LOWY INSTITUTE

FOR INTERNATIONAL POLICY

Australian Government

AusAID

**New Voices Conference 2008
Responsibility in a Globalised World**

Outcomes Report

On 31 July 2008, the Lowy Institute for International Policy hosted its fifth annual *New Voices* conference. One of the Institute's primary mandates is to promote wide discussion of Australia's role in the world. Our *New Voices* initiative advances this mandate by introducing young leaders to the Institute, providing them with a platform to express their insights on important issues of international policy, and by facilitating professional cross-pollination, particularly by creating synergies across the business/government/NGO/academia divide.

In 2005, the *New Voices* theme of binding the world together focused on global challenges and opportunities. *New Voices 2006* looked at how technological development affects international relations while *New Voices 2007* explored the nature and practice of leadership in the international realm. *New Voices 2008* looked at the new areas of responsibility that are arising as a result of globalisation. The overarching themes of the sessions were: the drivers of new responsibility; corporate responsibility; governmental responsibility; and future trends.

Within each session, panellists delivered short presentations on specific and diverse topics relevant to their area of expertise. Panellists came from across Australia, with backgrounds including aid, defence, politics, diplomacy, NGOs, the private sector and academia. Each panel session was followed by a substantial period of moderated discussion open to all participants. Debate was lively and sophisticated. During the course of the conference several common themes emerged. This report is structured around those themes and the four session topics. Its contents are derived from participants' contributions, but are not attributed to any individual or organisation.

Conference Outcomes

Session One: The Drivers of New Responsibility

The 'driver' analogy asks two questions – what are the drivers and who is doing the driving?

Technology and the new media have played a well recognised role in raising awareness, drawing together otherwise scattered coalitions and allowing for instantaneous communication. This new technology has also transformed our democratic institutions from 'Politics 1.0' to 'Politics 2.0', with a move towards greater transparency, a multiplicity of voices, a focus on issues and a two-way flow of information.

NGOs are embracing this new order, harnessing new media such as the internet, so that political engagement is only limited by the digital divide. Even where a digital divide exists the spread of affordable technologies, such as 'SMS' (via mobile phones), is increasing NGOs' advocacy and outreach capabilities by, for example, allowing individuals to instantaneously bring attention to human rights abuses.

Harnessing the new media, NGOs are driving companies and governments to assume responsibility in a variety of new fields. There is now growing scrutiny of a broad spectrum of government and business practices, from local labour standards to the sustainability of operations. The relationship is not necessarily adversarial and is often one of collaboration. Companies benefit as much from sustainable operations as citizen groups. Within the ongoing cooperation between NGOs and governments/ corporations, one new area of responsibility is the role of a voluntary ombudsman, assisting these actors to uphold their regulatory or voluntary obligations.

For reasons of either enlightened stewardship, self-interest or a combination of the two, the private sector has taken the view that sustainable development is directly related to long-term financial success and is balancing the seemingly competing interests of the bottom line and social responsibility through a network of voluntary codes. Case studies were provided of major Australian companies applying these voluntary principles both internally and externally and revealed the commitment often involved in adhering to these undertakings.

The session highlighted the numerous voluntary codes that aimed to build responsibility across a broad range of fields. Often there were multiple codes and instruments trying to achieve similar objectives.

Session Two: Corporate Responsibility

The corporate responsibility session looked at the place of social responsibility within business. At one end of the spectrum is Milton Friedman's 'the business of business is business'. At the other end is the recognition of the corporation as a social entity, with concrete rights and responsibilities. How companies navigate between these two poles in a globalised world was the primary area of discussion. A key point of contention within this panel was the question of how to achieve responsible practices: regulation or self-enforcement?

To navigate the myriad of (sometimes conflicting) regulations and voluntary codes, one solution proposed was to redefine 'business' to include social responsibility. To avoid the over- (or under-) regulation by government, businesses could create their own ethical role in the 21st century. This would articulate business's *modus operandi* in a world of increasing responsibility and operate as a guide for ethical business practices.

At present, corporate commitments tend to be dominated by voluntary codes and reporting initiatives such as the Global Reporting Initiative. There are no official sanctions for non-compliance but there is the powerful incentive provided by the prospect of reputational damage and, in extreme cases, the possibility of being barred from an initiative. While many initiatives are far from universal in the sense of including all relevant businesses, their reach could be expected to expand.

Voluntary initiatives have flourished, in part, because of a lack of pre-existing structures. For example, with many environmental issues (such as climate change) sovereign states have been unable to agree on a response, leaving voluntary codes to fill the void. Pre-existing economic rules (such as within the WTO) can also undermine multilateral environmental agreements where, for example, environmental regulations may be considered technical barriers to trade. This can lead companies to worry that environmental policies will conflict with their trade obligations. To resolve this 'chilling effect' requires a recognition of the effects of WTO compliance on the environment in developing nations.

Session Three: Governmental Responsibility

National governments face unique problems in a globalised world. Globalisation has changed how we characterise issues within the world. With the rise of the new media providing instantaneous news of events, many global events now also demand a domestic response.

On a foreign policy level, one interpretation of the transformation of governmental responsibility is from reactive to active responses. The former describes the traditional response to a global event. The latter describes governments claiming responsibility over potential threats, creating global reporting structures, brokering greater international transparency and providing resources to developing countries to prevent national issues becoming international events. Examples of active diplomacy include Australian assistance to combat HIV/AIDS in Papua New Guinea, counter-terrorism cooperation with Indonesia, and regional assistance to strengthen the response to SARS outbreaks.

In terms of assigning responsibility for global challenges, this was often much harder than it appeared. Take the issue of climate change. Should the developing nations which are fast increasing their environmental impact be asked to help combat climate change at the cost of their own economic growth? Or does responsibility lie with wealthy developed nations, which have caused much greater damage over a longer period? Should we assign responsibility on the basis of climate impact per unit of output, or any number of other ways? If the focus only stays on assigning responsibility, agreement will be very difficult. This approach also overlooks a critical factor in the implementation of global policies, namely the presence (or lack) of political will.

Finally, new governmental responsibilities have structurally changed government departments, with a shift towards strengthening interdepartmental relationships, communication with the public, a focus on results and increasing the centrality of our aid program which is growing substantially and in 2007-2008 will reach $3.155 billion in ODA.

Session Four: Future Trends

This session looked at emerging trends for addressing global challenges.

In some fields, such as private military companies operating in conflict environments, self-regulation does not always operate as well as it does in other situations. In such environments there are substantial barriers to transparency and significant financial incentives that have the potential to run up against human rights objectives. In these situations traditional government regulation is still required.

In other environments there are still significant incentives for companies to self-regulate responsibly. While increasing foreign investment in 'weak' governance environments has created unique and challenging risks, irresponsible business practices have the potential for both reputational backlash and financial damage. Strategies to minimise risk include creating inclusive business models, developing human capital, building institutional capacity and improving the 'rules of the game', the regulatory framework under which these companies operate. This not only reduces risk but also raises the companies' reputational standing.

The conference closed by examining a model of coordination implicitly running throughout each session. This 'trisector' approach brings businesses, governments and individuals

together, recognising their diverse, complementary skills to optimise common interests. It focussed on ways to engage all interested parties to address problems, providing examples of the successful application of this model.

New Voices Participants

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