



# BRUNO LAFONT

Chairman & CEO of Lafarge Group

I will probably present a contrast with the previous presentations, because I am not an expert.

**Stewart PATRICK, Senior fellow and director of the program on international institutions and global governance at the Council on Foreign Relations (CFR)**

Yes, you work for a living.

**Bruno LAFONT, Chairman & CEO of Lafarge Group**

I will try to give you a practical experience and the perspective of international companies and companies which are doing business in countries where almost no international companies are present today. I am completely in agreement with everything you said about the new challenges and the need for a global approach to those global challenges, and I will take the examples of climate change, poverty and globalisation; human rights are also a global issue.

I would not be so negative about the trends. We can always see the glass as half full or half empty. The world has progressed a lot in the last 25 years, and taking one example, the free market economy is no longer in question, and every government understands the free market economy today, which was not the case 20 years ago. That is the result of globalisation, and probably also the result of global governance.

Clearly there is a need for global governance to take certain specific components into account. Firstly, there is no global governance without local governance, and the companies are learning that governance is important. Why is governance important? There are stakeholders, and with stakeholders you are aware of your responsibilities and need to address the issues, you need to plan actions and to address the challenges. That is the only way for a company to live with others, which is also the goal of everyone in the world, so that is a common feature with overall governance.

Secondly, encouraging people and governments to reinforce their local governance is very critical with regard to the state of the law, the bureaucratic systems, the fair treatment of different economic actors and social laws, and that is something I have been very interested in surveying in the integration of the new European Union members after 1990s. When we acquire a new company, we spend a lot of time integrating that new company, and that involves showing people the new system and allowing them to understand how to operate efficiently within our system. I think the integration of Eastern Europe has been much too slow, and this explains why some of the countries are still lagging behind; this is very surprising. Therefore, local governance is very important.

There is also the emergence of new actors and new challenges. Depending on the challenges, the institutions you need, the capabilities you need, and the stakeholders you need to discuss and to partner with are not the same. It can make the difference between peace and war between states and governments; if you are discussing climate change, you need to involve those who are polluting as well as those who will implement the solutions you want to implement. You need to involve them at a very early stage, and to understand that it is not by changing the regulations every two years that you will get companies to invest and make the right decisions, because when they invest for 50 years they need a stable framework and a framework which is compatible with continuous and sustainable growth, because everything is compatible, but it has to be discussed, and it has to be negotiated. I have not mentioned NGOs, but there



are new partners for governments to discuss with in order to address issues, and climate change is one, human rights is another we discussed this morning which is very important.

Then the last question which is important for me is the fact that globalisation, meaning the global approach to challenges, always faces cultural differences, and when I am talking about cultures I am not talking about religions; we operate in a lot of different countries, and we see that there are limits to the approach of how we should approach global governance with different cultures.

Now I come to answering your question about the rising power of new countries or new ideas and whether they will challenge the Western order. The world is changing very rapidly, and if the so-called Western world does not change there is a risk, but I do not know what a risk is because I am not a politician or a foreign expert. However, what I see on the field is that we must discuss with local people in order to understand and know the world if we want to find the way to collective solutions.

Regarding global versus local solutions, the idea that we can only solve problems through international agreements or international treaties is untrue with regard to some challenges, and I will give the example of climate change. Copenhagen for me was not a failure, it was a big success, because the only thing we could reach for was awareness, and awareness is when a company understands its responsibility for its environmental footprint. Now everyone understands what the risk to the planet is and what they should do, and what I see after Copenhagen is that almost all countries we are in have been taking measures and actions, even the US. We know that everyone is blaming them for not signing the agreement, but the EPA is taking actions, the Chinese are taking a lot of actions, and all the countries are acting.

Therefore, what is important is not only that there is an international agreement; what is important is that 190 countries, not just 20, have convinced themselves to talk about the subjects, and people are aware enough of the issues that governments cannot just come back and do nothing. Maybe it will not be fast enough, but I think it will go further. Regarding leadership, Copenhagen is another good example of Europe having tried to take the lead; they showed that this way of governance was not the right one, because they failed in their leadership there. They failed only partially, because they were the first to set ambitious targets, and setting ambitious targets is raising the bar.

It is like what our company does. We do things like sustainable development because we want to raise the bar, because we also want to improve our reputation, and also because we see opportunities, because every improvement in sustainable development provides business opportunities. What would be catastrophic would be if nobody spoke about climate change, if nobody spoke about poverty, or if nobody spoke about human rights. That would be a terrible world.

How do we address the issues? What is emerging is that governments are becoming educated; NGOs and think tanks which are gaining strength; communication via the Internet is helping a lot. Companies are not just trying to be good citizens; sometimes they are part of the problem and sometimes they are also part of the solution, and if they are not treated as partners, the world is not maximising the opportunities.

I will give you one example to conclude. The cement industry is emitting 5% of total CO<sub>2</sub> worldwide, cement is the only material you can use to join stones, and the way you join stones can help you to make more efficient buildings. Therefore, you are part of the problems, but you are also part of the solutions, depending on what the regulations and strategies are. Copenhagen meant a possibility of new regulation for the industry, and what the cement industry did under the leadership of the WBCSD, which is another nice new governance approach for companies to work together on sustainable development, was to create a special organisation called CSI, Cement Sustainability Initiative. Together they started to measure, to establish systems, and decided to commit themselves to reduce their CO<sub>2</sub> emissions. Together they have already reduced their CO<sub>2</sub> emissions by the amount that Switzerland emits in one year.

That is what I would call a sectoral approach. You can have international agreements, but these governments could also allow for the cement industry, for example, to use what the industry is suggesting, and if our system became the rule for our industry today, the 28 companies should be followed by hundreds right way, and you would have solved



the issue for the 5% of CO<sub>2</sub> emissions. Therefore, there are many things that can be done aside from the reform of the United Nations.