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PART 2 – Globalization, Development & Environmental Management

Track 2-1: Perspectives on globalization, poverty and environment



The Capacity to Change: Sustainable Development & Corporate Responsibility



Dr. Kishan Khoday

Global Compact Focal Point & Environmental Governance Advisor
UN Development Programme (UNDP), Indonesia Country Office

1. Partnership as governance reform: “negotiated rulemaking in the new economy”

Globalization is more than a mere consequence of expanding global market forces. It is also a process of social, political and cultural change – a process increasingly mediated through the “partnership” approach.¹ Apart from the efficiency, synergy and cost-effectiveness benefits of the partnership approach,² *this research explores a bolder interpretation - that partnerships have emerged to manage conflicts between the mandates of public agencies, the interests of business and the values of civil society groups in defining the rules and boundaries of the new global economy.* Four drivers of change are identified.

- *Market failures:* lack of information to evaluate globally produced goods and services and inadequate reflection of externality costs imposed on local communities.
- *Distributive inequities:* rising income disparities; partnerships as a way of redistributing benefits and facilitating policy changes.
- *Collective values:* growing sense of common humanity as a practical force for social change for issues of environment, human rights, labor, etc.³
- *Complex change and strategic planning:* common vision and coordination of activities to bring to bear the benefits of globalization.

Furthermore, progressive erosion of civic trust has led to a crisis of legitimacy in the standard forms of governance meant to manage such issues.⁴ The partnership approach is directed as a corrective measure whereby a negotiated rule making comes about as a middle ground between collective bargaining and standard state regulation. *Partnerships are relationships that evolve into new forms of institutionalized, rule-based frameworks - social compacts for the new economy.*⁵ *These new forms of governance create ‘de facto rule of law environments’ to set the bounds of globalization.* The hope is more authentic rules with communities providing “an infinite source of standards and legitimization invoked and given effect by and within the operation of social justice”.^{6,7}

2. Case study – partnerships for sustainable development in Indonesia

Indonesia's Province of Papua provides a key case study for the above thesis of "partnership as negotiated rulemaking" in the context of an ecologically critical area. Papua hosts 60% of Indonesia's biodiversity, the planet's largest mangrove forest and half the world's hard coral species - yet about 60% of Papuans live in extreme poverty. In 2004, BP and a consortium of foreign investors will commence the *'Tangguh' Natural Gas operation in Papua*. A US\$3 billion investment, its Indonesia's largest since the 1997 financial crisis. After cost-recovery is complete, around 2015, the operations will bring to Indonesia about US\$1 billion/year in revenues.

Under a new "*Partnership for Sustainable Development*" programme in Papua, UNDP aims to engage BP's role as a leader in the Global Compact to ensure that labour, rights and environmental standards remain high for Tangguh. By facilitating this new partnership, UNDP will ensure that research, open dialogues and clear procedures remain the hallmark to guide economic, social and environmental trade-offs. Led by local indigenous peoples, partners will devise a 25-year development plan for the region that matches growth with the need for social and ecological security. Outputs will focus on *capacity building programmes to empower local indigenous communities to enjoy their rights while ensuring that corporate actions remain accountable and transparent*.

Endnotes

¹ Gray J (2002) *False Dawn – The Delusions of Global Capitalism*, Granta Books, London, (p.87).

² Tennyson, R & Wilde L (2000) *The Guiding Hand – Brokering partnerships for sustainable development*, Prince of Wales Business Leaders Forum and UN Staff College, New York.(p.12)

³ Epp, C (1998) *The Rights Revolution*, University of Chicago Press, Chicago, (p.35).

⁴ See generally Gallup International and Environics International (2002) *Voice of the People: Trust in Institutions*. Environics International, Toronto.

⁵ Zadek S. et al (Eds.) (2001) *Perspectives on the New Economy of Corporate Citizenship*, Copenhagen Centre, Copenhagen, (p.24).

⁶ Fitzpatrick P. (1992) *The Mythology of Modern Law*, Routledge Press, London. (p. 177).