How to Activate a Global Compact Local Network:
Present State and Prospect of Japan Network

Satoshi Miura
Toyo University

Kaoru Kurusu
Osaka University

Introduction

Four years after the inception of the United Nations Global Compact, it has grown into “the world’s largest initiative promoting global corporate citizenship,” proclaimed Secretary-General Kofi Annan at the opening ceremony of the Global Compact Leaders Summit. In the same speech, he stressed the importance of local Global Compact networks and their connection with the Global Compact at large. “Indeed, this must be the Compact’s core strategic objective going forward.”¹ A McKinsey & Company report concurs: one of four challenges for the Compact in the next stage is “developing more uniformly active and capable local networks.”²

This paper aims to trace the development of a local network, the

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² McKinsey & Company, *Assessing the Global Compact’s Impact*. May 11, 2004, p. 15, on the Global Compact homepage (cited on June 11, 2004). Other three are (1) choosing more focused agenda, both topically and geographically, (2) managing inconsistent expectations held by divergent groups, (3) enhancing collaboration among the Compact’s UN core agencies.
Global Compact Japan Network, and propose possible ways to make it a more extensive, denser, and more active network. We hope that lessons learned in Japan’s case will be relevant to other local networks as well.

In the first section, a recent development of the Japan Network will be overviewed. In light of the upward trend recently of Japanese companies’ enthusiasm about corporate social responsibility (CSR), more potential for the Network is generally expected. In the second section, we will summarize Japanese signatories’ concurring and competing views about the Global Compact, based on interviews we have conducted in the summer of 2004. The third section will articulate major difficulties the Japan Network has been faced with and then suggest possible strategies to overcome such challenges.

1. The Global Compact and CSR in Japan: An Overview

Despite Japanese companies’ global presence and growing interest in CSR in general, they have been slow in participating in the Global Compact. In July 2003, a report issued by the Global Compact Office named Japan, along with the U.S., as “key countries [that] remain under-represented” (Global Compact Office 2003, 16). Since then, we saw the launch of the UN Global Compact Japan Network in December 2003, with ten signatories, and the number of participants has thereafter increased steadily. This section will first

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3 The authors have conducted interviews with fifteen of eighteen Japanese signatories to the Global Compact. Our interviewees were then a head and/or an equivalent staff of an environmental or CSR department/committee, and interviews lasted one to two hours. The names of the interviewees and companies they represent will be kept anonymous in this article.

overview and evaluate the development up to the present of this fledging network, then discuss its potential in light of the general trend of CSR in Japan.

Outlooks of the Network

As of August 2004, the Japan Network is composed of eighteen companies. Four advisors, three CEOs of the participating companies and a representative from Keizai Doyukai (Japan Association of Corporate Executives), were selected, and three experts, two from nonprofit sector and one from the academia, are also involved. The United Nations Information Center (UNIC) in Tokyo has functioned as the Network’s office.

Since its establishment, the Japan Network has held member meetings three times. The first meeting was in December 2003 at the time of its founding, and the second and third ones, open to all member companies, were held in May and July this year. In the latter two meetings, UNIC staff briefed the participants on the current status of the Compact, and the July meeting focused upon reports submitted by three member companies whose representatives attended the Leaders Summit.

Four characteristics of the Japan Network in regard to its sectoral composition are discernible. First, no organization from nonprofit sectors, labor and the academia included, has signed the Compact. Second, while three of the five core UN agencies contributing to the Global Compact—the United Nations Development Programme (UNDP), the International Labor Organization, and the United Nations Industrial Development Organization—locate their offices in Tokyo, there has been little coordination between them and the Japan Network. Third, the Japanese government has not involved in the Network, with an exception of a lecture given by a ministry official at a member
meeting. Fourth, business associations have for the most part distanced themselves from the Network and have provided a very limited support. Since no membership fees are charged, all of these features point to a lack of financial and logistic support for the Network from relevant sectors in Japan. Under this circumstance, the UNIC has been obliged to manage the Network with a couple of fulltime staff who are overloaded with many other duties as well.

**Assessing the Network**

How can we assess the development of the Japan Network so far? First, in spite of a steady growth in the number of participants, companies in Japan are still “under-represented” in the Global Compact in two aspects: the number of signatories is still small, and their participation in two pillars of its activities, namely Learning Forum and Dialogue, has been limited. Second, the Japan Network is only partially multisectoral, since the signatories have been limited to the business sector. Thus it falls short of Mr. Annan’s expectation that “[the Network will] strengthen partnerships with business organizations and other corporate-responsibility groups in Japan and around the world.”5 The limited composition has caused the Network some drawbacks, as we will examine later.

Third, since the Network meetings have been limited to briefings on the development of the Global Compact, there have been very few occasions for the participants to exchange their own views, much less to engage in dialogues on problems they might commonly share. Since the Network’s activities have been organized by the UNIC, its intelligence, in double meanings of information and human creative

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traits, has been concentrated literally on the Information Center. This structure has impeded a smoother and larger flow of information, the expansion of the Network’s activities, and the potential creativity of the members.

Potential of the Network

Despite its limited scale so far, there are a number of reasons to believe that “we can do even better.” After all, the Japan Network is still very young, and has a potential for the future growth. First, many Japanese companies are quite comfortable with the environment principles of the Global Compact. They have been leading “the development and diffusion of environmentally friendly technologies” (Principle 8) and “[undertaking] initiatives to promote greater environmental responsibility” (Principle 9). Indeed, they are proud of their “environmental management,” and have been successful in spreading their knowledge and environmentally friendly technologies through their factories abroad and their global supply chains.

Second, the concept of CSR has been rapidly gaining a foothold in Japan, to the point of becoming a buzzword. In contrast to their leadership in dealing with the environmental problems, many Japanese companies have just embarked upon explicitly incorporating a social dimension of the triple bottom line into their codes and practices. The year 2003 was the “the first year of CSR” in Japan. Keizai Doyukai highlighted the importance of “CSR management” in its annual white paper in 2003 (Keizai Doyukai 2003), and a burgeoning number of newspaper articles appeared on the topic as

6 This kind of network is called a “star,” with one central node sending information to all others in a spoke-like fashion. For an excellent discussion on overload in networks, see Watts 2003.

7 Mr. Annan’s remark in ibid.
well. A year later, Nippon Keidanren (Japan Business Federation), Japan’s umbrella business association, followed suit to release a revised version of its *Charter of Corporate Behavior* in May. It added a foreword dealing exclusively with CSR. Keidanren recognized that CSR “has received greater attention and has become an important criterion for selecting products and services, as well as evaluating corporations,” and that “[b]usinesses, in a rapidly globalizing economy, are expected to address concerns including human rights, child and forced labor, and poverty.”

Accordingly, many companies have begun to incorporate CSR-related principles into their own codes of conduct, and set up a CSR division or committee.

Behind these moves were recent scandals of several companies having failed to comply with laws, and consequently have been faced with serious criticisms and even bankruptcy. As a result, many have realized that a possibility of noncompliance can constitute a serious risk. This concern has naturally led to an emphasis on ensuring legal compliance, a reactive move to follow the minimum standard. Some companies, especially multinational enterprises, however, have also started to proactively deal with such social issues as violation of human rights and labor rights and poverty.

2. Joining the Global Compact: Expectations and Perceived Effects

In light of this increased attention to CSR in Japan, the small number of signatories to the Global Compact is puzzling. For the purpose of helping elucidate the reasons, we will first summarize, based on our interviews, motivations of the participants and their

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perceived benefits for joining the Compact. Then, we will consider possible reasons for hesitance of the public and civic sectors to join the Japan Network.

**Company’s Motivations for Joining the Global Compact**

In most member companies, a decision to join the Global Compact was made through a strong leadership of respective CEOs. The decision-making process seems to be generally simple, swift and hierarchical. After obtaining information about the Compact while attending meetings of a Japanese business association (Nippon Keidanren), or while meeting directly with top officials of the Compact, they made a decision in a short term ranging from two weeks to several months.

This quick decision can be partly attributed to the fact that many of the participating companies have been already known for their efforts in the field of environmental protection. A few of them have enjoyed reputation for their advanced practice in social dimension as well. The member companies’ ideals are generally in conformity with the ten (then nine) principles of the Global Compact. In addition, they also wished to enjoy (and have actually enjoyed) a reputation of being the first Japanese company in the Compact, taking leadership in respective industrial sectors.

Main objectives of Japanese corporate members can be categorized into five. First is to respond to the market access. A few interviewees pointed out their consideration about market access as factor pushing such a movement. In response to changing market requirements, products and services have to be more sensitive to social demands. Growth of Eco-Fund and socially responsible investment is also the case. One interviewee who works for a supplier operating globally mentioned that the Global Compact has begun to serve as a certificate of CSR overseas. But again, only a few
companies raised market access as a main reason to join the Compact.

Most of the interviewees emphasized, instead, that Japanese companies have become increasingly aware of social demand for the more rigid compliance to rules and ethics as well as environment-friendly management and production. Although socially responsible conduct is not a special or novel matter for them at all, they had to review existing standards and implementation under an integrative notion of CSR. In this way, joining the Global Compact was expected to serve as an embodiment of corporate ideals they are currently reinforcing, or a positive reevaluation of an already established practice of corporate management. It will help announce their commitment publicly to the domestic and international audience, raising a “flag” of the Global Compact with an aim at advancing their commitment further. Several interviewees stressed that their serious commitment to CSR has been essentially strengthened after joining the Compact.

As mentioned, Japanese companies have recently set up a CSR division and code of conduct, and joining the Compact is considered as a step to reinforce such a course of action. However, an interviewee of a multinational company operating worldwide stressed that because of the rapid globalization, Japanese companies can no longer respond to social demands and risks by solely resting on Japanese culture and custom. There is a growing need to articulate exiting rules in more explicit terms. Though their companies have long established intra-company codes of conduct, these codes have to be strengthened and legitimized by expressly referring to internationally recognized standards such as the principles of the Global Compact.

However, since acquiring the membership, only a few companies have changed their code of conduct by referring to the principles of the Compact. Most of them have set up a similar code of conduct already. Some pointed out that their own codes are more
advanced. Some pointed out that because their companies’ operation does not involve child labor and forced labor at all, there is no need of adding new provisions. In a few cases, changes based on principles of the Compact have been made, by incorporating clauses relating to prohibition of forced labor and child labor and advancement of human rights to existing corporate code of conduct.

For some interviewees, social principles of the Global Compact, such as human rights and labor, are useful in preparing a sustainability report. Japanese companies are familiar with international environmental standards, but they find no clear and suitable equivalent covering human rights and labor at hand. Joining the Compact is considered as an opportunity to learn and introduce such social standards. A general trend for Japanese companies, however, is to give a higher priority to the environmental aspect of the Compact rather than the implementation of human rights and labor principles.

Third is targeted at inside of the company. Many Japanese members expect that enhanced commitment to CSR and eventual membership in the Global Compact will upgrade morale of company employees, especially appeal to a younger generation, or innovate the “corporate culture.”

Fourth, in the case of multinational corporations, their entry to the Global Compact is also targeted at affiliated companies and offices overseas. Signing the Compact, an internationally recognized framework, will demonstrate the head offices’ seriousness in achieving compliance in the host countries. It will also encourage overseas employees to acquire an identity that they are working for a global leading company.

Regarding the third and fourth points, in a few cases, the principles of the Compact were effectively incorporated into a training manual. One interviewee pointed out that morale and influence of environment section or CSR section in the company has been, in fact,
improved. Especially in training employees in offices and affiliates overseas, ten principles of the Compact are sometimes referred to. It was pointed out that Compact has been an effective means to convey the company’s CSR ideals to affiliates and supply chains abroad. In some cases, member companies’ desire to build a partnership with the UN was a supporting factor too, and it actually have influenced employees’ morale and increased consciousness about global issues.

Fifth, almost all the interviewees have pointed out the importance of establishing a network among member companies, as a decisive factor for them to consider their participation in the Global Compact. They expect that such a network will provide them with a place to share useful information about other member companies’ practice, know-hows, and experiences related with CSR.

Member companies in general answered that they did not take risk factors into their consideration in signing the Global Compact. Some believe their practices go well above the standard set by the Compact. Others think that the standards should be regarded as ‘goals’ for members to achieve gradually. Some have already checked current implementation of affiliates and supply chains abroad, but others have done it partially. Regarding the small scale of Japanese participation in the Compact, some pointed out that certain manufactures operating worldwide might be acutely concerned about risk factors and stay away from the Compact. In general, however, Japanese companies are too serious about social commitments, and it has taken long for them to become a member. Even though a number of Japanese companies can satisfy or almost achieve the standard set by the Compact, they do not send an application letter until they make sure that their practice is fully consistent with the standards.

In sum, companies’ motivations for signing the Compact have been hand in hand with the general trend toward increasing acceptance of CSR among Japanese companies. In Japan entry into the Compact
was viewed as a “flag” in either renovating corporate ideals or affirming member companies’ practice of CSR. Establishing a club of ‘like-minded’ companies who share willingness to improve their CSR practice has been a strong reason. Creating a network through which they can exchange and learn others’ knowledge and experience served as a positive factor for them to join the Compact. As will be discussed later, however, the current level of achievement by the Japan Network has been rather limited in this regard.

The Public and Civic Sectors

The Japan Network has received no support from the public and private sectors in Japan. We will briefly indicate possible reasons. The Japanese government has not involved in the Network, probably for two reasons. First, the Cabinet members have shown little interest in the Global Compact with almost no official remarks on it. And even Mr. Annan’s visit in February did not change their minds. Political leadership can, however, give a momentum to the development of the Compact’s local networks as the French case has already demonstrated. Thus, an interviewee envisioned that appointing a minister responsible for CSR, as the British case indicates, would give a thrust to the Japan Network.

Second, jurisdictional division among Japanese ministries have impeded the formulation of an integrated approach to the Global Compact, despite each ministry’s growing attention to it. The Compact’s ten principles fall into the jurisdiction of different ministries such as the Ministry of Foreign Affairs (MOFA), the Ministry of Economy, Trade and Industry, the Ministry of Health, Labour and Welfare, and the Ministry of the Environment. Although many of our interviewees viewed that the MOFA should be the most appropriate ministry to be involved in the Network, it has not established a closer relationship with the private sector.
The lack of participation from nonprofit sector is puzzling. It may be partly due to UNIC’s strategy of prioritizing the involvement of companies, although some experts in the Network have contacted NGOs and labor unions. It may also be attributable to the lack of experience in multistakeholder forum, as will be discussed below.

3. Challenges for the Japan Network

From December 2003 to August 2004 nine Japanese companies signed the Compact—steadily expanding, yet still a tiny tip of an iceberg. Equally noteworthy, no organization from the public and nonprofit sector has entered the Network. In addition, the Network members have just started to consider their future development. In this section, we will specify several challenges that the Network has to overcome. The members not only have to make the Network matter for themselves. But the Network also has to become significant for non-member companies in Japan as well as other stakeholders in Japan and abroad. We will first examine basic challenges the Japan Network has been faced with, and then suggest possible strategies for the Network’s development.

Basic Barriers

There are five basic barriers to the development of the Network: language barrier, the members’ weak commitment to the Japan Network, the lack of culture for multi-stakeholder’s active engagement, an attitude of “act globally, think locally,” and ensuring the necessary resources.

Language Barrier. Many interviewees pointed out that they have had a trouble in reading English documents, or they prefer a Japanese version of each document in order to save time. Communication is the basis of learning and dialogue. Ensuring a smooth flow of information
is indispensable not only for a local network, especially in non-English speaking countries, but also for the Compact in general.

A language barrier hinders effective communication from the Global Compact Office to the Japanese participants, and vice versa. So far, few companies in Japan have submitted case studies and examples to the Office, and attended a Learning Forum and Dialogue. The language barrier may well account for this under-representation, and it also has prevented Japanese members from presenting their good practices abroad. It also has greatly limited a universe of accessible knowledge to the actual and possible Japanese supporters of the Compact. In addition, the UNIC has been overloaded with the task of translating documents into Japanese.

**Members’ Commitment to the Japan Network.** Many interviewees viewed that one of the advantages of the Global Compact is its voluntary nature: each member can decide how to achieve the principles without obligation. Thus, without a tangible benefit, many will possibly regard their increased involvement in the local network as troublesome. Beyond a consensus on the importance of sharing their experience, their opinions diverge from reluctance to do something more, to actively engaging in Learning Forum and multistakeholder dialogues.

Here, the language barrier again has overshadowed the development of the Network: most interviewees have not read case studies and reports posted on the Compact Office’s website. Thus, they have not yet found the business case for greater commitment to the Compact, except for a contribution to encouraging the existing practice of CSR.

**Weak Culture of Multistakeholder Engagement.** Due to the absence of public and civil sectors’ involvement, the Japan Network
has failed to promote communication across sectors such as multistakeholder dialogues and partnership projects. What is more, a “culture” of multistakeholder engagement is still at the very early stage of development in Japan. Individually, many member companies cooperate with local and transnational NGOs, by financing their activities, jointly developing projects, and/or holding a “dialogue.” Partnerships range from conserving rain forests in Ghana to promoting tree-planting campaigns in China and building schools in Southeast Asian countries. Some have started “dialogues” with NGOs and students, asking them to review and comment upon their annual environmental or CSR report.

Yet these partnerships and dialogues remain peripheral to a company’s overall activities. First, the collaborative projects are not systematically and meaningfully related. In fact, if examined carefully, several member companies have long implemented small-scale projects for developing countries. A few companies have already established a partnership with NGOs and UN agencies such as the United Nations Environment Programme and started useful projects to assist people of developing countries. But others are, generally speaking, a patchwork and have not streamlined under a unified strategy. Such a unified strategy might be even disapproved inside the company, because of commonly shared belief that assistance to other people should be based on charity of humble individuals. It has hardly come to most of the members’ minds to relate such existing projects with the Millennium Development Goals (MDGs).

Second, the so-called dialogues are often temporary and situational, and it is not meant to revise management strategies. Indeed, sustained and open multistakeholder dialogues are still very rare in Japan. As a result, many shy away from any such forums, and some even doubted the appropriateness of NGOs and labor unions to join
the Japan Network, not to mention its fruitfulness. 9 Again, this reluctance may be attributable to the language barrier and the eventual lack of information on how NGOs have contributed to the Compact. By way of contrast, it is quite indicative that, among our interviewees, one of the most ardent supporters of multistakeholder forums has learned its importance when he visited a British company for hearing.

“Act Globally, Think Locally.” “Think globally, act locally” is now a cliché. But our interviews have revealed a contrary attitude: many do not recognize that their companies have acted globally because their thinking tends to be locally oriented. Of course, they are well aware of their activities abroad, such as by cooperating with transnational NGOs, yet they failed to contemplate upon their implications in the context of global governance. As one interviewee admitted, their thinking has not kept pace with their globally expanding activities, and remained local. One interviewee even commented that such a goal is too far from their direct concerns. As Mr. Annan often emphasizes, however, the Global Compact is a grand experiment to “give a human face to the global market,” 10 and is regarded as a means to achieve the MDGs. Thus, the participants are encouraged to consider its possible contribution to the sustainable development of developing countries.

Except for some representatives of multinational enterprises, few interviewees have given a thought on the possible relationship between their activities and the MDGs. This does not mean that practices of their companies are totally unrelated to the goals; on the contrary, many do contribute to some goals in one way or another. It is not necessarily activities but the interpretation thereof that needs to be

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changed. They need to make sense of their companies’ activities by putting them into a broader and global context, which requires more awareness to such frameworks as the MDGs. Again, they have failed to do so partly because of the lack of information.

**Ensuring the Wherewithal.** A commonly-known problem for the Japan Network is how to ensure the wherewithal to run a network, since no organization has contributed, financially or logistically, to the work of the UNIC as the Network’s office. There are three proposed solutions: moving the office to certain organization, possibly to Keidanren, levying fees from participants, and asking support from the government. All these suggestions, however, will be faced with difficulties. First, as long as the size of Japan Network remains small, Keidanren is unlikely to actively and openly endorse it, much less sharing or bearing a burden of its management. Second, most participants insist that due to the voluntariness of the participation to the Compact, no fees should be charged, and that charging money will discourage new companies to participate, as long as the Network cannot demonstrate substantial benefits of the membership. Third, while they welcome government funding, they fear that it will pave the way for governmental intervention.

**Strategies for the Network Development**

Considering these obstacles, we put forward three strategies for the Japan Network: first, increasing the number of participating companies; second, diversifying participants to include various stakeholders such as government agencies, Tokyo offices of UN agencies, municipalities, NGOs, trade unions, and academic institutions; third, activating interaction among the members, and possibly with other local networks, especially in Asia. This set of proposals, however, should not be an end in itself, but is a requirement
for making the Network function better. Achieving these interim goals, however, is not easy, because each contains a corresponding dilemma. In combination, these troubles can lead to a vicious cycle of a stagnated network.

First, the small number of Japanese signatories to the Global Compact belies the expectation of Mr. Annan, but we can expect more to enlist, given the growing enthusiasm for CSR in Japan. Since the Compact is still obscure in Japan, more public relations activities are required for spreading information on the current activities of the Japan Network and views of the member companies. Yet the number of participants may not increase dramatically as long as the network remains small. We will later discuss the need for creating a tipping point.

Second, simply increasing the number of companies is not enough due to three reasons. First, a club of like-minded companies, even if they are leading CSR in Japan, is unlikely to be legitimated due to the absence of other stakeholder organizations. It is precisely why Secretary-General welcomes them to the Compact. Second, similarity may also limit the variety of innovative solutions to problems since diversity is more apt to breed creativity, perhaps as well as frictions (e.g., Hedlund 1986). Third, the absence of other stakeholders limits member companies’ knowledge, resources and options, which otherwise can be acquired from multistakeholder partnerships.

As we argued above, some interviewees referred to a mentality of typical Japanese companies: if the government leads, we will follow. Accordingly, many predicted that a government involvement with the Japan Network would likely enhance its visibility and thus attract far more companies. Yet they are ambivalent about this. While they welcome more companies, they fear that public sector engagement may lead to intervention, thus restricting their liberty. This concern
reflects an assumption of the government as the regulator and corporation as the regulated. Yet what is at stake in well-functioning public-private partnerships is precisely the reconceptualization of traditional roles each sector has played. Yet the above-mentioned premature “multistakeholder culture” in Japan will likely prevent an initial dialogue among the member companies and the government. This difficulty may be lessened by NGOs’ intermediation, which has successfully collaborated with some ministries. The MOFA, for instance, has recently cooperated with NGOs in its foreign aid policy.

Third, simply diversifying members does not necessarily activate the Network if they have difficulty communicating with one another. As pointed out, the topology of the Japan Network is relatively centralized and star-like. The UNIC is placed at the center, and interactions among other nodes, i.e., companies, are infrequent. If this arrangement is kept intact, little will change, or worse, the center will not bear the multiplication of nodes, due to heavy traffic of information (Watts 2003). Therefore, there must be opportunities whereby participants directly exchange their views with one another, and the burden that has been placed on the shoulder of the UNIC must be lessened, perhaps by the involvement of Keidanren. In sum, our proposal requires that the change in the size, composition, and structure of the Network should go hand in hand.

Despite these obstacles, we strongly believe that, as there is no nation-wide multistakeholder forum on CSR in Japan, the Japan Network is an ideal place where actors from various sectors join to solve social issues at home and especially abroad.

Creating a Tipping Point

How can we solve the agenda above? In other words, how can we expand and activate a network in a way that not only attracts actors from different sectors, but fosters dialogues and partnerships among
them? We argue that the process can be fastened when two conditions are met. First, values on which a forum is built cover those embraced by organizations in diverse sectors. Thus, not only is “the principles of the Global Compact . . . translated appropriately into the Japanese business community’s special value system and culture,”\textsuperscript{11} but also the rendition reflects principles held by those in other genre. One of the merits of the Compact is to present a framework which enables reinterpretation of formerly distinct norms as parts of an emerging norm-complex of CSR, thereby providing links among otherwise disparate actors and activities.

Until now, however, little or no attempt has been made in the Japan Network to discuss whether, and to what extent, the Compact’s principles and those endeared by various stakeholders in Japan match.\textsuperscript{12} Aside from a commitment to the Compact’s ten principles, the Network has not yet set its own “shared vision and common purpose” (Ruggie 2002, 375) tailored for the specific social context in Japan. The absence of a vision and mission, together with limited interaction among the network members, accounts for a weak sense of trust, identity, and community among them. It will preclude both information and resource exchange on the one hand and joint experimentation on the other, although their prevalence is a hallmark of multistakeholder partnerships (e.g., Connick & Innes 2003; see also Ruggie 2002). Moreover, the absence of a common purpose thwarts any attempt to evaluate the performance of the Network.

The second condition is that those organizations which constitute

\textsuperscript{11} Secretary-General’s remark in \textit{op. cit.}, SG/SM/9165.

\textsuperscript{12} Possible agenda include gender discrimination in employment and promotion, the business case for CSR and multistakeholder partnerships, introducing CSR to small and medium enterprises (SMEs), and making supply chains greener and more humane.
a hub in a network are recruited. We premise that each hub can pull in many organizations to help create a “critical mass”\(^ {13}\) or a “tipping point” (Waddock 2004; Waddell 2004) whereby the movement gets a momentum for its rapid evolution. We propose that the Japan Network needs to find out “missing links” with organizations whose values and practices are consonant with those of the Global Compact.

In considering how to create a tipping point, the Japan Network can learn much from the composition of its German counterpart, the German Friends of the Global Compact, which consists of 33 members as of August 2004, and successfully hosted a Global Compact Learning Forum in 2002. The German network involves, besides companies, the Federal Foreign Office, the Federal Ministry for Economic Cooperation and Development, the German Agency for Technical Cooperation (Gesellschaft für Technische Zusammenarbeit, GTZ), and the city of Nuremberg. Based on two criteria, the compatibility of their values and practices with those of the Compact, and the widespread links they have with many other entities, we select four likely Japanese counterparts: the MOFA, the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), and the city of Kitakyushu.

An entry of the MOFA will likely enhance awareness of the participants on a global dimension of the Compact, while the Ministry’s core policy principles, human security, can be a strong linchpin for infusing the social dimension into corporate practices. Introduction of human security represents MOFA’s belief that security

\(^{13}\) As Kofi Annan put it, “We need to gain a critical mass among leading companies, and in their supply chains, so that the Compact can truly be called Global.” “Secretary-General Welcomes International Corporate Leaders to Global Compact Meeting,” July 26, 2000. Press Release, SG/SM/7495.
and safety of human beings is diverse for people who belong to different parts of the world. Therefore the concept encompasses sudden downturn of economic situation owing to financial crisis, climate change, infectious disease, and poverty. According to MOFA's Blue Book published in 2003, the goal of human security is to create and sustain societies enabling individual human beings to realize their potential (MOFA, 183). Therefore governments should work with various international organizations and civil society organizations (Trust Fund for Human Security). Such a development aspect of human security should be compatible with the MDGs.

The Ministry’s foreign policy will benefit from a closer collaboration with corporations, a missing link until now. At the same time, the member companies will enjoy a framework to meaningfully relate their existing and potential activities to the attainment of the MDGs. Because the Ministry has extensive links with foreign governments, NGOs, local communities, and local offices of UN agencies, a closer coordination between the Network and the MOFA can open the way for the collaboration among various local networks such as in China, the Philippines, and Sri Lanka. Tokyo office of the UNDP will be invited to the Japan Network, because its parent organization was the first advocate for the human security.

Linking the JICA to the Japan Network may also prove relevant, since its project cycles involve private consulting companies, NGOs and governmental organizations. In addition, the JICA has committed itself to sustainable development and environment. For example, the agency introduced an environmental management system in order to mitigate environmental costs pertaining to its practice of development assistance. Also, it concluded new guidelines for environmental and social considerations in March 2004. The guidelines’ objectives are to encourage recipient governments to take appropriate considerations of environmental and social factors, and at the same time to ensure that
JICA’s support for, and examination of, environmental and social considerations are conducted accordingly (Japan International Cooperation Agency). Such guidelines should be also observed by private sectors involved in the technical cooperation.

Activities of the JBIC are twofold: the assistance of developing countries through long-term loans, and accommodating exporting companies in Japan as well as Japanese companies operating overseas with loans. Since the JBIC finances private companies operating internationally, its involvement in the Japan Network will have a great influence over the conduct of Japanese companies. Besides, the bank assists projects such as promotion of recyclable energy and afforestation in order to cope with global warming and acid rain. Since October 2003, its activities have been based on its Guidelines for Confirmation of Environmental and Social Considerations. The JBIC has implemented various collaborative projects with Japanese local governments. In collaboration with the JBIC, Japanese cities and prefectures provided developing countries with their accumulated know-hows such as for combating air and water pollution.

An important collaborator with the JICA and the JBIC, the city of Kitakyushu has successfully transformed itself from a polluted “gray” city into one of the most prominent “green” industrial cities in Asia. Known as “Kitakyushu Initiative for a Clean Environment,” the city’s method of fostering learning through information exchange, enhancing partnerships among all stakeholders, helping capacity-building, and encouraging local initiatives closely resemble those of the Global Compact. The Initiative has been implemented

through a “Kitakyushu Initiative Network” (KIN) with 60 member cities from 18 countries in Asia and the Pacific region. Moreover, the city has established connections that are not limited to the local level but embrace both national and international levels as well: the above-mentioned three Japanese agencies in charge of foreign aid, and UN agencies (e.g., the United Nations Environment Programme, the UNDP, and the United Nations Human Settlements Programme [UN-HABITAT]). Thus, the city lies at the crossroads not only of sectors but also of levels, and this character of Kitakyushu will provide the Japan Network with an invaluable asset.

Conclusion

In this paper, we have examined the current status of the Global Compact Japan Network, and proposed possible strategies for setting it in motion. We regard it reasonable to assume that some of the problems local networks face are likely to overlap, and that Japan’s case may be also useful for other local networks. If this is indeed the case, case studies of each local network are needed so that these intellectual exercises will promote information sharing and perhaps disclose good practices of the local network management.

As we have demonstrated, the Japan Network is far from mature. Yet every active network should experience a stage of adolescence. Network as a governing mechanism is at its best, when not only can it adapt itself to a changing environment, but also help transform its environment—a process called coevolution. Thus, establishing a model of self-organizing network is one of the most valuable

contributions a local network can make to the Global Compact. The main task for the Japan Network is so organize itself as to be able to self-organize.

Reference


