Emerging Nations and Sustainability. Chimera or Leadership?

Simon Zadek
Senior Fellow, Mossavar-Rahmani Center for Business & Government
Harvard Kennedy School

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HARVARD UNIVERSITY
JOHN F. KENNEDY SCHOOL OF GOVERNMENT

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SIMON ZADEK*

Emerging nations' business and economy will be the key factor determining how tomorrow's markets count sustainable development[1].

Are emerging economies and their business communities, backed up by their governments, likely to lower international standards of sustainability in tomorrow's markets? Or are they more likely to raise the bar given their interests in taking leadership of a viable global economy, albeit in ways that might differ from their Western counterparts?

This pivotal question demands a multi-faceted analysis. A classical "corporate responsibility" lens leads us to examine such things as corporate sustainability reporting and the adoption of relevant voluntary standards. None of this would be complete without bringing into the analysis the changing capacity of emerging nations' businesses to drive the technological and business innovations required to leverage the upside of markets in achieving sustainability outcomes. A more systemic analysis, furthermore, requires an examination of the implications of the broader political economy of emerging nations to determine how their governments are likely to deal with sustainability issues, and influencing cultural aspects. All of this should be considered within a specific context that would include the changing competitive landscape between companies and nations, the role of civil society and major thematic aspects of the question, such as progress on climate change, including for example arguments of the "historic equity" of developed nations in addressing the consequences of climate change[2]. And even such an extensive analysis would beg the institutional pathway question of how to get from here to there, which as we have already seen in Copenhagen and Geneva's protracted trade talks can be the greatest challenge of all even in the face of major upsides to deal making.

This single paper clearly cannot cover such a breadth of analysis. Rather, it reflects on some, decidedly anecdotal aspects of the question, and possible answers based on the author's specific experiences and related research and writings. The paper draws in particular from my work on *responsible competitiveness* and *collaborative governance*, framed by earlier work on *civil regulation* and the *civil corporation*[3]. Whilst considering some evidence from diverse emerging nations, the paper has a particular focus on China. This is because China, whilst certainly not representative of emerging nations, is in many ways the "litmus test" of how emerging nations might deal with sustainability issues, given its manufacturing focus, and its huge size and growing importance in global markets.

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* Senior Fellow at the Centre for Government and Business of Harvard University's Kennedy School.

Framing the Debate

In January 2010 at the World Economic Forum in Davos, the "Global 100"[4] was released for the fifth year at an exclusive dinner hosted by the inventors of this list of sustainable companies, Corporate Knights[5]. That it took place is in itself testimony to the rising profile of sustainable development. That it was hosted by Moises Naim, Editor of *Foreign Policy*, and that George Soros offered the opening speech on climate financing, signalled that the fortunes of sustainable businesses are now firmly intertwined with those of nations, and are a matter of public policy and indeed foreign policy in its broadest sense.

Important observations also emerge from a cursory inspection of the roll-call of companies celebrated in the Global 100. Perhaps as one might predict, Europe and North America dominate the list, with the first non-North Atlantic company being Toyota in 14th place. That eight out of the top 10 are European (even although the top spot is taken by General Electric) is a curious result if sustainability is indeed synonymous with innovation and business success given growing concerns about the stagnation of European innovation[6].

But by far the most interesting aspect of the G100 is the change in the total number of emerging economy businesses in the overall list. The 2010 list suggests that 12 of the world's most sustainable companies are from emerging economies. Even more stunning is that this is up from zero in 2005[7]. There is no apparent bias in method or metrics towards rewarding new entrants. So although one can debate the validity of the adopted approach, this growth in the proportion of emerging economy companies provides relevant evidence of changes in progress.

Indeed, such growth patterns are mirrored in other international sustainable business lists, and might be even more marked if the analysts were not predominantly North Atlantic and data considered was not dominated by linguistically accessible information about publicly listed companies[8]. And such analysis is supported by the more casual observation: responsible leadership is clearly not the preserve of Western businesses: Brazilian body care innovator Natura, Indian conglomerate Tata, and South Africa's mining giant Anglo American[9] are among a growing number of iconic companies in emerging markets that are matching or exceeding sustainability benchmarks set by their Western counterparts.

Juxtaposed to this is the oft-stated view in the international media of emerging economy businesses lacking the maturity to lead on sustainability, at the very least. More darkly, the Western dominated media habitually talks of such poor practices reflecting emerging nations' political economies that encourage nepotism, cronyism and corruption, and lack the political will or capacity to enforce the basics of environmental protection and human rights. Transparency International's 'Corruption Perception Index' tends to confirm this image, with European countries dominating the (positively) top of the list, and only Hong Kong edging its way into this otherwise OECD-dominated top-table[10]. The Environmental Performance Index produced by the Yale Centre for Environmental Law and Policy provides a more complex, indeed sophisticated picture. However, even here only two developing countries fall into the top 10 performers in

2010, and they are relatively minor players, Costa Rica and Mauritius, with Cuba, Columbia and Chile appearing in the top 20[11].

AccountAbility's Responsible Competitiveness Index measures the degree to which an economy has integrated social and environmental externalities through smart business, standards and regulation, drawing on 21 authoritative streams of data[12]. The most recent iteration covering 108 countries includes only one non-OECD country in the top 20, Hong Kong SAR, with Chile, Malaysia, South Korea, South Africa and the United Arab Emirates included in the top 30. China, in many ways the touchstone of emerging nation economics, trails other BRIC countries in 87th place, with Brazil in 56th, India in 70th position and Russia in 83rd position. Absolute positions disguise, however, very diverse records across the criteria applied. China, for example, does relatively well against several criteria, notably gender-wage equality and occupational fatalities rates; below average on the strength of auditing and accounting standards and staff training; and poorly on corruption and CO_2 emissions.

Mountains and Mohamed

Static measures of sustainability tend to confirm the leadership of wealthier nations, and Northern European countries in particular, and the continued lagging of developing countries, including both emerging and so-called "frontier" nations. Chinese manufactured goods, like-for-like, are dirtier by most counts, than German manufactured goods, as are Indian compared to Swiss lakes. Brazilian forests are at greater risk than Norwegian equivalents, the former's indigenous communities are more at risk than those (remaining) in Canada, and labour standards in Los Angeles' textiles sweatshops are, in the main, higher than their Mexican competitors across the border.

The problem with such static comparisons is that although they are technically accurate, they are deceptive in suggesting any conclusive view as to the underlying differences between these countries. Most obvious is that such differences can be put down to "wealth effects", the so-called "Environmental Kuznets Curve". Richer communities can afford to clean their lakes, enforce standards, protect minorities and green their value chains. Through this lens, the difference between Brazil and Norway, or China and Germany, is essentially "time". As emerging nations get wealthier, so will their practices mirror those of the incumbent rich. One might argue similarly at the micro, business level. The difference between China Petroleum and Chevron is that the former is large but immature, and so is still working out how to do business in a sustainable manner.

There is clearly merit in this "catch-up" hypothesis, reinforced in the earlier references to the growing number of emerging nations' companies in the "Global 100" list of sustainable companies. One recent study, *Responsible Business in Africa: Perceptions of Chinese Business Leaders*, indicated strong support for this hypothesis[13]. Furthermore, this hypothesis provides comfort to an increasingly nervous, Western-dominated business community that fear that living up to their public commitments on sustainability will undermine their competitiveness in markets increasingly penetrated by emerging nations' companies that feel little pressure to "mend their ways". These incumbent businesses believe or perhaps hope that time heals all; that eventually the mountain will come to Mohamed, as these new and powerful business communities address sustainability challenges and opportunities as they themselves have or claim to have done, under pressure, in the past.

Civil Regulation Revisited

Employees of the Netherlands-headquartered Clean Clothes Campaign were summoned to appear in a Bangalore court in 2007 when their campaigning target, the international jeans suppliers Fibres and Fabrics International, turned on them accusing them of cyber crime, acts of racist and xenophobic nature and criminal defamation. "Our 'crime' is to have published workers testimonies on our websites, information which is publicly accessible in India, and to have shared this information with brands and the media", said Ineke Zeldenrust from the Clean Cloths Campaign. "If the Indian Ministry of Home Affairs decides to extradite us to personally stand trial, it will have serious consequences for all human rights and corporate accountability organisations"[14].

Intense diplomacy at the highest levels eventually defused the situation and the international Interpol warrant for the arrest of the accused campaigners was withdrawn. Ms Zeldenrust was, however, only "almost right". Although she and her colleagues were not extradited, the case nevertheless presaged and arguably accelerated a power shift with, potentially, huge consequences. For two decades, Western campaigners have with increasing effectiveness taken on the role of "civil regulators", changing market rules through direct pressure rather than relying exclusively on the traditional route of lobbying for statutory changes[15]. Although today sustainability is viewed increasingly in terms of business innovation, it is civil regulation that has in the main driven sustainability into today's markets.

Whilst civil regulation in one sense has a long, globally-diversified history, its recent pedigree has more parochial roots. Neoliberal policies advocated and implemented during the 1980s undermined the social contract between business and Western societies, a fragmentation reinforced because the feared counter-point of the Soviet Union could no longer be invoked[16]. At the same time, the rapid shift in the locus of economic value from production up the value chain towards the brand, marking out a period of remarkable success by Western corporations across global markets, created greater vulnerability to those who could damage brands and reputations. The ethos of privatisation that further opened markets over this period further fractured this aspect of the underlying social contract that had, more so in Europe, been previously mediated by the state. Simultaneously, the rise of the internet and the capacity of relatively resource-poor civil society organisations to mobilise media-friendly action was matched by the emergence of the first generation of transnational NGOs.

Civil regulation has caused some companies real damage, reinforcing the view for a time that campaigns of almost any form were a potentially lethal force. However, over the years this simplistic view has eroded with the experience of what does and what does not count in practice, and as companies become more adept at inoculating themselves against the force of civil society. So although Nike still faces a steady stream of actions by anti-sweatshop campaigners, it no longer reacts with the same fear that marked its earlier responses[17]. Nestle, similarly, has learnt to live with being the prime target of the longest single, anti-corporate campaign in modern history linked to the dangers associated with the inappropriate use of milk powders in feeding babies[18], a campaign that has over time transformed into the International Baby Food Action Network[19]. Recently, BP, once-leading sustainability corporate advocate, felt it could walk away from civil society-business coalitions such as the US-based US Climate Action Partnership (USCAP) with little fear of redress by angered civil society partners or on-lookers, despite it being a "significant blow for the campaign to bring in carbon dioxide emissions controls in the US"[20].

Yet it is Ms Zeldenrust's experience, with her colleagues and supporters, that signals a more profound dilutor of, or at least challenge to the power of civil regulation. This is the growing importance of emerging nations' businesses, and the very different mechanisms and architecture for holding such businesses to account. Chinese, state-owned enterprises are arguably the most important case in point. They experience less pressure from investors, and are certainly less concerned with short-term financial returns. Similarly, they do not face a domestic public overly concerned about most sustainability issues, or at least unable to collectively and effectively express such concerns. That is not so say that Chinese businesses cannot be held to account. The Chinese Government has visibly at times imposing extremely harsh punishments on business executives whose misdemeanours have created public outcry. The Chief Executive of Sanlu Dairy (a private joint venture), for example, was sentenced to death, and several other executives to life imprisonment, following their conviction for knowingly selling tainted milk that killed several children and sickened thousands more. But domestically in China, these instances are highly selective, exemplified by the failure of communities to find ways to bring to account state officials and implicated businesses that had sanctioned and constructed weak school buildings that subsequently collapsed during the earthquakes in Sichuan with such disastrous consequences.

Civil regulation is certainly not a spent force, but is facing its greatest modern challenge. China in particular has no domestic experience in legitimising community let alone national level citizen campaigns to improve business behaviour. Russia and other emerging nations are politically centralised and authoritarian and increasingly antagonistic towards civil action. On the other hand, countries like Brazil, India and South Africa have vibrant civil societies and we can expect them to become increasingly active as they discover the additional leverage they have by virtue of the growing importance of their domestic markets and the increased presence of home-grown economic powerhouses.

Western NGOs should not expect "business as usual" into the future. Their likely loss of influence has many roots, some the mirror image of why developing country civil society might gain in strength, as above, and others discussed in more detail elsewhere[21]. This decline, and in some instances transfer, of power from Western NGOs will be a complex affair, impacting in particular on a generation of international initiatives that have shaped voluntary, sustainability standards, discussed further below. This in turn will impact the core topic of this paper, namely how emerging nations' businesses and economies will shape how sustainability is counted in tomorrow's markets.

Sustainability Standards

Moving beyond exemplary, cases of business leadership in sustainability is a pre-requisite for scaling up responsible business practices and impacting whole sectors, markets and economies, and so the underlying terms on which global markets will operate into the future. The rule of law is clearly the waterline below which businesses should not stray. Considerable advances have been made on this front, from incorporating phytosanitary standards into the World Trade Organisation-overseen international trading rules, to a growing range of risk-related disclosure rules on sustainability-risks established by major stock exchanges and regulators. Recently, for example, CERES, a US network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change, has with others succeeded in persuading the all-powerful Securities and Exchange Commission to mandate that companies report publicly on material climate risks[22].

Statutory mechanisms for raising the sustainability bar have, however, been seen as inadequate for diverse reasons: sets the bar too low in many countries, is often not enforced, takes too long to develop and enact in law in a fast changing world, and often does not work well for trans-border events and issues[23]. For such reasons, international voluntary standards have become a key mechanism for advancing responsible business practices. Today, there are hundreds of initiatives that have in effect created a "soft governance web" spread across every market and every conceivable issue from nanotechnology to fish[24]. Many of these standards have been developed collaboratively by global businesses (adopters), concerned NGOs, and increasingly involving international development agencies such as the UN and the World Bank and at times sponsoring national governments.

Standards have in some instances become major forces in their respective markets. The Forest Stewardship Council certifies 10% of the global paper pulp market, equivalent to a land size three times that of Germany, while the Marine Stewardship Council certifies 10% of global wild caught fish, building on the commitment by Wal Mart and McDonalds to sell only certified fish as supply becomes available. 80% of global cross border, project investment by private financial institutions are screened using the Equator Principles, a set of environmental and social standards[25].

The "voluntary" nature of these standards is increasingly an over-simplification. There are growing numbers of cases where statutory instruments are being developed on the back of voluntary standards, such as the French requirement that companies over a certain size publish sustainability reports drawing on the Global Reporting Initiatives "G3 Sustainability Reporting Guidelines". Furthermore, there is growing involvement of some governments in the development and stewardship of such standards. The Swiss, the Dutch and the British are long-time funders of many of these initiatives, and in some cases were crucial sponsors during their start up phases. Involvements also extend to commitments for action. Colombia joining the Voluntary Principles on Security and Human Rights, for example, required its government to commit to taking action on the initiative's substantive issue, ensuring that security forces protecting mining operations did not commit human rights abuses in the process. Such commitments are in some instance onerous. The Extractive Industry Transparency Initiative requires participating governments to demonstrate the implementation of key measures to ensure that mining-related payments to the public purse are not diverted illegally.

Standards of behaviour that embed sustainability-aligned practices into global markets are a pre-requisite for us to progress along a sustainability pathway. Many voluntary initiatives have emerged in the last two decades to fill the gap left open by inadequate statutory rules and their enforcement. Those most successful to date have achieved significant market penetration, based on the engagement mainly of Western companies and civil society organisations, and increasingly their respective governments. Whether these initiatives are likely to underpin the continued advance of sustainability practices depends, more than any other factor, on how they are seen by emerging nations' companies and governments.

Vive La Différence

Bangladesh's apparel and textiles sector has flourished since the end of the trade quota mechanism, Multi Fibre Arrangement, in 2005[26]. Far from being undermined by Chinese competition, Bangladeshi exporters have led in terms of cost-competitiveness by raising labour unit cost productivity. However, rather than achieving this through improved management, worker training and technological upgrading, this increased competitiveness has in the main been achieved by driving down labour standards and associated costs. In so doing, Bangladeshi supplies consistently and all-too visibly break the codes of conduct that their buyers, including Gap, Levi's, Marks & Spencer and Wal Mart, have signed up in joining one or more international labour standards initiatives such as the Ethical Trading Initiative, the Fair Labor Organisation, and Social Accountability International. The Bangladeshi business community reject calls on them by activists to comply with these standards, arguing that it would put them out of business. And even activists and labour unionists from Bangladesh argue against brands ceasing their purchases to enforce standards, voicing concerns as to the loss of livelihoods that would arise as a result.

Many emerging nations' businesses see sustainability as part of the problem not the solution, and see sustainability standards as exemplifying the problem. From this perspective, standards are, in a nutshell, invented by Western clubs and policed by Western NGOs, often supported by Western governments who apply political and economic pressure on companies and governments to adopt and comply with what are meant to be "voluntary" initiatives. This is also true of statutory standards about sustainability. The current policy debate about "carbon border adjustments" is a case in point, with developing countries highlighting what they see as their inequitable characteristics, essentially penalising poorer nations to offset the negative effects of the carbon-emitting actions of richer nations.

That is not to say that emerging nations have no interest in sustainability or associated standards. Brazil and South Africa, for example, have extensive experience in sustainability standards. Post-apartheid, South Africa has developed many "voluntary" social compacts between business, labour and civil society and the government, mainly focused on black empowerment, but also dealing with pervasive social and economic challenges such as HIV/AIDS. Brazil, similarly, has advanced a raft of voluntary sustainability standards, founding for example the "Sustainable Meat Roundtable", an initiative designed to reduce the negative impact of ranching on land-use, deforestation and poverty.

China, similarly, is increasingly engaged in the business of standards. As one senior executive of a North American company based in Shanghai commented, "China is developing 10,000 new standards with every intention of placing them at the heart of tomorrow's global markets – the question is not whether these standards will be influential, but rather what will be in them"[27]. Yet unlike in Brazil and South Africa, Chinese businesses, and the government, is inexperienced, and in the main resistant, to engaging with civil society actors in the development of such standards, let alone their stewardship. There are exceptions to this. Some Chinese companies have signed up to existing civil society-business partnership standards, such as the Forest Stewardship Council and the Global Reporting Initiative, and China is an active participant in the development of ISO's "social responsibility" standard (SR 26000). Yet as long as there is no experience of such collaboration in domestic China, it is hard to imagine engagement with civil society becoming core to how China does business internationally.

Emerging nations face three strategic options in facing sustainability standards in international markets[28]:

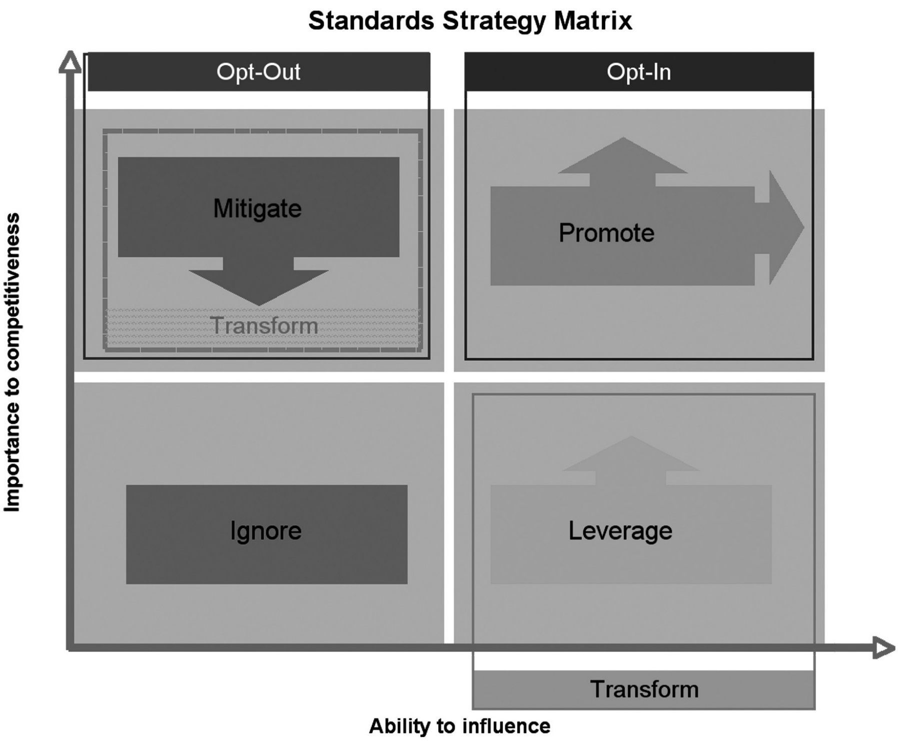
- *Opt-in*: where their businesses essentially "sign up" and compete on the same terms as other global businesses;
- *Opt-out*: where they and their businesses assert their distinctiveness and so ignore or seek to get around prevailing standards;
- *Transform*: where they and their businesses seek to shape sustainability standards to suit their circumstances and interests.

Which pathway makes more sense to pursue depends on two crucial variables, the *actual or potential impact* of any particular standard on companies' competitive position, and the capacity of companies to *influence the standard*. Combining these two variables with the three pathways provides the basis for a simple strategic framework offering four options:

- *Promote*: advancing a well-used standard over which one has influence and that could enhance competitiveness;
- *Leverage*: advocating an under-used standard if its greater success would enhance one's competitiveness;

- *Ignore*: if a standard is of little competitive importance, especially if one is poorly placed to influence the standard;
- *Mitigate:* reducing a standard's impact that one cannot change in one's favour over because of its potential for reducing competitiveness.

From this, decidedly "cool", perspective, it makes a lot of sense for emerging nations to resist some standards and engage with others even although they might all be sustainability aligned on their own terms. Brazilian and Chinese companies have signed up to the Forest Stewardship Council as it strengthens market access for certified wood products and does not undermine market access for non-certified wood products. At the same time, both Brazilian and Chinese companies have declined to participate in the Extractive Industry Extractive Initiative (EITI), an international initiative seeking to ensure the legal and appropriate use of royalties paid to governments by mining and energy companies. For China, this decision is consistent with the Chinese Government's policy of "non-interference" in the workings of other sovereign states, which the EITI explicitly seeks to achieve. At the same time, a recent study of the actual behaviour of larger Chinese mining companies in Africa revealed that they were in fact complying with the reporting requirements set out by the EITI for those countries where governments had signed on, a logical inconsistency of approach since the 'shadow' approach to code-compliance enabled companies to retain access to natural resources whilst avoiding the need for China to endorse the initiative.



Political Economy of the 21st Century

The “business case” has been the most important mainstreaming driver of corporate responsibility[29]. At its most straightforward, this is about the pragmatic need to convince businesses that it is in their narrow institutional interest to improve their social and environmental performance, even where relevant legislation is absent or unenforced. It is the business case approach, above all, that has allowed for unlikely alliances across a spectrum of players with diverse political views and interests, from the advocates of a Friedmanite “do it for the money” approach to business, to those with a more radical, change agenda[30].

Much of the “business case” debate, however, although understandable, has been misguided. The view that there is a stable relationship between, say, adhering to human rights and profitability is, to be frank, foolish. Most would agree that the much-vaunted positive impact of good corporate governance on business success is seriously over-rated, or else poorly specified and understood. There are many factors that mediate the relationships between context, drivers, enablers and performance. Put simply, some businesses will work out how to make money from, say, improved environmental performance, whilst others will go bust in trying[31].

The business-case DNA in modern approaches to corporate responsibility has sought to squeeze the last ounce of public good out of the narrow Anglo-Saxon lens on corporate governance that dictates the fiduciary supremacy of shareholders’ financial concerns. This has delivered specific gains to identifiable stakeholders, and some advances to business’ handling of the natural environment. Yet it has achieved far too little compared to what in many instances are accelerating problems.

More of the same, in a nutshell, is unlikely to be enough.

History may, in years to come, relegate this “business case” approach to being a side-skirmish, or at best an precursor to the shifts that accompany the growing importance of emerging nations and their approach to political economy. There is no logic to assuming that they will adopt a linear extension of the prevailing approach, and some evidence that they will not. Any substantive difference is likely to be embedded in the extensive and growing ownership of economic assets by the state in many emerging countries. Such roles figure very differently across regions and countries. China’s economy is dominated by state-owned enterprises, and the bulk of their international investments, notably in natural resources, are undertaken by this cadre of public policy-directed enterprises. Venezuela and associated nations that pursue what one might broadly call a “Chavez Doctrine” are also focused heavily on state ownership, but through renationalisation framed by a vibrant political populism. Russia, similarly, has experienced a major backlash against poorly executed, post-Soviet privatisation, with its political leadership driving a “grab-back” under dubious legal circumstances, linked to subsequent opaqueness in the effective control of such state assets.

The energy sector, more generally, is swinging heavily towards public ownership, internationally, with the historically dominant, North Atlantic global energy players, rapidly dropping down the size rankings by revenue and all-important measures of exploitation rights. Sovereign wealth funds, especially those of China and the Middle East, are another major driver of the re-emergence of state ownership of economic assets, currently valued at over US$3.8 trillion[32]. Prior to the global recession, the political masters of these funds reluctantly toed the line when the West insisted on them committing to simulate the behaviour of private investors, marked by the development and adoption of an OECD-sponsored code of practice. And of course there is that little matter of the renationalisation by Western governments of failing financial institutions, notably in the US and the UK. Whilst positioned as "temporary ownership" and probably accurately so, there is no doubt that the ideology of "private ownership for the public good" has been severely damaged, opening the door to new associated political discourses and actions.

State-ownership is one possible pathway in responding to the negative critique of how private owners of capital seek to externalise social and environmental costs in taking short-term gains. But this solution may deliver worse outcomes than the problem it seeks to address. Political and bureaucratic rent-taking from state-owned assets might pollute or undermine completely any progressive role of the state as owner of economic assets. From a traditional corporate governance perspective, state ownership of economic assets, whether through wholesale national ownership or by investment into publicly-traded stocks, poses major structural governance challenges in that the state can legislate in its own favour, thereby undermining the rights of private owners, whether of the same or market-related companies.

For civil society, a state-based solution could come with a high price tag in terms of eroded rights and more authoritarian states. China may moderate the short-termism of capital markets through state controlled enterprises or controls on international capital flows, Chavez and Putin will certainly bloody the noses of international companies as long as they have any political power, and Arab sovereign wealth funds may well factor in more than short to medium financial returns in their investment strategies and practices. But none of this means, necessarily, that markets will count social and environmental impacts in how they incentivise their business participants, and none of these patterns are likely to empower civil society, quite the reverse. Indeed, there are few significant cases of sovereign wealth funds taking a progressive investment approach aligned to sustainability, with the Norwegian, state-owned oil fund being one notable exception.

Positively, the state in principle represents the public interest and can and should behave as an owner with this in mind. The Norwegian case does point out that sustainability can count in state-driven investments, as does the case of Debswana, the joint venture between De Beers and the Government of Botswana that since its creation in 1969 has been the key driver of Botswana's post-independence development success[33]. More generally, there are many instances of state-ownership delivering efficient, public interest outcomes, including many Swedish state-owned enterprises through to Aramco, the world's largest company by asset value, owned by the Saudi Government. China's state-owned enterprises account for RMB 63 trillion in assets of its domestic secondary and tertiary sectors (industrial and service sectors) – or 30 percent of the total, despite only accounting for 3.1 percent of the total enterprise number[34]. And although many do not meet traditional international performance standards in terms of return on capital, there is no doubt that many are world-class operators, including China Petroleum, State Grid, China Telecom and the China Overseas Shipping Organisation (COSCO), often managing multiple objectives involving trade-offs that reduce profitability in return for gains in terms of wider political economy, from domestic job creation to control of overseas-located natural assets. As World Bank economist, Gao Xu, declared: "For some people – even some long-time observers of China – Chinese SOEs are best described as dying dinosaurs that continuously absorb resources from the economy but produce little economic value. However, this impression is far from the case in nowadays"[35].

Traditional state-ownership is of course only one of many alternatives to the dominant Anglo-Saxon model of "arms-length" private ownership for financial gain. There has always been and clearly remains a place for family firms and co-operatives, which in many successful economies, such as Switzerland but also the USA, make up a major part of the economy. More recently, we have witnessed a burgeoning social enterprise sector, initially at very small scales, but now including at least mid-sized businesses and more generally a sensibility of a new generation of commercial entrepreneurs of the value of the social in their vision and strategies[36]. Beyond and building on this, we are in the early phases of a range of experiments in a new generation of stakeholder-owned and governed enterprises. Initiatives such as 'Corporation 2020' have blossomed in the developed world as progressive voices explore alternatives to current approach to business and economy[37]. To date, and with notably and noble exceptions, however, these alternatives have come from, or have been principally sponsored by, the West, once again. Whilst this does not mean that they do have universal potential, it does raise some doubts and lead one to look first at what alternatives are truly arising from emerging nations. It seems more likely that the next generation of economic enterprises will be shaped in Beijing, Delhi, Sao Paolo rather than London, Tokyo and Washington.

Emerging Nations and Sustainability

Emerging nations see themselves, and will in all likelihood, lead us through much of this century and, hopefully, beyond. Positively, they will inherit a highly-integrated, technologically-driven global society with extraordinary potential to support its burgeoning population. Negatively, they inherit a legacy of over-use of natural resources, continued dependency on, and vested interests intent on protecting, unsustainable economic models, widespread and highly visible poverty and inequality, institutions at best fit for an earlier time, and fragmented pathways for dealing with these risks and dis-functions.

Business as usual is not an option, and incremental adjustments will not suffice. Emerging nations are understandably suspicious of the approaches of today's leading nations, including those that speak to the sustainability agenda. But that does not mean that sustainability is not core to what many in emerging nations see as an imperative for the future in which they wish to prosper. The difference is that they have less to protect, and more to gain, from radical change. Emerging nations today are reluctant to pursue the same pathways towards sustainability adopted by incumbent nations and business communities, fearing embedded competitive disadvantage and the acceptance of norms not suited to their circumstances and views. Conflict over the current UNFCCC climate negotiations exemplify this suspicion and resistance, as well as their inclination to assert new criteria and principles for action, such as in this case "historical responsibility".

That said, emerging nations are also in many respects imitating and joining-up with some existing approaches, including more liberal markets in some respects, private ownership and sustainability standards[38]. Despite this, we cannot and should not assume convergence towards the current dominant approach. Of all the factors that might make some difference, ownership figures as one if not the most important, with growing state-ownership, directly and indirectly, rolling back the period of privatisation and asserting the state more directly into economy activities. Whether this plays well or badly for the sustainability agenda depends on many factors. But surely what is true is that this different ownership pathway will be a major determinant in how sustainability is dealt with in years to come.

Notes

[1] This paper is based on a presentation made in Milan at the Politeia Forum on 26th February 2010. It draws on various published and unpublished essays and papers by the author, referred to throughout the paper, as well as his blog at www.zadek.net. Comments are encouraged and should be sent to the author at simon@zadek.net.

[2] http://timesofindia.indiatimes.com/NEWS/Environment/Global-Warming/BASIC-meet-on-climate-equity-in-June/articleshow/5884090.cms.

[3] Zadek (2004), (2006a), (2007), (2008), Zadek and McGillivray (2008).

[4] http://www.global100.org/.

[5] http://www.corporateknights.ca/.

[6] http://www.economist.com/innovation-visualisation/.

[7] Including two from Singapore and one from Hong Kong.

[8] The Accountability Rating, published annually by *Fortune*, was roundly criticised for example in the Chinese media because of its exclusive use of English language, published material (http://www.accountabilityrating.com).

[9] Now with its primary listing in London.

[10] www.transparency.org/policy_research/surveys_indices/.

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