REALITY CHECK
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Just Tell It Like It Is

In 1952, Charlie Wilson, CEO of General Motors, famously proclaimed, “What’s good for GM is good for the country.” His words now apply in the context of human rights protection as well. The mid-June endorsement by the United Nations Human Rights Council of a new set of Guiding Principles for Business and Human Rights has been welcomed as the “authoritative global standard” for corporations to respect human rights. The Guiding Principles, as they are called, are the culmination of a six-year UN-commissioned study by Harvard Professor John Ruggie. It concludes that companies should carry out “human rights due diligence to identify, prevent, mitigate and account for how they address their adverse human rights impacts.” While creation of these principles is cause to celebrate, they should not be seen as an end in themselves, for as Winston Churchill said: “It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

The origins of human rights compliance can be traced back to December 10, 1948, when the Universal Declaration of Human Rights (UDHR) was adopted by the UN as “a common standard of achievement for all peoples and nations.” The UDHR was a bold attempt to codify fundamental human rights norms for the world. Designed to bring diplomatic pressure to bear on governments that violate such norms, the UDHR has since become the foundation stone for many legally binding human rights instruments.

Just as the UDHR prompted states to protect people from rights violations such as the atrocities of World War II, the Guiding Principles ask that companies, especially those with operations in conflict zones, be audited to prevent and deter such violations. This idea should come as little surprise considering that some MNCs are more powerful than states.

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Today, the market capitalization of the top 200 corporations exceeds the combined GDPs of most countries in the world. Shell’s annual sales surpass the GDP of Sweden, and Petrochina’s that of Vietnam. Spurred by globalization, even the non-profit sector has grown to become the eighth largest industry in the world, with an annual value of over $1 trillion.

The Guiding Principles astutely recognize that corporations too can be brought to book for human rights abuses. In the past, companies could use corporate social responsibility (CSR) programs to cherrypick and deal with the social impact of only those activities with which they felt comfortable. Today, the Guiding Principles require corporations to respect human rights, as regulators, investors and consumers increasingly insist upon them.

Corporations are no longer solely judged on their balance sheets. The way in which a corporation treats its employees and the environment, manages its supply chain and engages with the community now matter a great deal. Total chairman’s recent statement in Forbes Asia that he would “deal with despots and drill just about anywhere” to “keep crude oil flowing” has not boosted the French oil company’s share price. In fact, Total may come under fire for its practices.

The Hong Kong Stock Exchange, for instance, is currently investigating the Zijin Mining group for its alleged failure to disclose human rights and environmental risks in its Rio Blanco Copper mine in Peru. Even banks and financial institutions can be held to account. Indonesia’s National Commission for Human Rights (Komnas HAM) is looking into the death of a Citibank credit card customer, allegedly at the hands of the bank’s outsourced debt collectors.

In today’s rapidly changing world, businesses need to know what is expected of them as far as human rights compliance is concerned to avoid censure, prosecution and punitive penalties. Companies should include human rights due diligence as part of their annual audits and engage external experts—and not look to put a spin on their practices. Simply put, they should take the late U.S. sports broadcaster Howard Cosell’s advice: “Just tell it like it is.”

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