavior, have re-engineered how they manage their global value chains as a result of their past experiences and drawing on feedback generated by their CSR programs (Zadek 2004).

In the past few years, yet a third rationale for engaging the corporate sector has emerged: the desire by other actors to take advantage of the fact that it has global reach and capacity, and that it is capable of making and implementing decisions at a pace that neither governments nor intergovernmental agencies can match. Ironic as it may seem, global companies increasingly are being asked to help fill certain global governance gaps and compensate for governance failures, some of which are the results of globalization itself. Few major issue areas have been left entirely untouched; take HIV/AIDS treatment as an example.

AIDS activists picked Coca-Cola for special embarrassment at the 2002 Barcelona AIDS conference, not because Coke causes HIV/AIDS but because the company has a universally recognized brand and one of the largest distribution networks in Africa.³⁸ “If we can get cold Coca-Cola and beer to every remote corner of Africa,” Dr. Joep Lange, president of the International AIDS Society, said to reporters, “it should not be impossible to do the same with drugs” (quoted in Altman 2002, 5). Coke subsequently committed to providing anti-retroviral treatment, in partnership with PharmAccess, the Dutch NGO led by Dr. Lange, not only to its own immediate staff, but also to its independent bottlers throughout Africa (Lindsay 2003).

The motivations of other firms differ. The transnational mining company, Anglo American (2003), offers the most comprehensive workplace coverage in southern Africa and has begun to partner in community-based treatment programs. The fact that some 25 percent of its labor force—heavily male, migrant, and living in dormitories separated from their families—is HIV positive makes its active involvement an economic necessity and also poses a moral dilemma for the company. Merck, the giant pharmaceutical company, faced a public relations debacle over its AIDS drugs pricing and intellectual property policies in poor countries, but also had a long-standing reputation for medical philanthropy to protect; they have partnered with the Gates Foundation and the government of Botswana to provide a comprehensive national HIV/AIDS program in that country (Distlerath 2002).

None of these immediate economic interests played a role in the decisions of Heineken, the Dutch brewery, or DaimlerChrysler, the automotive firm, both of which were also early movers in providing workplace treatment in Africa. Indeed, a net-present-value analysis commissioned by Heineken showed that costs at the margin would exceed direct monetary benefits. Yet

the board proceeded to adopt the policy and to accept a broader public role, in light of the inability or unwillingness of governments to act, its own determination to remain in the African market, and on the belief that it was the right thing to do (Barrett and Ballou 2003).³⁹ Illustrating yet another rationale, Novartis, the Swiss pharmaceutical firm, became the first company to provide anti-retroviral treatment for its employees in China on the grounds that, as a global company, it made strategic sense to move toward greater uniformity in its global human resources policy.⁴⁰

Numerous other companies, driven by varying motivations, have done the same, typically in partnership with CSOs, and often with UNAIDS as well as bilateral and multilateral donors. Similarly, one of the few success stories to emerge from the Johannesburg World Summit on Sustainable Development in 2002 was the number of private-public partnerships undertaken, in areas such as the provision of clean water and sanitation (United Nations Department of Public Information 2002).

The role of companies in third world conflict zones has drawn growing attention. At issue is not only how to reduce the (inadvertent or deliberate) contribution that firms might make to fueling internal conflicts, which are often related to factional competition over the control of natural resource extraction, but also their potential role in conflict prevention (Nelson 2000). The Chad-Cameroon Pipeline may be the most ambitious such partnership yet. It involves several oil companies including ExxonMobil, the World Bank, numerous NGOs, and the respective governments, and is intended to maximize the funds devoted directly to poverty reduction under international safeguards (World Bank 2004).⁴¹

In other areas, companies are targeted for their political leverage as much as their own inherent contribution to either a problem or its solution. The case of climate change in the United States offers a striking illustration. With federal policy effectively blocked at the moment, the number of shareholder resolutions related to climate change introduced at 2003 annual corporate meetings was double the number in the previous year, and lawsuits have been brought against companies for not assessing and reporting their climate change related risks (Ball 2003; Houlder 2003; Cortese 2002). The hope is, of course, that these firms will become advocates for a more active federal policy, and it is reinforced by the growing involvement of individual American states in this policy domain, which poses the threat of differential standards within the US market (Lee 2003).

Needless to say, some of these actions have generated pushback by firms, and some observers on the Left and Right alike challenge their very legitimacy. Nevertheless, the net result is indisputable: civil society organizations have managed to implant new elements of social responsibility into the global activities of the private sector.⁴² That lesson has not been lost on other social actors.

THE GLOBAL COMPACT

Recognizing the inherent limits of intergovernmental responses to the challenges of globalization, UN Secretary-General Kofi Annan initiated the UN Global Compact (GC). It engages firms directly in helping to implement ten principles originally intended for states, drawn from the Universal Declaration of Human Rights, the ILO's Fundamental Principles on Rights at Work, the Rio Principles on Environment and Development, and the recent UN anti-corruption convention.⁴³ Beginning with fifty participating firms in July 2000, the Compact now is by far the world's largest voluntary initiative in corporate social responsibility, with more than two thousand firms, over half from developing countries.⁴⁴ Other participants include five UN agencies;⁴⁵ some two dozen major transnational NGOs; as well as international labor federations representing more than 150 million workers. Voluntary financial contributions from governments fund the effort. Organizationally, the GC is structured as a set of nested networks at global, sectoral, and national levels, in which the center, the Global Compact Office at UN headquarters, is by far the smallest part, serving as network hub and guardian of the brand (Ruggie 2002).⁴⁶

According to an impact assessment conducted by McKinsey (2004), companies value the GC over other CSR initiatives for the universalism of the UN "brand" and the UN's convening power, as well as the personal involvement of the secretary-general. For two-thirds of the developing country companies it is the first such initiative in which they have ever participated, and many do so to enhance their ability to enter into supplier relationships with larger global firms. As of the spring of 2004, nearly half of all companies reported having changed their policies as a result of their participation in the GC, even though a comparable fraction had joined up only within the previous eighteen months and thus had only limited opportunities to do so.

The GC employs three engagement tools to achieve its aims. One is transparency and learning (Ruggie 2002; Kell and Levin 2003). Companies are required to communicate their progress in internalizing the ten principles through an annual submission to the GC Office as well as in their own annual reports or similar public venues. This not only creates a degree of transparency, but is also a means to share experiences and practices. At a "learning forum" held in Brazil in December 2003, for example, some thirty company case studies were presented, vetted by business schools, exploring dilemmas in implementing the GC principles in, among other areas, ensuring noncomplicity in human rights abuses. The UN promotes these good practices, thereby providing a standard of comparison for—and public pressure on—industry laggards.

By means of "policy dialogues" the Compact generates shared understandings: about, for instance, the responsible posture for companies operating

in countries afflicted by conflict. The zones of conflict dialogue explored ways for companies to perform impact assessments and reduce the risks that their own behavior 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. The results of 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.⁴⁷

Lastly, the GC facilitates "private/public partnership projects" in developing countries. Examples include company involvement in micro lending, HIV/AIDS awareness programs for employees in sub-Saharan Africa, piloting sustainable alternatives to child labor, promoting sustainable investment in least developed countries, as well as initiatives in eco-efficiency and other aspects of environmental management.

The Compact has also triggered complementary national, regional, and sectoral initiatives. National networks have been established in nearly forty countries, two-thirds in the developing world—including Britain, France, Germany, and Spain, as well as Brazil, China, Egypt, India, Mexico, and Thailand. Regionally, a Scandinavian network is active, and an African network was recently established. At the sectoral level, Norway's Statoil and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) have negotiated an agreement within the GC framework whereby Statoil is extending the same labor rights and health and safety standards to all of its overseas operations that it applies in Norway—including Vietnam, Venezuela, Angola, and Azerbaijan (Europe Energy 2001). The same labor federation also negotiated the first ever such agreement with a mining company, Anglo Gold (ICEM 2002).

Other voluntary corporate social responsibility efforts, including Business for Social Responsibility, the Global Reporting Initiative, and the World Business Council on Sustainable Development, have entered into corporate alliance-like relationships with the Global Compact, whereby they develop and operate additional tools and protocols for the implementation of the ten principles. And several initiatives originally intended for entirely different purposes have associated themselves with the Compact. The most unusual is the multi-stakeholder Committee for Melbourne, which incorporated the GC principles into the strategic plan it developed for that Australian city, and is encouraging all firms doing business there to adopt them (Short 2004). Several other cities have also come on board.

The Global Compact is based on universal principles that were originally adopted by and for states. The interests and commitments of participating companies vary considerably, but by virtue of their participation they acknowledge that those universal principles, in some measure, encompass the sphere of transnational corporate activity, not only states. Moreover, the GC

also engages civil society, labor, academic institutions, and even local authorities to help bridge the gap between normative aspiration and everyday reality. Those institutional developments, in and of themselves, mark a singular departure for the United Nations—and for the corporate world. But they also have made it easier for governments themselves to play a more active role.

GOVERNMENTS

Governments have acted no less strategically than companies or CSOs. For example, with the support of international business associations the Organization for Economic Cooperation and Development first negotiated voluntary guidelines for multinational enterprises as long ago as 1976—right in the midst of third world-led efforts to devise a binding global legal code. The guidelines remained largely moribund until revised in 2000—shortly after, and no doubt in response to, Seattle (OECD 2000). CSR has played a significant role in “third way” politics. The Clinton administration helped establish the Fair Labor Association, a multi-stakeholder initiative that sets and monitors standards for firms in the textiles and garments industry. And it negotiated an agreement with Cambodia to permit outside inspectors and foster unions in its apparel industry in return for encouraging large international retailers, such as the GAP, to source from Cambodian suppliers.⁴⁸ In the United Kingdom, the Blair government promoted the Ethical Trading Initiative, through which British supermarket and garment retailers commit to improving the social and environmental performance in their supply chains. Together, the United States and the United Kingdom issued human rights guidelines for the conduct of private security forces (US Department of State, Bureau of Democracy, Human Rights, and Labor 2001). President Bush, by executive order, brought the United States into compliance with the UN certification scheme prohibiting trade in so-called blood diamonds—which had started as an activist campaign against diamond giant DeBeers (“Bush Bans imports of ‘Blood Diamonds’” 2003).

Some developing countries see CSR as a means to promote social development, while international donor agencies, bilateral as well as multilateral, view them as a tool for promoting economic reforms and institutional capacity building. Needless to say, this new dynamic interplay between public and private sectors also offers opportunities for governments to shift or shirk responsibilities.⁴⁹

Responding to antiglobalization pressures, and more generally to governance challenges posed by globalization, several OECD countries—the UK, France, the Netherlands, Sweden, and Belgium among them—have begun to encourage or require companies to engage in social and environmental reporting. A new British draft company statute that will soon take effect may be the most far-reaching of these measures, both in stipulating heightened

social expectations about the public role of private enterprise, and in the requirement that companies issue an annual directors' report of social and environmental information relevant to an understanding of the entire business (UK Department of Trade and Industry 2004).

In the domestic politics of climate change in the United States, a group of US state and municipal treasurers, as fiduciaries of public sector pension funds worth nearly \$1 trillion, held an Institutional Investors Summit in November 2003. Its aim was to devise a strategy promoting the adoption of climate change policies by firms in their funds' portfolios. As if to demonstrate the blurring of roles between different social sectors, the event was organized by an NGO, co-convened by a Harvard University research center and held in the chamber of the UN Economic and Social Council (ECOSOC).⁵⁰

At the UN, while the Global Compact remains Kofi Annan's flagship initiative in corporate social responsibility, an expert group under the UN Commission on Human Rights drafted and adopted the first-ever set of legal norms in the area of human rights aimed directly at transnational corporations and other business enterprises (Birchall 2003). A divided commission found itself unable either to endorse or reject the proposed norms, but requested the secretary-general to appoint a Special Representative for Business and Human Rights with a mandate to identify and clarify what if any human rights standards may pertain directly to business, and to elaborate on the respective roles of states and the corporate sector in protecting and promoting human rights—with ECOSOC approving that mandate in July 2005.⁵¹

Let me draw this discussion to a close. I have suggested that the domain of corporate social responsibility illustrates the possibilities of a new multilateralism, involving actors from various social sectors and different levels of government. Putting it purely schematically, nontraditional actors, especially civil society and parts of the corporate sector, experiment with new initiatives; traditional governance institutions, at domestic and international levels, can build on some of those experiences, and in some cases codify certain practices. By directly engaging with actors that are global in reach and capacity the traditional governance system itself is pulled in a more global direction.

At the same time, these developments must not be romanticized. In the entire universe of TNCs, let alone national firms, the uptake of CSR instruments, though increasing, remains relatively limited. And even CSR leaders often undermine or negate, through their lobbying efforts, the positive effects they create by means of their CSR programs. Moreover, new transnational corporate entrants, headquartered in such countries as China and Malaysia, are beginning to operate in often poorly regulated developing countries, and their CSR profiles have yet to be established. Finally, without the effective involvement of public authority it is difficult to bring even the

most successful voluntary initiatives to scale, and coordination and free rider problems remain pervasive. Having said all that, CSR initiatives nevertheless have established new sites and new means for social action as well as new political dynamics that can contribute to the challenge of taking embedded liberalism global.

CONCLUSION

In observing what he describes as “millennial capitalism” radiating outward from the United States today, Walter Russell Mead (2004) somberly concludes that the era of embedded liberalism may have been an aberration, a mere interlude between the dominance of more unfettered and socially divisive forms of market organization that are in the ascendancy again. There certainly has been a shift toward neoliberalism, as described briefly earlier in this chapter. And devising new institutional forms for “embedding” global markets in shared social purposes is, as noted at the very outset, truly a historic challenge. Reflecting on how hard it was, and how long it took, for the capitalist countries to institute the original “grand compromise,” one can readily conjure up frightful scenarios—and some may well materialize along the way.

But “millennial capitalism” is neither as uniform nor as unmitigated as Mead fears. The corporate world is not a single, unified block, opposed to progressive change. As in any other social domain, there are leaders as well as laggards, and leaders can become allies in meeting global governance challenges. Climate change politics is a case in point. Shell and BP—two major oil companies—lobbied for some type of greenhouse gas emissions limits after President Bush rejected the Kyoto Protocol, having established relatively “green” brands and planning heavy investments in alternative energy technologies. So, too, did Enron, hoping to become a major player in an expanding emissions trading market (Revkin and Banerjee 2001). Exxon, in contrast, remained opposed. Here we have the same (or in Enron’s case, a closely related) industry sector; the same market structure; but different individual firm preferences and interests. Now that Kyoto is in force without US adherence, Jeffrey Immelt (2005), CEO of General Electric, an American company whose merger with another US firm was blocked by the European Union and who, therefore, understands well the consequences of operating in conflicting regulatory environments, has called for a consistent transatlantic policy on producing cleaner energy: “For us to remain competitive, we simply cannot navigate a regulatory maze that forces us to tweak and modulate every product and process to suit individual regulatory regimes at their whim.” Moreover, he laments the fact that, as a result of policy failure by the United States, “the U.S. has watched Europe and others advance, strengthening their economies and security” (17).

In addition, this chapter has challenged widely held presumptions of inexorability that permeate discussions of globalization on all sides of the debate, and which discount the political possibilities of forging any new compromise, grand or otherwise, intended to better root global markets in broader values of community and social justice. In contrast, I have argued that the principles of embedded liberalism still capture core elements of public aspirations; that the recent doctrinal unilateralist turn by the United States is not structurally determined; and that the new domain of corporate social responsibility provides a laboratory and platform for achieving greater corporate accountability and engaging the corporate sector in other innovative means to build greater global public capacity. Assessing more fully whether or not these possibilities turn into significant probabilities, however, is well beyond the scope of the present discussion.

NOTES

From 1997–2001, the author was assistant secretary-general and chief adviser for strategic planning to United Nations Secretary-General Kofi Annan. Thereafter, he remained the secretary-general's Special Adviser on the Global Compact until his appointment, in July 2005, as Special Representative of the secretary-general for Business and Human Rights. This chapter is based on the author's keynote address at the workshop on "*Global Governance: Towards a New Grand Compromise?*" held at the Canadian Congress of the Social Sciences and Humanities, University of Toronto, May 29, 2002. He is deeply indebted to Steven Bernstein for his help in turning the address into this chapter, and to the Kennedy School Initiative on Corporate Social Responsibility for research support. The views expressed in this chapter are those of the author and do not implicate the United Nations or any other entity.

1. On the concept of embedded liberalism, see Ruggie (1982).
2. Karl Polanyi (1944) magisterially covers this ground and inspired my formulation of the embedded liberalism concept.
3. In a detailed statistical analysis, Salvatore Pitruzzello (2004) shows that post-war embedded liberalism is associated with both better long-term economic performance and greater social protection than nineteenth-century laissez-faire liberalism.
4. In parts, this chapter builds on Ruggie (2003b).
5. Geoffrey Garrett (2000b) tests for the "fixed formula" and doesn't find it. On the difference between constitutive and regulative principles, see Ruggie (1998a).
6. It is difficult to disentangle the impact of globalization and technological changes in accounting for low rates of wage increases or high unemployment in the OECD countries, but Dani Rodrik (1997) offers a plausible account of the former. Globalization makes the services of large numbers of workers more easily substitutable across national boundaries, Rodrik argues, as a result of which the bargaining power of immobile labor vis-à-vis mobile capital erodes. Thus, in the neoliberal countries

labor is obliged to accept greater instability in earnings and hours worked, if not lower wages altogether, to pay a larger share of benefits and improvements in working conditions, as well as more frequent job changes. In the more traditional social democracies and social market economies where employment is more secure, labor is obliged to accept higher rates of chronic unemployment and lack of job creation.

7. I would add Canada to this list, though it exhibits neither of the attributes specified by Garrett, thus suggesting that other factors, too, are at work. Notably, however, rates of private sector unionization in the United States have dropped into the single digits.

8. See, for example, Blyth (2002).

9. For a good sample of views, see Broad (2002).

10. See, for example, Rabkin (1998).

11. Inequality in household income distribution has remained relatively flat over time, due to the increase of multiple-worker households and/or individuals holding multiple jobs.

12. "Americans on Globalization," http://www.pipa.org/OnlineReports/Globalization/global_rep.html.

13. A recent cross-national survey of the United States, Britain, France, and Germany, conducted by the German Marshall Fund of the USA, broadly confirms this conclusion. The only significant deviation was in France, where a majority of respondents opposed globalization, though only 8 percent favored raising tariffs in response. See de Jonquières (2004).

14. For more elaborate discussions of the foundational role of multilateralism in America's postwar strategy of international transformation see Ruggie (1993, chapter 1; 1996). Also see Ikenberry (2003).

15. On the adaptive capacity of multilateral orders, see Ruggie (1992).

16. When, in July 2005, amid difficult nuclear negotiations with North Korea and Iran, the Bush administration proposed selling highly sensitive nuclear technology to India, one of only four countries not to subscribe to the Nuclear Nonproliferation Treaty, the *New York Times* (2005, A20) editorialized that the Bush administration "seems to have almost as much contempt for international treaties as it has for rogue states."

17. Preemptive warfare has a well-established international legal pedigree, but requires "imminence" of threat and "proportionality" of response. After the Iraq war, the administration shifted its rhetoric onto the normatively safer preemptive grounds—but it continued to have a difficult time establishing that the threat the United States faced from Iraq was imminent. On the difference between and respective implications of the two, see Heisbourg (2003); Arend (2003).

18. See, for example, Mead (2004).

19. See, for example The Pew Research Center for The People & The Press (2003); the most recent poll in the Arab world, commissioned by the Arab American Institute and the University of Maryland, is reported in Chung and Halperin (2004).

Also see Kull (2005): “A new poll of nearly 24,000 citizens from 23 countries, conducted by the international polling firm GlobeScan and the program on International Policy Attitudes at the University of Maryland, suggests that the tectonic plates of world opinion are shifting. People around the world are not only turning away from the United States; they are starting to embrace the leadership of other major powers” (36).

20. See Ruggie (1993).

21. As the *Toronto Star* put it shortly after her appointment as secretary of state: “It so happens that the phrase ‘indispensable nation,’ first minted by the new U.S. Secretary of State Madeleine Albright, is now used constantly by American officials and commentators to describe the overarching role of the United States in the contemporary world. [It] is triumphalist and irritating—which doesn’t mean that it isn’t apt. From Bosnia to Haiti, only the U.S. has the will and means to address major global problems.” See Gwyn (1996).

22. The result of these features, Francois Heisbourg (2003) noted, has been a “hardening of the multilateralist impulse among U.S. allies” (81).

23. Josh Busby and Alexander Ochs (2004) test Kagan’s thesis in the area of climate change. Their explanation is that “America’s political system permits certain interests—namely climate skeptics and business interests—to exercise veto power over external environmental commitments. European decision makers, by contrast, face environmental movements more capable of exercising influence over electoral politics” (35).

24. As Michael Lind (2004) has said, “Ironically, it was a neoconservative-led war that refuted neoconservative claims about US power” (11).

25. For a slightly more optimistic view, see Louis Pauly’s chapter in this volume.

26. For the purposes of this chapter I use the acronym CSOs to encompass transnational social movements, coalitions, and activist campaigns as well as formal nongovernmental organizations.

27. Both authors stress that factors other than activist pressure also contributed to the MAI’s demise.

28. On human rights, see Risse (2000); on the environment, see Esty and Ivanova (2002); and on anticorruption, see Galtung (2000).

29. The number of multinationals and their subsidiaries is reported in United Nations Conference on Trade and Development (2001). It is impossible to calculate the actual number of suppliers; Nike, for example, has approximately 1,200 (personal communication from Nike executive).

30. On the latter, see Kobrin (2002).

31. For a careful study in the environmental area, see Garcia-Johnson (2000).

32. See, respectively, Braithwaite and Drahos (2000); Drake (2001).

33. In this respect, CSOs may be playing a role at the global level that is somewhat analogous to organized labor at the national level in the twentieth century, using such market power as they could muster and seeking to turn it into instruments of political change. The notion of countervailing power in this context is due to Galbraith (1956).

34. The most comprehensive survey of company codes is OECD, 2001. On the GRI, consult www.globalreporting.org, and for certification institutions, see Gereffi, Garcia-Johnson, and Sasser (2001); Leipziger (2001).

35. Public sector pension funds, such as CALPERS—the California Public Employees Retirement System—have long been active in promoting such a posture; mainstream institutions are only slowly becoming converts. At the June 2004 Global Compact Leaders Summit, twenty major investment firms, led by Goldman Sachs, presented a report entitled “Who Cares Wins: Connecting Financial Markets to a Changing World,” endorsing the idea that social and environmental performance should become a core element in assessing investment risks, and ten stock exchanges, led by Bovespa in Brazil, agreed to explore cooperation with, while another two endorsed, the Global Compact.

36. The first study looked at the top 250 firms, the second at the top 100.

37. Calculations performed in March 2004 by a team from Booz Allen Hamilton as part of a collaborative research project on corporate social responsibility conducted with the Center for Business and Government, Harvard University. Further details are available from the author.

38. A press release entitled “AIDS Activists Protest Coke’s Deadly Neglect of Workers with AIDS in Developing Countries,” was widely distributed along with a twenty-five-foot inflatable Coke bottle bearing the slogan “Coke’s Neglect = Death for Workers in Africa.” See Act Up New York (2002).

39. Other brief cases, including DaimlerChrysler, are available online. See World Economic Forum (2003).

40. This policy was announced at a Workshop on HIV/AIDS as a Business Challenge, convened in Beijing by the Center for Business and Government, Harvard University, together with the World Economic Forum and UNAIDS. See Center for Business and Government, Kennedy School of Government, Harvard University (2003). The Novartis workforce in China, admittedly, is relatively small.

41. Revenues from royalties and dividends go into an escrow account in London. After loan service payments, 10 percent is earmarked for a “future generations fund,” 5 percent for the producing region, and the remainder is dedicated to priority spending in social sectors, vetted by an oversight group. Also see White (2003).

42. Unfortunately, no systematic impact assessment exists of these diverse developments, so no definitive conclusions can be drawn at this point. For a relatively comprehensive though still impressionistic study, see Vogel (2005).

43. The ten principles are: support and respect for the protection of internationally proclaimed human rights; noncomplicity in human rights abuses; freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; the elimination of discrimination in respect of employment and occupation; a precautionary approach to environmental challenges; greater environmental responsibility; encouragement of the development and diffusion of environmentally friendly technologies; and working against all forms of corruption, including extortion and bribery. See www.unglobalcompact.org/Portal/Default.asp for complete texts.

44. The first book-length study of the GC is McIntosh, Waddock, and Kell (2004).

45. The three “guardians of the principles”: High Commissioner for Human Rights, ILO, and UNEP; and three operational agencies: UN Development Program, UN Industrial Development Organization, and the UN Office for Crime Prevention. Each provides dedicated staff for the GC agenda, and a small Global Compact Office, in the executive office of the secretary-general, manages the brand and the networks.

46. In this regard, the GC illustrates Tony Porter’s point in this volume (chapter 6) that agile global networks, more readily than other institutional forms, can more easily span existing institutions and jurisdictions, and shift or be realigned as circumstances change.

47. The backward linkages to the UN’s own policies and activities are quite extensive, and now include weighing the ten principles in such matters as procurement and pension fund management.

48. The United States continues to help underwrite the program, and the ILO arranges for factory monitoring. Thus far, the deal seems to have survived the end of the Multifibre Agreement, with the apparel industry accounting for nearly 90 percent of Cambodia’s export earnings (Becker 2005).

49. For example, one plausible rationalist account of South Africa’s Mbeki government’s slow and erratic approach to providing HIV/AIDS treatment is that it is deliberately trying to off-load as much of the burden as possible onto the private sector—aided by activist pressure on companies.

50. The NGO in question is the Coalition for Environmentally Responsible Economies (Ceres), which was also responsible for the creation of the Global Reporting Initiative. Harvard’s Center for Business and Government was a co-convenor. The Better World Fund, an offshoot of the Ted Turner’s United Nations Foundation, financed the event.

51 See UN Commission on Human Rights (2005). Secretary-General Annan appointed me to this post, which has an initial mandate of two years.