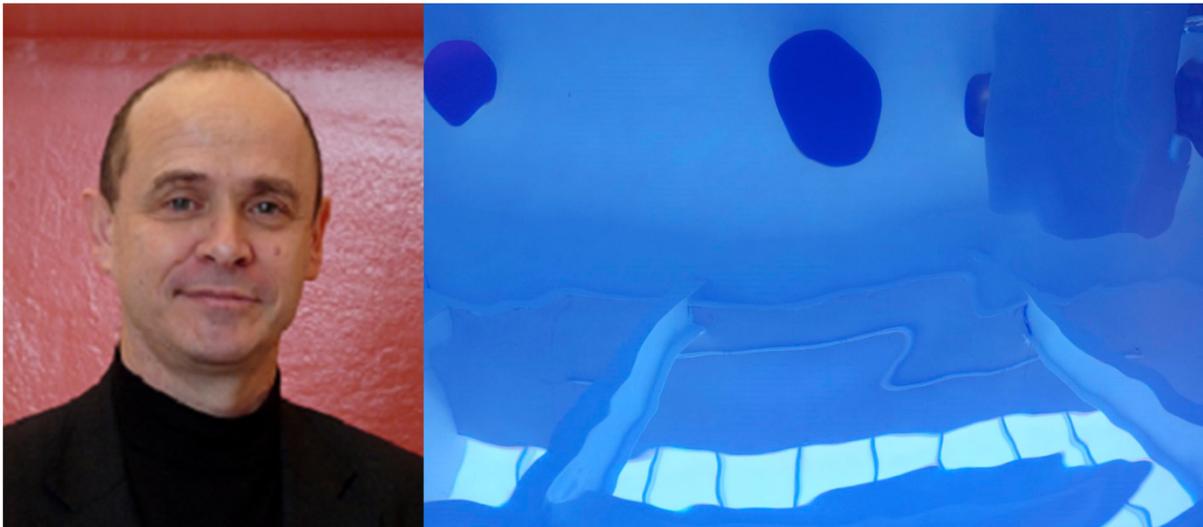


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Simon Zadek

Sustainability leadership - From global to local



Who will lead the move towards a sustainable future—the United States, Europe, China? China will be the biggest single factor in determining the shape and nature of the world economy—and the greening of that economy.

We were sitting in the Beijing hutong home of Simon Zadek, author of *The Civil Corporation*, a seminal work on corporate social responsibility (CSR). When I asked what motivated him to move with his family to China, he shared the sentiment above. As our wide-ranging conversation unfolded, we found that we agreed on many points; we also—as is the nature of these things—found that when we explored our disagreements, there were fewer points of difference than there initially seemed.

### China and green growth—really?

I responded, not over-diplomatically, by asking whether Simon had taken leave of his senses.

“If we cannot change China, we cannot change anywhere else enough to make a difference,” Simon replied.

Observing the breakneck rate of development in China, and talking to Chinese and expats alike about the unbelievably toxic rates of pollution in its cities and food supplies, it seemed hard to take seriously the notion that China could be the driving force for global green growth. Both the Chinese people and the government are acutely aware of the substantial environmental issues associated with China’s development and, on the streets, talk about the need to improve environmental conditions is everywhere—but if you are looking around, hoping for a glimpse of blue sky through the Beijing smog, the idea of a green China seems laughable.

Simon disagrees. One of his arguments is that China has the opportunity to take the lead in green financing initiatives—and green financing leads to green business. Both the volume of debt issuance necessary to finance the continued development of the country, and the sheer amount of free cash flow the country will generate and invest globally over the coming years offer opportunities for innovative green finance. These initiatives, in turn, would set an example for the West, and the huge numbers involved would make for massive impact.

### Europe as a locus of change?

OK, but China does not live in a vacuum, I argued. Although its behaviors will clearly influence the West, patterns of behavior in the United States and some European countries will also influence China’s behavior.

It's a cycle of mutually reinforcing behaviors that can be either virtuous or destructive. With the United States mired in political gridlock and a right wing implacably opposed to any kind of environmental improvement, Europe has the best cultural milieu to encourage green development. Also, sustainability is now probably one of the few areas left where Europe has the opportunity to establish some kind industrial leadership position. Yet, if the recent failure to reform the carbon market is anything to go by, Europe may be abandoning this vision in what has become a race to the bottom in the name of "global competitiveness"—a race that Europe can never hope to win. If we are to break the current vicious cycle into a virtuous one, then Europe must be our primary focus.

"But how is Europe going to do any of that?" asked Simon. Mired in internal problems, it may not be capable of establishing a leadership position on any front.

But, to me, the mechanisms matter less than the development of highly visible, concrete actions that are designed to make a public statement of the determination to break the vicious cycle. Business, the political establishment, and civil society must share responsibility for going in this direction, and significant opportunities for this to happen lie in some European countries.

### The action happens in individual nations

Simon believes that Europe might prove unable to act in concert. The Eurozone crisis has shown that, when push comes to shove, nations will act primarily in their own national interest. In Europe and beyond, we seem to be moving toward a re-emergence of the assertive nation state. What is the impact of this on any hope of achieving global agreements on environmental matters?

While we agreed that nation states have emerged from the ashes of failed grand ideas like "global governance" or "Europe-the-supra-national political union," I interpret this positively. Nation states, because they can act more freely, are more likely to move forward with innovative initiatives rather than remaining bogged down in the doomed-to-fail search for global compacts.

In the environmental field, that search has failed to achieve the hoped-for results—be it in climate change or in biodiversity—and has now become counter-productive—especially in the United States, where Congress will reject anything that it perceives the outside is imposing upon it.

Given all this, the newly assertive nation state is where we will likely make progress—I believe even in Europe. Through cooperation and mutual reinforcement between individual nations, unhindered by grand but sclerotic, non-functioning supra-national institutions, we can create a virtuous cycle. In this evolving ecosystem, China may well be the elephant in the room. But, as in nature, both the elephant and the minnow have vital, if different, roles to play in the ecosystem

### Is CSR relevant?

So then, what of business in general and the multinational corporation in particular?

Simon believes there has been huge progress in CSR in terms of metrics, transparency, and actual behavior.

I agree. Pioneers like Simon have achieved success unimaginable 30 years ago, and we need to celebrate their work. But is CSR as we think of it today capable of really changing the game? My answer is no. We need to go further and gain widespread acceptance that the role of business in our society must go well beyond the creation of shareholder value. We can achieve this only through exceptional political and business leadership.

*Mr Zadek was talking to Joe Zammit-Lucia of Camunico*

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