

## HUMAN RIGHTS AND CORPORATE RESPONSIBILITY

With this topic, as with all global issues, we are confronted with the enormity of the subject and the extensive nature of the resources available. In this edition of *Issues in Global Education*, we can only offer suggestions, present a sampling of material, and encourage further investigation by our readers.

Examples chosen for illustrative purposes only may not accurately reflect the present situation, but represent an idea or principle. Because world conditions and situations change constantly, the reader is advised to seek the latest updates.

Recent events in the United States relative to corporate behavior might serve as an excellent beginning point for examining this issue: What responsibility, if any, did Enron—the corporation or the executives in charge of the corporation—have to its shareholders, its employees, to the power industry, to the national and international economies?



### The Global Issue

What responsibility does a national or transnational corporation have in assuring its operations are carried out in accordance with internationally accepted standards of human rights and regard for the planet? That is, with regard to labor and working conditions, health and safety issues, relations with host country, environmental concerns, employee safety, etc. If a corporation's major purpose is to make a profit on some kind of product/service for the benefit of the shareholders of that corporation, the question arises: can they do this and still observe the decencies of responsible concern and response for workers, environments, sites of operation, and the general well-being of the global universe? Several groups have said that in the rush for profits, companies (many with transnational connections) fail to consider such matters. Protests at WTO meetings, publications and/or actions by organizations such as Greenpeace, Amnesty International, and Corporate Watch, grassroots efforts by shareholders, and or university student action are examples of such activity to monitor corporate behavior and, perhaps, to change operational

practices. Corporations may take refuge in the explanation that they are only economic units with the sole purpose of producing a product/service, and assert that they cannot control circumstances outside their situation. Bennett Freeman\* believes that the issue of corporate behavior in producing goods or services has become very important for three reasons: First, that the normal development of human rights awareness has become a major concern. This has been highlighted by news events in popular commercial areas such as the apparel industry; and the increasing concern of some shareholders pressuring their companies to take positions on human rights issues. Second, human rights concerns have evolved beyond civil or political rights to such areas as the environment, working conditions, and the acknowledgment of human rights abuses being perpetrated by national governments such as South Africa and China. Third, the very nature of globalization has forced the world to look at social and moral responsibility as an imperative in the context of national and transnational business and its potential impact on foreign policy.

\*Bennett Freeman is a consultant working on corporate responsibility and sustainable investment issues with companies. Formerly he was US Deputy Assistant Secretary of State for Democracy, Human Rights and Labor, and leader of the *Voluntary Principles on Security and Human Rights* on behalf of the State Department under the Clinton administration. <<http://www.globaldimensions.net/articles/cr/freeman.html>> (March 5, 2002)

# Top 200: The Rise of Global Corporate Power

By Sarah Anderson and John Cavanagh

[Data gathered by researchers at The Institute for Policy Studies is presented here. Read through the data and see if you might agree or dispute that corporations wield an enormous amount of influence, power and control over the destinies of the peoples of the world. Is there a need for corporations to pay a great deal more attention to the matter of human rights and equity among the peoples of the world? Consider the matter of where such companies get their raw materials, their work forces, and their consumers . . . who they are, where they live, how they live, whether they receive an equitable share of the profits of the corporate wealth.

These findings are each referenced to a specific report or book; these footnotes have been omitted here, but can be found at the web sites noted below. *Ed.*]

## INTRODUCTION

There are now 40,000 corporations in the world whose activities cross national boundaries; these firms ply overseas markets through some 250,000 foreign affiliates. Yet, new calculations by the Institute for Policy Studies (IPS) indicate that the top 200 of these global firms account for an alarming and growing share of the world's economic activity.

Two hundred giant corporations, most of them larger than many national economies, now control well over a quar-

ter of the world's economic activity. Philip Morris is larger [i.e., economy] than New Zealand, and it operates in 170 countries. Instead of creating an integrated global village, these firms are weaving webs of production, consumption, and finance that bring economic benefits to, at most, a third of the world's people. Two-thirds of the world (the bottom 20 percent of the rich countries and the bottom 80 percent of the poor countries) are either left out, marginalized, or hurt by these webs of activity.

IPS has conducted detailed analyses of the changing nature of global corporate power for over a decade. This new report uncovers an alarming acceleration in corporate concentration in individual sectors and in the overall power of the largest corporations in the world, and new data on the job-destroying activities of large firms.

The most alarming finding is that as corporate concentration has risen, corporate profits have soared, yet workers and communities are getting a shrinking piece of the growing pie. Figures from *Business Week* chronicle the explosion of corporate profits and CEO pay between 1990 and 1995 in the face of stagnating worker's wages. The newest "State of Working America" by the Economic Policy Institute also reinforces our findings: median family income fell over 1 percent a year between 1989 and 1994 after four decades of expansion.

## TOP 10 FINDINGS

Of the 100 largest economies in the world, 51 are corporations; only 49 are countries. Wal-Mart—the number 12 corporation—is bigger than 161 countries, including Israel, Poland, and Greece. Mitsubishi is larger than the fourth most populous nation on earth: Indonesia. General Motors is bigger than Denmark. Ford is bigger than South Africa. Toyota is bigger than Norway.

The combined sales of the world's Top 200 corporations are far greater than a quarter of the world's economic activity. Our calculations indicate that the Top 200's share of global economic activity has been growing rapidly over the past decade. In 1982, the Top 200 firms had sales that were the equivalent of 24.2 percent of the world's gross domestic product (GDP). Today, that figure has grown to 28.3 percent of world GDP.

The Top 200 corporations' combined sales are bigger than the combined economies of all countries minus the biggest 9; that is, they surpass the combined economies of 182 countries. At latest count, the world has 191 countries. If you subtract the GDP of the big nine economies (the United States, Japan, Germany, France, Italy, the United Kingdom, Brazil, Canada, and China) the combined GDPs of the other 182 countries is \$6.9 trillion. The combined sales of the Top 200 corporations is \$7.1 trillion.

The Top 200 have almost twice the economic clout of the poorest four-fifths of humanity. The world's economic income and wealth remain highly concentrated among the rich. Indeed, according to the United Nations, some 85 percent of the world's GDP is controlled by the richest fifth of humanity; only 15 percent is controlled by the poorest four-fifths. Hence, the poorer 4.5 billion people in the world account for only \$3.9 trillion dollars of economic activity; this is only a little over half the combined revenues of the Top 200's \$7.1 trillion.

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Comment on *Issues* articles, announcements, ideas and information about global education should be sent to the editor.

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The Top 200 have been net job destroyers in recent years. Their combined global employment is only 18.8 million, which is less than a third of one percent of the world's people. The world has just over 5.6 billion people. Of these, around 2.6 billion are in the workforce. Hence, the Top 200 employ less than three-fourths of one percent of the world's workers. Of the world's top five employers, four are US (General Motors, Wal-Mart, PepsiCo, and Ford), and one is German (Siemens). If one also includes the public sector in these calculations, the US Postal Service is the world's biggest employer, at 870,160, roughly 160,000 more workers than GM's 709,000 workers.

Not only are the world's largest corporations cutting workers, their CEOs often benefit financially from the job cuts. A total of 59 of the Global Top 200 are US firms. Of these, 9 laid off at least 3,000 workers each in 1995: AT&T, Boeing, Lockheed-Martin, BellSouth, Kmart, Chase Manhattan, GTE, Mobil, and Texaco. Even worse, the CEOs of these 9 companies made millions of dollars in the increased value of their stock options after announcing the layoffs. Indeed, on the day that the CEOs of these 9 firms announced the layoffs, the value of the stock options of their 9 CEOs rose \$25,218,819.

Japanese corporations have surpassed US corporations in the ranking of the Top 200. Six of the top 10 firms are Japanese; only 3 are from the United States. Of the Top 200, the 58 Japanese firms account for almost 39 percent of total sales, while the US's 59 firms account for only 28 percent of total sales. The vast majority (186) of the Top 200 are headquartered in just 7 countries: Japan, the United States, Germany, France, the United Kingdom, the Netherlands, and Switzerland. South Korea and Brazil are the only developing countries to break into the Top 200.

Over half of the sales of the Top 200 are in just 5 economic sectors, and corporate concentration in these sectors is high. Half of the total sales of the Top 200 are in trading, automobiles, banking, retail-

ing, and electronics. The concentrated economic power in these and other sectors is enormous. In autos, the top five firms account for almost 60 percent of global sales. In electronics, the top five firms have garnered over half of global sales. And the top five firms have over 30 percent of global sales in airlines, aerospace, steel, oil, personal computers, chemicals, and the media.

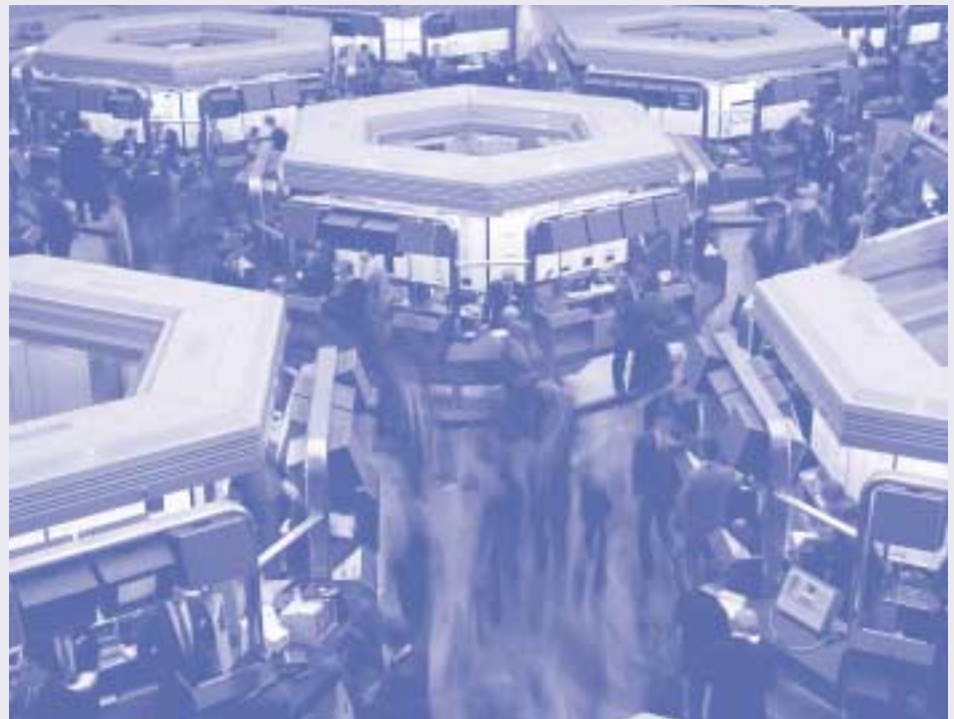
When General Motors trades with itself, is that free trade? One-third of world trade is simply transactions among various units of the same corporation. This figure has remained steady for the past few years, and is higher in certain countries. Two-fifths of Japanese exports, for example, are intra-firm. For manufacturing exports from Brazil, the figure is 44 percent.

The Top 200 are creating a global economic apartheid, not a global village. The top eight telecommunications firms, for example, have been expanding global sales rapidly, yet over nine-tenths of humanity remains without phones. Television ads for AT&T and GTE give the impression that the telecommunications giants are bringing the world closer together. And yet while the top eight firms in this sector enjoyed sales of \$290

million in 1995, 90.1 percent of all people live in a household that is not connected to a telephone line. Likewise in the financial sector, when banks boast of the new ease of global banking, they fail to mention the difficulties most of the world's people face in obtaining even a tiny loan. Close to 4.8 billion of the world's 5.6 billion people still live in countries where the average per capita gross national product is less than \$1,000 a year; only a handful of these people have access to credit from transnational banks. This is despite the fact that the 31 banks in the Top 200 have combined assets of \$10.4 trillion and sales of more than \$800 billion.

These findings offer a clear picture of the rising inequalities in the United States and the world between those who benefit from expanding corporate activity and those who are being left behind. This inequality, fueled by accelerated corporate concentration, deserves to be a central issue in the political debates of this period . . .

Source: Sarah Anderson, John Cavanagh, "Top 200: The Rise of Global Corporate Power," A Study of the Institute for Policy Studies, Washington, DC, December 2000. <<http://www.ips-dc.org>>. This editor found the material at <<http://www.globalpolicy.org>> Path: Social/Economic Policy, Transnational Corporations, Articles, TNC Articles from 2000, Top 200 (March 8, 2002).



# Opposing Views of Corporate Responsibility

The development of the corporation in the history of the United States was based on the English model of the business-settlement combination (e.g., Massachusetts Bay Company, British East India Company). Thus from the beginning of our history, the human—factor, the rights of people within a corporate structure—was present and connected to the business structure. The model however had a long history reaching back into ancient times (e.g., Phoenicia). The paramount factor, however, was always “the bottom line,” the well-being or “human rights” of the affected people involved was secondary, no matter how much one depended on the other. This was also true of the imperialist-colonial designs of nation-states, which in the pursuit of wealth, territory and power, were less concerned with the humanity factor than the power and well-being of the state, often represented in the person of the monarch, i.e., Queen of England and Empress of India, and eventually sovereign of the Commonwealth of Nations or King of France, etc. As the state and business began to separate their interests over time, the corporation became a powerful instrument for the conduct of business and industry. The democratic state, and the less democratic corporate model as it emerged from the lengthy industrial revolution, developed in parallel and became dependent on each other for support—often resulting in undue influence of business in the affairs of state. Over time, the Supreme Court gave corporations the same rights and powers as an individual; in doing so, it took away some of the restraints on the power and influence of corporations, which became uncontrolled in the age of the Robber Barons. It was not until the end of the 19th and early 20th Century that the excesses of business become a political liability and a reform movement was launched to correct the human rights abuses that had, in the eyes of many, become criminal. Some would suggest that there is still need for even greater

controls. Corporations have evolved through new organizational patterns, and continue to expand into the world community for both resources and customers, thereby becoming the globalized giants of today. The information age, with its instant technology, has begun the process of transforming corporations even further, giving them even greater power. The question remains: How do corporations balance out their “bottom line” with due consideration of human rights.

Human rights as a concept developed in parallel with its negative counterpart—

to the abuses of power and accumulation of wealth by the few, in business or other guise. In Western terms, the recognition of human rights is reflected in such events and documents as the Magna Carta, the Declaration of the Rights of Man, the Declaration of Independence, the Abolitionist movement, and, more recently the Declaration of Human Rights agreed to by the membership of the United Nations in 1948. Numerous uprisings, revolutions and other similar upheavals such as the Boston Tea Party, Nat

## THE OPPOSING VIEWS

### THE ARGUMENT

- Business has responsibilities that go beyond the production of goods and services and profit-making. Business has impacts that go beyond simple marketplace transactions.
- Socially responsible business can help to solve important social and environmental problems, especially those that business helped to create.
- Business has a broader constituency than shareholders alone.
- Business serves a wider range of human values than can be captured by a sole focus on economic values.
- Business should cooperate with other sectors of society to promote sustainable development.

### THE COUNTER ARGUMENT

- The role of business determines its responsibilities. Business has no social responsibility beyond compliance with the law.
- Social (and environmental) policy is the responsibility of government, not business. Business is not competent or empowered to undertake social and environmental initiatives.
- Business can be socially responsible, but only within the limits of a prior contractual agreement with shareholders.
- Business is responsible only to maximize profits and hence create economic well-being.
- Groups in society should not encroach on each other's provinces of behavior.

Source: Sexty, R.W. (1995). *Canadian Business and Society*. Canada: Prentice Hall. Quoted in: <[http://www.multinational-guidelines.org/compare\\_chart.htm](http://www.multinational-guidelines.org/compare_chart.htm)>. Similar information can be found in Steinhardt, Ralph G., “Multinational Corporations and International Human Rights Law: The New Lex Mercatoria.” <<http://www.aals.org/profdev/humanrights/steinhardt.html>>.

Turner's revolt, and the Haymarket Riot, all represent a protest against a violation of the human factor. Each of those events was a singular manifestation of an age-old struggle that continues today. The oppression and the struggle have taken various forms: political, economic, social and cultural; involved all people, men, women and children; have been perpetuated by states, power groups, businesses and industries. While associated with major group efforts, human rights is also essentially an individualistic matter, but

individuals may now band together in a "class action" or group effort to achieve relief from oppression (e.g., affirmative action, discrimination based on race, gender, disability, etc.). One of the areas of legal confusion lies in the fact that under the Constitution, corporations have been identified as individuals, and thus the delineation between a corporation and an individual is somewhat blurred. Do "human rights" take precedence over the corporate "bottom line"?

For further information concerning the

history of corporations see: <http://www.scn.org/earth/wum/1Corphis.htm>. Other information regarding human rights can be obtained through any of the search engines.

The following case studies are included for the purpose of initiating discussion on the major issues involved in any matter of corporate responsibility with regard to human rights. The cases may be critical of a corporation, or a country, or be an indication of a corporation's claims to a human rights position.

## C A S E S T U D Y 1

# Trading in Disaster: WTC Scrap and India

*By Nityanand Jayaraman and Kenny Bruno*

**C**HENNAI and NEW YORK — It might seem like a tangent to the tragedy of the September 11th attacks: the fate of the thousands of tons of steel that formed the Twin Towers. As with so many other unwanted materials from the US, more than 30,000 tons of steel scrap—possibly contaminated with asbestos, PCBs, cadmium, mercury and dioxins—have been exported to India and other parts of Asia. Though the risks from the scrap are probably not on the order of the health threats at Ground Zero, the US nevertheless has the obligation to ensure that toxic contamination from the World Trade Center is not exported to other nations.

### MYSTERIOUS SHIPMENTS

At least one shipload, onboard a vessel named Brozna, landed in the South Indian port city of Chennai in early January. The scrap was unloaded, as any routine consignment would be, by port workers with absolutely no protection. Two other ships, Shen Quan Hai and Pindos, also reported to be carrying World Trade Center scrap, berthed and offloaded their cargo in Chennai. But preliminary

investigations failed to reveal documentation linking the cargo to the Trade Center. Reports are vague about another shipment making its way into Northern India through the Western port city of Kandla.

Similar shipments have reportedly reached China, where Baosteel Group purchased 50,000 tons of the potentially toxic scrap. Malaysia and South Korea are also reported to have received shipments. Eventually, most of the 1.5 million tons of scrap from the cleanup may end up dirtying Asian ports and threatening Asian workers.

Few details are known about who purchased the scrap, but an unidentified Indian trader reportedly bought an undisclosed amount of the World Trade Center debris, and the 33,000-ton shipment onboard the Brozna was collected by Chennai-based Sabari Exim Pvt. Ltd. and removed to the company's facilities outside the city.

Nor are the names of US-based traders who may have exported the shipments to India known. However, two New Jersey companies were among the bidders that won the contract for removing more than 60,000 tons of Trade Center scrap. New Jersey-based Metal Management Northeast bought 40,000

tons and Hugo Neu Schnitzer, based outside Jersey City, bought 25,000 tons. Schnitzer was reportedly eyeing the Southeast Asian markets, possibly Malaysia, where prices are higher.

### PUBLIC HEALTH CONCERNS FROM TRIBECA TO CHENNAI

In this case, it is hard to accuse the US of double standards because US safety regulations were trampled in the chaos over Ground Zero. In lower Manhattan, thousands of rescue workers and residents have been exposed daily to unknown but significant dangers from air contamination. Hundreds of New York firefighters are filing to go on permanent disability, while serious respiratory infections and other chronic health problems afflict area residents, especially children. A few days after the attacks, even President Bush stood on the rubble without protective gear, joining the rest of a city too shocked and too busy to take proper precautions against the toxic cloud over Manhattan.

The steel scrap imported by India and China may not represent the same level of health threat as Ground Zero. But given the amount of material involved, and the short time frame for any decontamination process, it is indeed possible that the steel is contaminated with toxic materials.

In the months after the bombing, reports surfaced about the presence of toxic contamination at Ground Zero,

including poisons such as dioxins, polychlorinated biphenyls (PCBs), cadmium, mercury, asbestos and lead in the debris. What remains in question is whether toxic chemicals have attached themselves to the steel scrap.

There are no safe levels of exposure to cancer-causing substances like asbestos, PCBs and dioxins, and toxic metals like cadmium, mercury and lead. Asbestos, PCBs and dioxins may cause harm even in minuscule doses. Also, like cadmium and mercury, once ingested or inhaled, they resist degradation or excretion and tend to build up to dangerous levels in the body over the long run.

Insurance companies like American International Group and Liberty Mutual have refused coverage to the demolition contractors charged with the clean-up. The contractors fear that without insurance they will be driven into bankruptcy by an anticipated flood of lawsuits over asbestos, mercury and other toxins released into the air by the collapse of the Twin Towers and clean-up efforts, according to the *New York Times*.

### NOT ENOUGH INFORMATION

Contamination of steel scrap is a common concern in the scrap industry. As far as CorpWatch has been able to determine, US authorities have not studied the levels of contaminants in the Trade Center scrap that was exported. If they have, the information has not reached Indian authorities or port workers.

Trade union groups swiftly moved into action when the exports were reported last month, but were hamstrung by the lack of information. "The Port Authority tells us that steel scrap is legal. And unless we find evidence of contamination, we can't stop the shipment," said S.R. Kulkarni, secretary of the Mumbai-based All India Port & Dock Workers Union.

Nor has the information been forthcoming in the United States. The New York Environmental Law and Justice Project recently filed a Freedom of Information Act request with the USEPA after US public health activists suspected regulatory officials were downplaying the toxic contamination in and around Ground Zero.

However, Chennai-based lawyer T. Mohan says there's enough doubt raised about the safety of the debris to warrant precautionary steps. "There were talks to declare Ground Zero a Superfund site. That's proof enough for us to be concerned that this consignment may be contaminated," he noted.

### WHO'S RESPONSIBLE?

Under the Basel Convention on the Transboundary Movement of Hazardous Waste, it falls to the Indian Government to prevent the import of wastes if they are found hazardous. That's because the US refuses to sign the Basel Convention and is therefore not bound by the treaty. This includes an amendment known as the Basel Ban prohibiting developed countries from exporting hazardous material to industrializing nations like India. But Mohan believes that morally, "the burden of proving [the waste] is not hazardous rests with the US exporters and US government."

Despite an Indian Supreme Court order prohibiting the imports of hazardous waste into India, US shipments top the list of hazardous waste exports to India. Everything from zinc ash, toxic ship-scrap and lead-bearing wastes are routinely sent to unscrupulous importers in India. The Indian regulatory agencies, notably the port and customs authorities and the Indian Ministry of Environment and Forests, have maintained their habitual silence on matters such as this that pertain to human health and environment.

"They seem more intent on passing the buck to each other rather than dealing with the problem and hauling in the US Government for negligence," says attorney Mohan.

Steel reprocessing is a dirty business, especially when the steel contains plastic, chemical and heavy metal contaminants. In fact, secondary steel almost always contains some toxic materials. Lower wages and laxer environmental regulations in Asian countries mean that Asian traders and reprocessors can offer better prices for the steel scrap than

their European or North American counterparts. That is one of the reasons why scrap metal is exported to Asia in the first place.

The export of contaminated scrap and hazardous wastes to industrializing countries fits a long-standing pattern of environmental discrimination by the United States. An infamous example is the shipload of toxic incinerator ash from Philadelphia that traveled the oceans for two years before ending up on a beach in Haiti in 1988.

In a February 4<sup>th</sup> [2002], letter to the US embassy in New Delhi, three major Indian trade unions, Greenpeace and People's Union for Civil Liberties blasted the US Government for its "continued inaction" in stemming the export of wastes and scrap to industrializing countries. They called it "a consistent pattern in keeping with USA's tacit, if not active, support for toxic trade."

"We're totally opposed to the US and other rich countries using India as a dumping ground for all kinds of wastes and rejects. Such dumping of steel scrap is adversely affecting the major steel plants in our country, apart from causing environment and health problems," says P.K. Ganguly, the New Delhi-based Secretary of Centre of Indian Trade Unions.

The way out of the current bind over the World Trade Center scrap is simple, say environmentalists. United States authorities should provide evidence that the scrap lying in India is free of poisonous contaminants. If it is found to be contaminated, then immediate steps should be taken to return the consignment to the US.

If, on the other hand, the shipment is found clean, there may be no immediate threat of exposure to toxic chemicals. Even if the scrap turns out not to be dangerous, the question remains: who profits—and who suffers—from shipping valuable steel scrap to be recycled halfway across the globe in India before it returns to the US in its new incarnation as soup cans or luxury cars?

*Nityanand Jayaraman is an independent investigative reporter based in India. Kenny Bruno coordinates CorpWatch's Corporate-Free UN Campaign.*

*Source: Jayaraman, Nityanand and Bruno, Kenny. "Trading in Disaster: World Trade Center Scrap Lands in India." CorpWatch, February 6, 2002. <<http://www.corpwatch.org/issues/PID.jsp?articleid=1608>> (March 5, 2002)*

## C A S E S T U D Y 2

## Political Situation in Burma

*From the Burma Campaign UK*

International investment may help open societies and bring democratic change in some countries. In Burma, however, foreign investment helps perpetuate the rule of a repressive, unelected junta. Full foreign ownership of companies operating in Burma is forbidden and almost all large investment in Burma is carried out through joint ventures with the military regime. Much is directed through companies owned and operated by Burma's Ministry of Defence, notably the Union of Myanmar Economic Holdings (UMEH). While very few Burmese benefit from foreign investment, the ruling military junta, the State Peace and Development Council (until November 1997 known as the State Law and Order Restoration Council, or SLORC) has imported over \$2 billion in weapons since 1989.

Foreign investment in Burma is

opposed by growing consumer boycotts that have convinced US and European companies to quit Burma or to not begin doing business there. US federal sanctions enacted in May 1997 forbid new investment by American companies. Selective purchasing laws passed by New York City, 19 other municipal and local governments, and the state of Massachusetts that bar companies doing business in Burma from receiving government contracts are also persuading many companies not to do business in Burma.

Burma was for centuries a crossroads of ancient trade routes between China, India, Tibet, and Southeast Asia. Conquered as part of the British Empire in the 1800s, Burma was developed mainly as an agricultural producer and became one of the world's leading rice exporters. Port facilities, railways, and roads were constructed in some areas, and investment focused on mining and other extractive

enterprises. At independence in 1948, the country was struggling to recover from immense destruction suffered during World War II as Japanese and Allied forces battled over Burma's strategic routes into China and India. Under a democratic government until 1962, Burma made slow but steady economic progress comparable to that of other developing nations. A 1962 army coup put Burma on a very different course. The military-dominated Burma Socialist Programme Party (BSPP) adopted the "Burmese Way to Socialism," which imposed central planning and rejected foreign capital, as the official state ideology for a quarter century. As its Southeast Asian neighbors experienced explosive growth and foreign investment, Burma became isolated, xenophobic, and increasingly impoverished.

This policy nominally changed after a 1988 democracy movement was crushed. The army massacred thousands of peaceful protesters, and the SLORC (State Law and Order Restoration Council, renamed the State Peace and Development Council in November 1997) took direct power. Burma was almost *(Continued on p. 8)*

## The Unocal Position

[Following is a discussion paper prepared by Unocal in part to respond to charges raised against it as a participant, with the Burmese government, in using such practices as forced labor, as well as poor treatment of people of areas where Unocal has undertaken oil drilling. This statement was footnoted; those footnotes have been omitted here, but can be found online. *Ed.*]

We know that it is not enough to set high standards of business conduct, we must also live by them. This is especially true of our investments in developing countries. Our experiences in Southeast Asia during the past 30 years demonstrate the value of economic engagement and the important benefits to communities that come from our health care, education, sanitation and other local initiatives. A more recent case in point is our involvement in the Yadana natural gas development project offshore Myanmar (Burma), where we have taken a leadership role in ensuring that no human rights abuses have

occurred in the project's activities. The main difference between our activities in other countries decades ago and in Myanmar now, is that Myanmar has become highly politicized, even though our approach has remained the same.

Unocal has been the subject of considerable attack over alleged human rights violations in conjunction with the Yadana project. Our critics have accused us of using forced labor in building the pipeline across Myanmar to the Thai border. These accusations are absolutely false. From the onset of the project, Unocal has carefully monitored the labor practices followed by the project opera-

tor, Total, a French energy company. We have sent our own fact-finding teams to the pipeline area.

Two internationally known human rights experts visited the project and the nearby villages in January 1998. Their report stated that *"not only are [the project operators] paying fair wages, well above the market price, but they are keeping their employees happy and the inhabitants of the 13 villages near the pipeline have experienced great improvement in their lives."*

Several US Embassy officials also visited the pipeline region and reported similar findings. No credible source has ever called our attention to evidence that any forced labor was used on the project.

In 1996, the US State Department issued a report on human rights in Burma. The report noted that "during 1996 there were repeated allegations that forced labor was used *(Continued on p. 8)*

## Political Situation in Burma

*Continued from p. 7*

bankrupt, the victim of 26 years of mismanagement and corruption. Needing a quick influx of hard currency, the junta officially abandoned socialism and sought foreign partners to exploit Burma's natural resources. Logging concessions were sold to Thai interests, and great swaths of Burmese rain forest were felled for fast profits. Permission for nearly unregulated commercial fishing in Burmese waters, with devastating results, was granted for up-front fees paid in hard currency.

The junta quickly realized, however, that forests and fisheries are finite resources and they sought other foreign investment. In addition to immediate hard currency earnings that the generals receive in signing and license fees and commissions, foreign investments offer a degree of international respectability to a regime with one of the world's worst human rights records. Further, significant Western investment in itself tends to become a factor in foreign policy formulation. The greater the stakes held by American and European companies, the less likely are their governments to take a strong stand against even a cruelly dictatorial regime.

Official figures show over \$10 billion in foreign investment approved since 1988, but less than a fifth of that has likely reached the country through 2000—mostly in hotels and oilfield exploration. Singaporean firms dominate the former, while the American Unocal company, France's TOTAL, and Britain's Premier are most important in the latter. In developing infrastructure for both the tourism and petroleum industries, the junta has extensively used forced labor under extremely harsh conditions. Fees and profits from tapping Burma's natural gas resources go straight to the generals.

Some hotel projects are also in partnership with the army, and others are reportedly run by front companies for major heroin dealers who are collaborating with the generals. Foreign-funded garment manufacturing in Burma is a

growing area of investment, causing concern. Burmese pay scales are among the world's lowest, and the junta's repression guarantees a docile labor force. Garment exports have grown dramatically over the past few years and are a major source of foreign exchange for the junta.

Foreign investment in Burma remains small compared to that reaching neighboring countries. Investing in Burma is economically uncertain and politically contentious. A genuine free market does not yet exist. The regime still dictates many prices and wages and exchange rates. The military is a major partner in many joint ventures, and individuals with strong connections to drug traffickers are prominent in others. There is little credibility in administrative or legal structures, and corruption is rampant.

Further, a strong international grass roots movement of consumers, students, and corporate shareholders is striving to convince businesses to keep out of Burma. Already many companies, including PepsiCo, Heineken, Carlsberg, Macy's (Federated Department Stores), Levi's, Reebok, Eddie Bauer, and others have pulled out of Burma or decided not to invest there because of consumer pressure. [Maryknoll Brothers, Unocal shareholders, brought a class action suit against Unocal to try to peg executive salaries to the company's human rights record.] Others, like Apple, Motorola, and Kodak, have quit Burma in the face of selective purchasing laws that bar local governments from awarding contracts for goods, services, or construction to companies doing business in Burma.

Democracy leader Aung San Suu Kyi backs such sanctions. She argues that foreign investment today benefits just a handful of Burmese. She says also that lack of structural adjustments and rule of law means investors cannot move with confidence into this promising market. Even for business people eschewing politics, this could prove a strong deterrent argument against early involvement in Burma's still-tenuous economic revival.

*Source: The Burma Campaign UK (BCUK) <<http://www.burma-campaign.org.uk>> (March 5, 2002)*

## Unocal Position

*Continued from p. 7*

on a project to build a pipeline across the Tenasserim Region. The preponderance of evidence indicated that the pipeline project has paid its workers at least a market wage."

In September 1998, the US Department of Labor issued its "Report on Labor Practices in Burma." Although Labor Department officials did not visit Burma to prepare this report, the document discusses issues related to Unocal's investment in the Yadana Project and attempts to tie alleged labor abuses in other parts of Burma to the Yadana Project. Unocal sent a letter to the Secretary of Labor questioning the authorship and research methods of this report and requested a formal investigation into the bias reflected in the report's sections on the Yadana project.

A recently released State Department cable reported that "If charges are made that the pipeline was built with forced labor, we would find such charges very difficult to believe." The same cable further states that "It appears that the pipeline project operators have made a concerted effort to improve the living conditions of residents in the vicinity of the pipeline, and that at least for the short term, the pipeline has raised the socio-economic level in the area."

Unocal would not tolerate the use of forced labor or other human rights abuses on any of our projects. We are proud of our record of improving the lives of people wherever we work. We are equally proud of the benefits provided to the people of Myanmar through our investment in the Yadana project. The project has created high-paying jobs for thousands of workers. It has supported a wide variety of educational, medical and economic programs for nearly 35,000 villagers living near the pipeline route. The Yadana project has built roads, schools, health centers and sanitation systems, and introduced a number of successful economic (Continued on p. 9)

# Classroom Instructional Suggestions

## 1. Corporate Power

Have students read and discuss various parts of this *Issues*. Afterwards, ask them to draw up a “balance sheet” that juxtaposes evidence of corporate power and influence with possible abuses of that power. Use these sheets as a basis for a discussion of what “corporate responsibility” means, and what it might portend for the future. Teachers might also incorporate here the history of “muck-raking” and corporate behavior at the turn of the 20th century. Have students examine the included chart on Views of Corporate Responsibility to see whether that accurately summarizes the debate.

## 2. Case Studies

- a. Scrap Iron: Who is responsible in this situation? Discuss the general issue of environmental pollution and cleanup and whether companies should be held accountable for it. Bring in the issue of the “super-fund.” What are the present governmental regulations regarding such pollution? What are the implications for foreign relations between the United States and India?
- b. Unocal: Can a business still act responsibly in a country where the government acts inhumanly to its citizens? Should they even consider locating a business operation there? Consider the role that shareholders can play in influencing corporate behavior, and whether that is a justified role of shareholders. Evaluate the actions taken by the Clinton and Bush administrations toward the government of Myanmar (Burma); is this a wise use of diplomatic pressure?
- c. Levi Strauss & Co.: Discuss “outsourcing” as a regular business practice. What are the implications for US workers, shareholders, and consumers of such a practice? Should responses such as those of Levi Strauss be considered a requirement of all businesses wherever they are located, and however they get their products? Students might be encouraged to research the matter of various apparel companies being charged with condoning sweatshops, worker abuse,

and low and demeaning wages and tasks in the production of some of the most expensive clothing on the US market today. This industry has responded to the fight for better conditions—in all their source locations—in large measure due to shareholder, student and NGO actions and pressures.

## 3. Human Rights Principles

Have students compare and contrast the various statements of corporate human rights principles. Look for common elements, and for variations (e.g., those principles produced by businesses and those produced by outside agencies).

### Debate the very important notions of:

- voluntary compliance vs. legal regulation and enforcement;
- transparency—can a corporation be open and honest to the public;
- comparison between individual and corporate principles of human rights.

## 4. Global Compact and Violations:

- Is international regulation of corporations possible? Wise? (pro and con)
- Discuss the relationship between the operation of a private corporation in country X, and the foreign policy actions by the government in which the business based?

5. Some time ago, a politician was quoted as saying that “the business of the United States is business,” and later a corporate president remarked that “What is good for General Motors is good for the United States.” Given the contents of this issue and the possible discussions of it, how well do these quotes fit the present comparison of the operations of business to the governmental policies regarding adherence to principles of human rights?

*Continued from p. 8*

development initiatives for local farmers. These include poultry, pig and cattle farming, as well as other agricultural and small enterprise activities that have made the region a thriving, interrelated area.

The impact of the various socio-economic programs on local citizens is significant and lasting. Already, babies are being born healthier, with far better life expectancy, as a direct result of the doctors, clinics and health care programs that have been introduced into a region

where previously there were none. Infant mortality rate in the villages in the pipeline vicinity has dropped by more than half the national average to 46 deaths per 1,000 live births, compared with 95 deaths per 1,000 live births for the country overall.

Another important measure of achievement is education. In the pipeline area, thanks to new (or refurbished) schools and supplies, 77 percent of children now attend and complete school. Elsewhere in Myanmar, the US State Department has reported that

although education is compulsory, almost 40 percent of children never enroll in school, and only 25 to 35 percent complete primary school.

For all these reasons, the Yadana energy development project is helping to promote peace and prosperity through the Myanmar-Thailand region. We offer this project as a model of corporate responsibility in a developing country.

Source: Unocal <<http://www.unocal.com/myanmar/index.htm>>  
Path: Human Rights and Unocal. For more information about Unocal and its investment in Myanmar (Burma), visit the company's website.

## CASE STUDY 3

# Levi Strauss & Co.

[Excerpted here is a statement by the Levi Strauss & Co. related to an issue of what is called “out-sourcing.” Many companies, for example those in the garment industry, obtain materials, or ship raw materials to another site, for the production of the final product (e.g., raw silk obtained in Japan, shipped to China for production of garments, shipped to US for sale). Human rights observers believe that a company such as Levi Strauss should be responsible for not only its home base, but also for its suppliers or subcontractors, in seeing that fair and humane labor practices are upheld. This has been a major area of concern given that standards of labor and factory conditions are not uniformly high, especially in developing countries. *Ed.*]

## INSPIRING CHANGE

During a follow-up visit to a contractor in central Mexico, a Levi Strauss & Co. assessor determined that the increased size of the workforce and the changes in physical layout of the factory required additional emergency exits. The contractor, hesitant at first, made the necessary changes and conducted evacuation drills to prepare workers for various emergencies. Four months later, the area in which the factory was located suffered a massive earthquake. Because of the new exits and the emergency drills, the facility’s 800 employees were able to evacuate quickly and safely.

## MOTIVATING IMPROVEMENT

A supplier in India who failed Levi Strauss & Co.’s initial assessment due to wage violations and health and safety conditions that did not meet our guidelines requested a reassessment four months later. The assessor was pleased to see a dramatic improvement at the facility. Not only had the supplier corrected the violations, but there was a noticeable improvement in employee morale. The supplier noted that the changes he made in order to meet Levi Strauss & Co. guidelines contributed significantly to lower turnover, improved product quality and higher efficiency at his facility.

## PROTECTING THE ENVIRONMENT

Levi Strauss & Co. suppliers around the world have made efforts to improve and protect the environment in line with our Terms of Engagement and in locally appropriate ways. Contractors in Israel, Croatia and Turkey have installed innovative technologies that not only clean their waste water, but also use less energy and reduce the amount of treatment chemicals required. Suppliers in Greece and Tunisia have received local and national prizes for their environmental improvement efforts.

Levi Strauss & Co. is recognized as a leader in corporate citizenship, including ethical practices in sourcing production around the world.

In 1991, we became the first multinational company to establish a comprehensive ethical code of conduct for manufacturing and finishing contractors working with the company. This code directs business practices, such as fair employment, worker health and safety,

and environmental standards, among others. Our groundbreaking code earned the company the America’s Corporate Conscience Award for International Commitment from the Council on Economic Priorities.

## EVALUATION & COMPLIANCE

Levi Strauss & Co. is committed to ensuring compliance with our code of conduct at all facilities that manufacture or finish our products around the world. Our goal is to achieve positive results and effect change by working with our business partners to find long-term solutions that will benefit the individuals who make our products and will improve the quality of life in local communities. We work on-site with our contractors to develop strong alliances dedicated to responsible business practices and continuous improvement.

If Levi Strauss & Co. determines that a business partner is not complying with our Terms of Engagement, we require that the partner implement a corrective action plan within a specified time period. If a contractor fails to meet the corrective action plan commitment, Levi Strauss & Co. will terminate the business relationship.

We also work with non-governmental organizations (NGOs) for input and recommendations to improve our worldwide internal monitoring process. Levi Strauss & Co. actively participates in collaborative effort between the business, NGO and university communities aimed at protecting workers’ rights and improving independent monitoring systems. In addition, we also participate in the US China Business Principles Working Group.

Source: Levi Strauss & Co. <<http://www.levistrauss.com/responsibility/conduct/index.htm>>. March 8, 2002).

***Two hundred giant corporations, most of them larger than many national economies, now control well over a quarter of the world’s economic activity.***

*“Top 200: The Rise of Global Corporate Power,”  
A Study of the Institute for Policy Studies, Washington, DC, December 2000*

# A Checklist of Corporate Human Rights Practices

## From Amnesty International - USA

### 1. Company policy on human rights

All companies should adopt an explicit company policy on human rights which includes public support for the Universal Declaration of Human Rights. Companies should establish procedures to ensure that all operations are examined for their potential impact on human rights, and safeguards to ensure that company staff is never complicit in human rights abuses. The company policy should enable discussion with the authorities at local, provincial and national levels of specific cases of human rights violations and the need for safeguards to protect human rights. It should enable the establishment of programs for the effective human rights education and training of all employees within the company and encourage collective action in business associations to promote respect for international human rights standards.

### 2. Security

All companies should ensure that any security arrangements protect human rights and are consistent with international standards for law enforcement. Any security personnel employed or contracted should be adequately trained. Procedures should be consistent with the United Nations (UN) Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and the UN Code of Conduct for Law Enforcement Officials. They should include measures to prevent excessive force, as well as torture or cruel, inhuman or degrading treatment. Companies should develop clear rules for calling in or contracting with state security forces and for not hiring security personnel who have been responsible for serious human rights violations. Any complaint about security procedures or personnel should be

promptly and independently investigated. Companies which supply military security or police products or services should take stringent steps to prevent those products and services from being misused to commit human rights violations.

### 3. Community engagement

All companies should take reasonable steps to ensure that their operations do not have a negative impact on the enjoyment of human rights by the communities in which they operate. This should include a willingness to meet with community leaders and voluntary organizations to discuss the role of the company within the broader community. Companies should work cooperatively with organizations which promote human rights.

### 4. Freedom from discrimination

All companies should ensure that their policies and practices prevent discrimination based on ethnic origin, sex, color, language, national or social origin, economic status, religion, political or other conscientiously held beliefs, birth or other status. This should include recruitment, promotion, remuneration, working conditions, customer relations and the practices of contractors, suppliers and partners. It should include measures to deal with sexual or racial harassment, and to prohibit national, racial or religious hatred.

### 5. Freedom from slavery

All companies should ensure that their policies and practices prohibit the use of chattel slaves, forced labor, bonded child laborers or coerced prison labor. This should include ensuring that suppliers, partners or contractors do not use such labour.

*How does one judge the performance of a corporation relative to human rights? Several attempts have been made to provide guidelines—three samples appear here. Two were produced by agencies unconnected to corporations and not subject to national or governmental influences; the third is a corporate document. An extensive list of such principles, guidelines or standards can be found at <<http://www.ccp.ca/imagine/CSR-program.html>>.*

### 6. Health and safety

All companies should ensure that their policies and practices provide for safe and healthy working conditions and products. The company should not engage in or support the use of corporal punishment, mental or physical coercion, or verbal abuse.

### 7. Freedom of association and the right to collective bargaining

All companies should ensure that all employees are able to exercise their rights to freedom of expression, peaceful assembly and association, as well as a fair means of collective bargaining without discrimination, including the right to form trade unions and to strike. Companies have a responsibility to ensure such rights for their employees even if such rights are not protected in a particular country's national law. Companies should take steps to ensure that suppliers, partners or contractors do not infringe upon such rights.

### 8. Fair working conditions

All companies should ensure just and favorable conditions of work, reasonable job security and fair and adequate remuneration and benefits. This should include provision for an adequate standard of living for employees and their families. Companies should take steps to ensure that suppliers, partners or contractors do not infringe upon such rights.

### 9. Child labor

Companies shall not engage in or support the use of child labor as defined by applicable national laws and relevant international standards.

### 10. Monitoring human rights

All companies should establish mechanisms to monitor effectively all their operations' compliance with codes of conduct

Source: Amnesty International - USA <<http://www.amnestyusa.org/group/business/checklist.html>>. (March 5, 2002).

and international human rights standards. Such mechanisms must be credible and all reports must periodically be independently verifiable in a similar way to the auditing of accounts or the quality of products and services. Other stakeholders such as members of local communities in which the company operates and voluntary organizations should have an opportunity to contribute in order to ensure transparency and credibility.

# The Global Sullivan Principles of Social Responsibility

As a company which endorses the Global Sullivan Principles we will respect the law, and as a responsible member of society we will apply these Principles with integrity consistent with the legitimate role of business. We will develop and implement company policies, procedures, training and internal reporting structures to ensure commitment to these principles throughout our organization. We believe the application of these Principles will achieve greater tolerance and better understanding among peoples, and advance the culture of peace.

#### Accordingly, we will:

- Express our support for universal human rights and, particularly, those of our employees, the communities within which we operate, and parties with whom we do business.
- Promote equal opportunity for our employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse.
- Respect our employees' voluntary freedom of association.
- Compensate our employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise

their social and economic opportunities.

- Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.
- Promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.
- Work with governments and communities in which we do business to improve the quality of life in those communities—their educational, cultural, economic and social well-being—and seek to provide training and opportunities for workers from disadvantaged backgrounds.
- Promote the application of these principles by those with whom we do business.

*Developed by Reverend Dr. Leon Howard Sullivan in 1997, this set of principles served as a code of conduct for human rights and equal opportunity for companies operating in South Africa. The Sullivan Principles are acknowledged to have been one of the most effective efforts to end discrimination against blacks in the workplace in South Africa, and to have contributed to the dismantling of apartheid. This was further expanded to human rights and economic development in all communities.*

We will be transparent in our implementation of these principles and provide information which demonstrates publicly our commitment to them.

Source: The Global Sullivan Principles of Social Responsibility, <<http://www.globalsullivanprinciples.org/principles.htm>>. (March 5, 2002)

# Enron Corporation

## Human Rights Principles

As a partner in the communities in which we operate, Enron believes it has a responsibility to conduct itself according to certain basic principles that transcend industries, cultures, economies, and local, regional and national boundaries.

Because we take this responsibility as an international employer and global corporate citizen seriously, we have developed the following principles on human rights. Enron's Vision and Values comprise the platform upon which our human rights principles are built:

### VISION

Enron's vision is to become the world's leading energy company—creating innovative and efficient energy solutions for growing economies and a better environment worldwide.

### VALUES

**RESPECT:** We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness and arrogance don't belong here.

**INTEGRITY:** We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

**COMMUNICATION:** We have an obligation to communicate. Here, we take the time to talk with one another—and to listen. We believe that information is meant to move and that information moves people.

**EXCELLENCE:** We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.

### PRINCIPLES OF HUMAN RIGHTS

Enron stands on the foundation of its Vision and Values. Every employee is educated about the company's Vision and Values and is expected to conduct business with other employees, partners, contractors, suppliers, vendors and customers keeping in mind respect, integrity, communication and excellence.

Everything we do evolves from Enron's Vision and Values statements.

At Enron, we treat others as we expect to be treated ourselves. We believe in respect for the rights of all individuals and are committed to promoting an environment characterized by dignity and mutual respect for employees, customers, contractors, suppliers, partners, community members and representatives of all levels of Government.

We do not and will not tolerate mistreatment or human rights abuses of any kind by our employees or contractors.

We believe in treating all employees fairly, regardless of gender, race, color, language, religion, age, ethnic background, political or other opinion, national origin, or physical limitation.

We are dedicated to conducting business according to all applicable local and international laws and regulations, including, but not limited to, the US Foreign Corrupt Practices Act, and with the highest professional and ethical standards.

We are committed to operating safely and conducting business worldwide in compliance with all applicable environmental, health, and safety laws and regulations and strive to improve the lives of the people in the regions in which we operate. These laws, regulations, and standards are designed to safeguard the environment, human health, wildlife, and natural resources. Our commitment to observe them faithfully is an integral part of our business and of our values.

We believe that playing an active role in every community in which we operate fosters a long-term partnership with the

people with whom we come into daily contact. Strengthening the communities where our employees live and work is a priority. We focus community relations activities on several areas, with particular emphasis on education, the environment, and promoting healthy families.

We believe in offering our employees fair compensation through wages and other benefits.

We believe that our employees and the employees of our contractors working in our facilities are entitled to safe and healthy working conditions.

### EDUCATION AND COMMUNICATION

Because we take our responsibilities to our fellow citizens seriously, we act decisively to ensure that all those with whom we do business understand our policies and standards.

Providing clearly written guidelines reinforces our principles and business ethics. Enron employees at all levels are expected to be active proponents of our principles and are trained to report without retribution anything they observe or discover that indicates our standards are not being met.

Compliance with the law and ethical standards are conditions of employment, and violations will result in disciplinary action, which may include termination. New employees are asked to sign a statement indicating that they have read, understand and will comply with this statement, and employees are periodically asked to reaffirm their commitment to these principles.

Furthermore, Enron seeks to require its contractors, suppliers, and vendors to uphold the same respect for human rights that we require of ourselves, and to include appropriate provisions in every new contract entered with these parties. When we are joint venture partners with other companies, we will work to gain board approval for similar measures in joint venture contracts with contractors, suppliers and vendors.

Source: Enron <[http://www.enron.com/corp/pressroom/responsibility/human\\_rights\\_statement.html](http://www.enron.com/corp/pressroom/responsibility/human_rights_statement.html)> (March 5, 2002).  
Permission pending.

# The Global Compact

## The Nine Principles

### HUMAN RIGHTS

*The Secretary-General asked world business to:*

**Principle 1:** support and respect the protection of international human rights within their sphere of influence;

**Principle 2:** make sure their own corporations are not complicit in human rights abuses.

### LABOUR

*The Secretary-General asked world business to uphold:*

**Principle 3:** freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all

forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

*The Secretary-General asked world business to:*

**Principle 7:** support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Source: <<http://www.unglobalcompact.org>> Path: "What is it?"

*In 1999, the United Nations took a major step to reconcile the practice of human rights and the behavior of corporations in member nations by developing the Global Compact. Many believe, however, that because of the voluntaristic nature of the Compact, that corporations, while subscribing to the principles, in reality will ignore or sidestep them in pursuit of the bottom line. CorpWatch has compiled some examples of companies who have subscribed, but who have, nevertheless, been found to have violated the principles. Others would suggest that the Compact is still in its beginning stages and needs time to develop and bring international pressure against those who will not willingly comply. (See: Issues in Global Education #165, Global Ethics, for further discussion of the Global Compact.)*

*At the World Economic Forum, Davos, in January 1999, UN Secretary-General Kofi A. Annan challenged world business leaders to "embrace and enact" the Global Compact, both in their individual corporate practices and by supporting appropriate public policies. These principles cover topics in human rights, labor and environment.*

regarding StarLink shows that before and after signing the Compact, Aventis violated Global Compact's Principle 7, which is drawn from the Rio Declaration and supports "a precautionary approach to environmental challenges."

Original source: Institute for Trade and Agriculture Policy

### NIKE

Since 1997, Nike has continually failed to uphold "freedom of association and the effective recognition of the right to collective bargaining," which is Principle 3

## Global Compact Violators

[The following citations of violations and UN commentary are excerpted from CorpWatch. CorpWatch and its supporters are campaigning to alter the UN's Global Compact by more clearly delineating a more responsible and supervisory role for the UN over transnational corporate practices in the area of human rights. CorpWatch is a radical research and publishing group, based in Oxford, UK. It was set up in 1996 by activists to support grassroots and direct activism against large corporations, particularly multinationals. *Ed.*]

Since the Global Compact case studies have not been posted to the UN website, CorpWatch is unable to analyze them. However, based on research by our colleagues in the Alliance for a Corporate-Free UN, we can report that several companies have already violated the Global Compact principles onto which they

signed. The following are excerpts from articles documenting these violations. These articles do not represent a complete inventory of violations, but rather a small sampling of what we might find in a comprehensive investigation.

### AVENTIS

Aventis' genetically-modified corn seeds have illegally contaminated the food supply. Since Aventis signed on to the Global Compact in July 2000, its genetically engineered StarLink™ corn has illegally contaminated the food supply and seed stock in the US. The contamination of other corn varieties significantly impacts links throughout the food chain, from farmers, grain elevators, and food processors to retail grocers and consumers. Without a system of segregation or the ability to control pollen drift, StarLink contaminated much of the US corn supply. The full costs of this contamination continue to emerge; however, current estimates run in the hundreds of billions of dollars.

A look at the company's behavior

of the Global Compact. Nike made a commitment to respect this right in 1997 when it signed the Fair Labor Association voluntary workplace code of conduct along with other giant shoe and garment manufacturers like Reebok, Adidas, Liz Claiborne and Patagonia. Violations of Principle 3 and related accounts of repression, firings, violence and threats are found in Nike production factories in China, Indonesia, Thailand, Cambodia and Mexico. In addition, Nike has been actively involved in lobbying Washington against using trade policy to pressure China to respect workers' rights.

*Original source: Global Exchange*

### RIO TINTO

In 2000, the Indonesian government's National Human Rights Commission investigated allegations of abuses at the Rio Tinto's Kelian gold mine and found egregious violations. Since the mine opened in 1992, the Commission revealed, the Indonesian military and company security forcibly evicted traditional miners, burned down villages, and arrested and detained protestors. Local people have systematically lost homes, lands, gardens, fruit trees, forest resources, family graves and the right to mine for gold in the river, according to the Human Rights Commission. Kelian employees have also been named in a number of incidents of sexual harassment, rape and violence against local women between 1987 and 1997. These included abuse and rape committed by senior company staff against local Dayak women.

Rio Tinto, which has headquarters in the UK and Australia, also is accused of environmental abuses affecting the health of the surrounding community. The Kelian mine produces over 14 tons of gold per year using the cyanide heap-leaching process, which produces contaminated tailings. The tailings are held in a dam and treated in a polishing pond near the Kelian River. Water from the polishing pond pours into the river through an outlet. The company claims that the water is clean; meanwhile the community says that people cannot

drink or bathe in the water because it causes skin lesions and stomach aches.

Two articles on the CorpWatch website ([www.corpwatch.org](http://www.corpwatch.org)) document that Rio Tinto has violated Principle 1 of the Global Compact, which requests companies to "support and respect the protection of international human rights within their sphere of influence," and Principle 8, which asks business to "undertake initiatives to promote greater environmental responsibility."

*Original source: Project Underground and Asia-Pacific Human Rights Network*

### UNILEVER

In March 2001, residents of Kodaikanal, a pretty hill retreat in Southern India, caught the Anglo-Dutch multinational Unilever red-handed when they uncovered a dump site with toxic mercury-laced waste from a thermometer factory run by Unilever's Indian subsidiary Hindustan Lever. The 7.4-ton stockpile of crushed mercury-containing glass was found in torn sacks, spilling onto the ground in a busy scrap yard located near a school. Company officials denied and downplayed the dump site, eventually refusing even to engage researchers in dialogue about the issue.

At Kodaikanal, Unilever's behavior violates the environmental principles of the Global Compact that require signatories to "support a precautionary approach to environmental challenges" (Principle 7); "undertake initiatives to promote greater environmental responsibility" (Principle 8); and promote the "diffusion of environmentally friendly technologies" (Principle 9). Allegations that the company has employed a double standard in relation to worker safety indicate a violation of Principle 6, "the elimination of discrimination in respect of employment and occupation."

*Original source: Nityanand Jayaraman/CorpWatch*

### NORSK HYDRO

Late in 2000, Norsk Hydro, a Norwegian corporation with investments in light metals, oil, petrochemicals and

agriculture, faced a crisis in the Eastern Indian state of Orissa, where it is a partner in a \$1 billion bauxite/alumina project. On December 16, three tribal men—two aged 25 and one aged 45—were shot dead near their village. Nine others were seriously injured. The three who died were among several hundred local residents fleeing armed police, who had been called in to quell protests against the project.

Norsk Hydro and its partners did decide to "temporarily curtail" the project "pending a lower level of tension." But that response does not reveal the company's role in fueling tensions leading to the protestors' deaths. Allowing tensions to reach a point where police violently repress dissent reflects a violation of Principle 2, "make sure their own corporations are not complicit in human rights abuses." The failure to abandon the project in keeping with the wishes of the local people is a violation of Principle 1, "support and respect the protection of international human rights within their sphere of influence."

### The United Nations Response

The Office of the Global Compact has responded to these criticisms in several ways:

First, it reiterates that the UN logo is carefully safeguarded and cannot be used by Compact companies without express permission of the UN legal office.

Second, the UN says it does not have the resources or mandate to do monitoring or enforcement of the Global Compact, and that it should not be seen as a code of conduct or regulatory mechanism.

Finally, the UN emphasizes that the Global Compact is, despite its name, a "multi-stakeholder learning network," characterized by dialogue and action.

*Source: CorpWatch <<http://www.corpwatch.org/campaigns/PCD.jsp?articleid=1348#gcviolators>> (March 5, 2002)*

# Sources and References

## Amnesty International (AIUSA)

<<http://www.aiusa.org>>

Amnesty International's mandate is to promote general awareness of human rights and oppose specific abuses of human rights.

## CorpWatch (CorpWatch)

<<http://www.corpwatch.org>>

CorpWatch provides news, analysis, research tools and action resources to respond to corporate activity around the globe. They also network with people who are directly affected by corporate abuses as well as with others fighting for corporate accountability, human rights, and social and environmental justice. The website includes a substantial Corporate Research section.

## Council on Economic Priorities (CEP)

<<http://www.ic.org/resources/cdir1995/CouncilEconomic.html>>

CEP is a Public Service Research Organization dedicated to accurate and impartial analysis of the social and environmental records of corporations. CEP information empowers consumers, investors, managers, employees, and activists to cast their economic vote as conscientiously as their political vote. CEP also has a Company Ratings project.

## Earth Rights International (ERI)

<<http://www.earthrights.org>>

ERI is a nonprofit, nongovernmental organization (NGO) that combines the power of law and the power of people in defense of human rights and the environment. Since 1995, ERI has worked assemble on-the-ground information about the human rights and environmental situation inside Burma.

## Global Exchange

<<http://www.globalexchange.org>>

Global Exchange is a non-profit research, education and action center dedicated to advocating and working for

political, economic and social justice on a global scale.

Their goal is to increase global awareness among the US public and move them to action while building international and domestic partnerships around the world.

## Human Rights Watch

<<http://www.humanrightswatch.org>>

Human Rights Watch is dedicated to protecting the human rights of people around the world. The Corporations and Human Rights project directs pressure to businesses to use their influence to reduce human rights abuses by repressive government regimes.

## International League for Human Rights

<<http://www.ilhr.org>>

The International League for Human Rights raises human rights issues and cases before the United Nations and other international fora in partnership with colleagues from various parts of the world. The Human Rights Auditing Standards and Procedures Project seeks to add measurable and quantifiable human rights standards to established accounting and auditing procedures for corporations.

## The New Economics Foundation (NEF)

<<http://www.neweconomics.org>>

NEF works to construct a new economy centered on people and the environment. Founded in 1986, it is now one of the UK's most creative and effective independent think tanks, combining research, advocacy, training and practical action. The Building Corporate Accountability project works to bridge the accountability gap between business and the public.

## Project Underground

<<http://www.moles.org/>>

Project Underground exists as a vehicle for the environmental, human rights and indigenous rights movements to carry out campaigns against abusive extractive resource activity. They seek to systematically deal with the problems created

by the mining and oil industries by exposing environmental and human rights abuses by the corporations involved in these sectors and by building capacity among communities to achieve economic and environmental justice.

## Public Citizen's Global Trade Watch

<<http://http://www.citizen.org/trade>>

Global Trade Watch is the Public Citizen division that fights for international trade and investment policies promoting government and corporate accountability, consumer health and safety, and environmental protection through research, lobbying, public education and the media. Public Citizen is a national consumer and environmental organization founded by Ralph Nader in 1971.

## Resource Renewal Institute (RRI)

<<http://www.rri.org>>

RRI was founded in 1983 to support innovative environmental management in the United States and worldwide. RRI's main role is to promote the implementation of green plans—long-term, comprehensive strategies designed to achieve sustainability. RRI also compiles a clearinghouse of Best Practices in Green Planning.

## Sierra Club

<<http://www.sierraclub.org>>

Sierra Club's goal is the exploration, enjoyment and protection of the wild places of the earth. The Club's Human Rights & the Environment Campaign seeks to insure that individuals' rights to speak out on behalf of the environment are recognized and respected, and to help environmental advocates organize in an effective manner to petition their government.

## Silicon Valley Toxics Coalition (SVTC)

<<http://www.svtc.org>>

Since 1982, Silicon Valley Toxics Coalition (SVTC) has worked to document and expose the hazards of the high-tech industry and to promote environmental and economic sustainability and accountability in the electronics industry, the fastest growing manufacturing sector in the world.

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