

THE UN GLOBAL COMPACT AND SWISS BUSINESS:  
*MAKING GLOBAL RESPONSIBILITY WORK FOR BUSINESS AND DEVELOPMENT*  
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*Keynote address*  
*by Georg Kell, United Nations*

Excellencies, Ladies and Gentlemen:

It is a great privilege to speak to you today.

The Global Compact was born in the mountains of Switzerland on 29 January 1999. Today we return to the Alps to explore how we can best expand the Compact's utility for development. This is not a coincidence. Swiss companies were among the first to embrace the Compact, and Switzerland has long demonstrated how global thinking can be reconciled with local priorities.

I have two points to make. First, I want to give an overview of how the Compact has evolved and, second, I would like to lay out options on how the Compact can initiate and reinforce actions in support of development. It is my hope that this meeting today will lead to fresh efforts to make business a partner for development.

## **I. Evolution of the Global Compact**

The Global Compact has evolved rapidly since the overwhelming response to the Secretary-General's speech at the World Economic Forum in Davos in January 1999. In his address, he called on global business leaders to embrace nine universal principles in the areas of human rights, labour standards and environmental practices.

In July 2000, the call to action was reformulated as an operational initiative. The central idea was that business would be willing to embrace universal principles to make globalization both more stable and more inclusive by embedding markets in shared values and by taking action in support of UN goals. Circumstances have shaped the central idea into a global network of several hundred companies from all regions of the world, international trade unions, over two dozen international NGOs.

The central idea has been pursued by three complementary objectives: (1) Make the nine principles an integral part of business activities everywhere; (2) Offer a platform for dialogue and solution finding for business, labour and civil society; and (3) Catalyze activities and partnership projects in support of UN goals.

During the past two years the Global Compact has developed and experimented with a variety of approaches to advance these goals:

- A leadership model to engage companies. A commitment to the Compact from the CEO is a necessary first step to kick off dynamics. The UN can acknowledge this first step. It can also identify individual good practices. But it cannot measure performances or track how a commitment is implemented throughout a company's operations. Therefore, companies are encouraged to disclose their commitment publicly and to report on action taken in their annual reports or other relevant reporting mechanisms, so that the public at large as well as shareholders become stakeholders. The use of the Global Reporting Initiative is encouraged.
- A growing number of companies are using the nine principles as a basis to review corporate strategies and to adjust day-to-day operations. As a Novartis case study shows, doing so is not only about doing the right thing because it makes good business sense. Micro-concepts such as reducing costs through eco-efficiency or boosting productivity through decent work place conditions are no-brainers. Responsible corporate citizenship can also mean doing the right thing simply because it is right, even if short-term financial considerations don't add up. And sometimes it means that it is in the best interest of business to contribute to solutions for broader challenges that governments are unable or unwilling to tackle alone.
- We have built engagement mechanisms around the notions of *Learning, Dialogue and Projects*. The Learning Forum allows participants to exchange experiences and to identify good practices. Issue Dialogues around contemporary globalization challenges bring together business, international labour and civil society to identify solutions and mobilize actions together. And frameworks for partnership projects are being developed to align corporate activities more closely with UN goals, especially the Millennium Development Goals.
- Informal networks and local structures all around the world replicate the global model. The formula is simple: Universal principles as a values basis for engagement and solution-finding through Learning, Dialogue and Projects.
- The notion of "*responsible global corporate citizenship*" has been adopted as an overarching concept, bringing together actors, networks and thinking from diverse fields. Accordingly, responsible corporate citizenship means doing the right thing within the corporate sphere of influence by internalizing the nine principles and taking action in support of broader societal goals.
- A network-based approach with a light governance structure has been developed to leverage the core strengths of the UN such as its convening power and moral authority, while avoiding the Organization's shortcomings.

The Compact draws much strength from the fact that its principles are derived from intergovernmental agreements that enjoy universal consensus. As a voluntary initiative, the Compact complements regulatory approaches. Regulation and legal compliance are important. It defines the lowest common denominator and induces compliance regimes

with emphasis on risk minimization. But punishing fraud and illegal behavior is not sufficient to drive change. It does not provide the broader framework for positive action that is required to build confidence and trust. And this is where the Compact comes in. It offers space for a principled-based approach for experimentation, dialogue, learning and practical solution finding.

## **II. What is the Global Compact's contribution to development?**

Development is largely about enabling private investment and entrepreneurship to secure sufficient and equitable growth for people to have hope for a better future. But economic growth cannot be separated from social change. Business and society must walk hand in hand. One cannot succeed without the other. Business does not always have to wait for governments. Within its sphere of influence it can set good examples and thereby institute positive policy changes which in turn can contribute to a better environment for doing business.

The Global Compact makes business a strategic partner for development. Already, much has been done:

- There are many good examples of how companies can act on their own to implement the principles. Some have introduced HIV/AIDS workplace measures long before governments have acted. Some have shown that non-discrimination and diversity is a source of productivity. And some have shown that investing in upgrading the skills and technology of local suppliers is the best way to improve competitiveness and dynamic development.

Three particular examples of unilateral Swiss corporate action inspired by the Compact are worth mentioning. First, Credit Suisse has developed a cutting edge Sustainability Report. Second, STMicroelectronics has introduced environmentally friendly methods that set a new standard and third, ABB has initiated dialogues with stakeholders in many countries.

Actions that individual companies are taking within their own sphere of influence are often incremental in nature. Over time they add up, making a big difference in the lives of workers and people most directly affected by the operations of a company both in the North and in the South.

- Working with other actors, such as the UN Development Programme, international labour and civil society organizations, companies are using the Compact as a broad value platform to devise practical solutions to dilemmas in the areas where governments are weak. There are now about twenty informal and local networks in place where companies, together with other actors, tackle such diverse issues as city slums, access to water and energy, education, health, conflict prevention and transparency to reduce corruption.

- At the global level, we have brought together business, labour and civil society to search for solutions to contemporary challenges. Two themes have been emphasized so far in our Issue Dialogues. The first is “The role of business in zones of conflicts,” and the second, “business and sustainable development”. Individual champions and coalitions of willing and able actors have defined solutions and plans for actions. Some of the products now emerging from these dialogues have great potential to change behavior and actions both at the level of individual actors and at the policy level. For example, the first issue dialogue has produced a Business Guide on how companies and others can help to alleviate problems related to conflict. This guide is currently being tested by many companies, and pending its further refinement, will greatly change the way business contributes to conflict avoidance. The second dialogue has inspired collective action to grow more sustainable business activities in least developed countries, a subject I will return to later on. And, with the help of the WBCSD, it has produced a generic “performance model” that provides guideposts how a leadership commitment is translated into corporate practice.

Many of the lessons learned from both these individual and collective efforts are being reviewed and reinforced by the Global Compact Learning Forum.

- Finally, the Global Compact has contributed to the depoliticization of human rights, labour and the environment. Over fifty percent of participating companies in the Compact come from developing countries, including China, India, Brazil, Nigeria and South Africa. The Global Compact offers a non-threatening framework for developing country companies to address human rights, labour standards and environmental protection and to make incremental but significant progress. Thus, business is demonstrating that taking a stand on human rights, creating decent work places and being sensitive towards the environment is not about the politicization of these issues. It is about doing the right thing and it is about being competitive in an interdependent world.

More can and must be done. Bottom-up solutions and partnership projects, collective action resulting from dialogues are important but they may not be sufficient to tackle poverty and market exclusion on a scale required.

There are at least three more pathways through which the Compact can enhance the contribution of business to development:

The first one is about better understanding the “development dimension” of corporate activities in developing countries as it relates to its core competencies. This could mean that foreign companies ensure that taxes are paid properly, investing in capacity building and skill upgrading of the local workforce, actively supporting the diffusion of know-how and technology and improving export competitiveness. Already, there are many good concepts and well-tested approaches that could be scaled up.

UNCTAD has developed extensive approaches such as investment contract facilities, investment advisory services and linkage programs. UNIDO's SME activities and the emphasis on the social dimension could become an important complementary undertaking and UNDP has pioneered new partnership projects on the ground that have the potential to be more than just micro solutions. What is needed now is the support of business champions and others to scale up and multiply promising approaches.

The second pathway is about improving the enabling macro framework for developing countries. Growing interdependence and the importance of global production suggest that the international business community is well positioned to become an advocate for developing countries and the poor.

To the extent that responsible global corporate citizenship is becoming a reality, and to the extent that narrow national interest does not advance the prospects of the excluded, it makes increasingly good sense for business leaders to intervene for the weaker players. This can be done by advocating: a trading system that does not discriminate against developing countries; more and more effective development assistance; and debt relief. There is also scope for contributing to the improvement of specific public goods dilemmas such as health or the environment or to work towards commodity markets that give the poor a decent income. Developing effective platforms for business intervention can go a long way to making openness work for everybody. Here is where business associations play a critical role and already many of them have made major contributions, including the World Economic Forum with its corporate citizenship platform, the International Organization of Employers with its global network of entrepreneurs, the International Chamber of Commerce, the World Business Council for Sustainable Development, the Prince of Wales Business Leaders Forums and many others.

The third one is about growing sustainable business activities in poor countries. Large parts of the world remain untouched by trade and investment. The problem of poverty is not too much business activity but the lack of it. The unequal distribution of foreign direct investment shows that entire regions remain largely excluded. The 49 countries that the UN classifies as least developed attract only 0.5% of global FDI flows. On a per capita basis, using figures from 2000, this equates to about \$10 per person as compared to about \$50 in other developing countries or \$800 in OECD countries. If one were to exclude resource extracting investment, these figures would be even further apart.

Much can be done by working towards environments that support the growth of business activities. But better governance alone may not be enough. Even if governments do their best to provide institutional and regulatory support, business may not be motivated to invest. The reason is simple: Market liberalization by itself does not bring about a convergence of income. Being small and poor not only means lacking domestic resources. Often it also means not being attractive to foreign investors, irrespective of policy choices made. One way of overcoming this basic

dilemma – markets punishing the poor for not having purchasing power and effective infrastructure – is collective action.

More than 30 business leaders, international labour and civil society organizations have already embarked, under the auspices of the Global Compact, on an initiative to grow more sustainable business in least developed countries. The idea is that by working together economic entry barriers can be lowered; risks can be shared; and in cooperation with governments, local companies and civil society, additional business activities are more sustainable. This initiative, a variation of a mini-Marshall plan, is still at an early stage and will be tested in four countries shortly. UN agencies such as UNCTAD and UNDP are actively participating and the door is open for all those who are willing and able to take part in this effort.

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Ladies and gentlemen, I have tried to map different options how the Global Compact can stimulate and reinforce action for development. Some of the options involve individual companies, while some require the cooperation of several companies and the involvement of other actors and governments. Common to all of them is the assumption that business, as an integral part of society, has an interest in being part of the solution.

Using the platform of the Global Compact for inspiring fresh efforts will advance two goals at the same time: advancing shared values that global markets require to be rooted in and supported by society on the one hand and producing concrete actions to reduce poverty. Doing so may not solve all problems of globalization but it can make a significant contribution.

Today, our special thanks go to the Swiss State Secretariat for Economic Affairs for taking this important step. Today's event may well lay the foundations for structures and processes to enable long-term strategic cooperation between the UN and Swiss companies and other actors. In this way, you can set an example for other countries in showing how the Global Compact can become a driving force at the national level.

Thank you very much.