

2008

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Recommended Citation

Robert D. Haas, *Business's Role in Human Rights in 2048*, 26 BERKELEY J. INT'L LAW. 400 (2008).
Available at: <http://scholarship.law.berkeley.edu/bjil/vol26/iss2/3>

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Business's Role in Human Rights in 2048

Remarks by
Robert D. Haas*

All of us are honored by President Robinson's presence here today. A tireless and effective advocate for human rights, her remarks are inspiring and provide a pragmatic vision of the challenges and possibilities that lie ahead.

When you first scanned today's program you must have wondered, "Why is a businessman speaking to us about human rights? Isn't this the purview of politicians and non-government institutions? And why would an apparel company have an interest in the subject?"

These are sensible questions. Over the next half hour I'll try to give you some answers.

I'd like to start with a quiz. Consider the world's largest economic entities, including both countries and corporations.

Taking Gross Domestic Product to measure the size of countries and revenues for corporations, how many of the top 100 economic entities are corporations?

You may be surprised to learn that 44 of the largest economic entities in the world are corporations according to a website called the Cassandra Project.

- Wal-Mart, with revenue of \$351 billion, ranked just behind Greece and Austria as the 28th largest economy in the world.
- Exxon Mobil and Royal Dutch Shell follow right behind Wal-Mart and round out the top 30.
- Toyota Motor's revenues, which rank #42, are only slightly smaller than the GDP of Thailand (#39).
- At number 59, Citigroup ranked just ahead of Pakistan, a country with a population of 169 million people.

These statistics are more than just interesting trivia. They illustrate the power and impact that global corporations have to affect the lives of people around the world. They underscore the reality that the 'nation-state' is no longer the preeminent source of economic power. In addressing pressing international problems—human rights, the environment, poverty, and so on—we need to

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throw away our mental maps that assigned that role to governments. Like it or not, corporations have a role to play as well.

But here's the rub. In 1948, when the Universal Declaration of Human Rights was formulated, it made sense to assign the role of "political citizenship" to national governments. For the past sixty years, human rights advocates have operated on the assumption that governments were the primary actors in the field and were responsible for ensuring that human rights were respected, protected, and fulfilled. However, it's become abundantly clear that many human rights are the shared responsibility of multiple actors. What we currently lack is an agreed-upon set of expectations when it comes to the role of non-state actors—especially business—in this area.

Sadly, as we've seen, many governments are ineffectual in meeting their obligations with respect to basic economic, social and cultural rights, including the provision of housing, food, employment, and health. Despite external pressure and well-meaning promises, many governments simply do not have the resources to fulfill their responsibilities. Others have become so corrupt over time that they lack the will and the ability to provide basic human rights. To their shame, unscrupulous corporations, lacking ethical standards, exacerbate the problem by taking advantage of the corruption in these countries to pad their profits.

Back in 1948, global trade régimes confined most corporations to their countries of origin, with a few so-called "multinationals" operating branches in other places. As a result, corporations devoted themselves to a self-interested pursuit of sales and profit growth in their home markets. "The business of business is business" was their mantra, and charitable donations to local nonprofits or educational institutions satisfied corporate citizenship obligations.

Clearly, the world is a very different place today.

With the fall of trade barriers and resulting opening of markets, the globalization of enterprises has become the norm. With it has come the immense concentration of power cited in my earlier statistics. Today, potent corporations can truly influence the condition of life and livelihoods around the world.

Environmental conditions were not a meaningful concern sixty years ago. Today, however, issues of climate change and the availability of clean water are pressing concerns that are inextricably linked to industrial activity and human rights.

The mass privatization of natural resources has denied indigenous people their economic and cultural rights, particularly in countries where population increases are resulting in more and more people competing for fewer and fewer resources.

The gulf between the richest and the poorest is expanding. Migrations of job seekers within and between countries spawn abuses of human rights for unprotected workers. And mass international migrations facilitate the spread of infectious diseases that are resistant to traditional treatments.

In all of these situations, businesses often play a role.

BUSINESS'S ROLE

The Universal Declaration of Human Rights was adopted in the wake of the tragedies of World War II with high hopes of creating a fundamentally different future. Yet, as we have seen, progress has been undercut by a combination of ineffectual or indifferent governments, corporate activities unconstrained by human rights considerations, and unanticipated and uncontrollable change—change that has been accelerating at an astounding pace, enabled by technology; change that is alienating us from traditional human structures such as communities, families, and value sets; and change that will be our undoing unless we can somehow tether it to basic human values, including a strong sense of empathy.

Based on what I've said thus far, if we want to see human rights flourish globally, we need to confront a fundamental problem: the Universal Declaration focuses on the conduct of governments and pays insufficient attention to the impact and responsibilities of corporations.

I believe it is time to develop standards for corporate conduct.

WHAT MUST BE DONE

Business has tremendous economic power. And with that power comes responsibility. In order for business to live up to that responsibility, we must work with governments and other stakeholders to develop a mandatory framework that defines business's role in human rights, contains reporting and enforcement mechanisms, and includes consequences for non-compliance.

Achieving this will take time, and the challenges are daunting. The world has very limited experience with the establishment and enforcement of globally accepted principles on any issue. Formulating a universal standard for business and human rights will require vision, patience, and a commitment to balance business interests with those of states and other stakeholders. In order for a universal standard for business and human rights to succeed, it must be evenly applied and fairly enforced.

STEPPING STONES

This will be a huge undertaking, but fortunately we don't have to start from scratch. There have been encouraging advances in the sixty years since the creation of the Universal Declaration.

Prodded by non-governmental organizations' "name and shame" campaigns, companies have changed behaviors. A number of companies that have been exposed as indifferent or abusive with respect to global human rights and labor conditions have gone on to become champions of corporate social respon-

sibility and leaders in the development of voluntary initiatives to address human rights and environmental sustainability in their products and operations.

Indeed, the corporate social responsibility movement itself, which appears to be growing exponentially year over year, is another development that gives hope that business can live up to its potential in this area.

Once perceived as misguided public relations, a waste of corporate resources, and a breach of fiduciary duty to shareholders, corporate social responsibility is spurring meaningful progress. For example, supplier codes of conduct are becoming more commonplace, with some exceeding the standards set by host governments. Citing human rights concerns, several global companies have refused to source from countries with authoritarian regimes, such as Myanmar, Saudi Arabia, and other states.

The example of socially-responsible corporations has inspired other organizations. Think tanks and consultancies like Business for Social Responsibility, headquartered here in the Bay Area, are developing new and innovative opportunities for private-sector organizations to engage with multiple stakeholders on issues that intersect business and human rights. Through the creation of socially-responsible investment funds and more recent actions by mainstream financial institutions, the investment community is recognizing the longer term returns produced by foresighted business practices.

Many business schools, including the Haas School of Business on this campus, are developing strong corporate responsibility programs to ensure that future generations of business leaders are steeped in the issues, aware of best practices, and poised to steer business toward its full potential.

As part of their commitment to corporate social responsibility, many corporations are participating in multi-stakeholder initiatives like the United Nations Global Compact, which incorporates human rights as part of its ten core principles. Closer to home, Levi Strauss & Co. participates in an International Labor Organization public-private partnership called Better Factories Cambodia, that leverages the experience, resources, and good intentions of businesses, the Cambodian government, and non-governmental organizations to improve working and living conditions for apparel workers in Cambodia.

With a clear goal and the right partners involved, this partnership is proving to be successful. The Cambodian government has taken a more active role in upholding human rights for apparel workers, dialogue has increased among tripartite participants, and there is a greater understanding by workers of their labor rights and responsibilities. It serves as an encouraging example for those considering entering into multi-stakeholder alliances.

Legal frameworks for corporate citizenship, although imperfect, are also beginning to emerge. The application of the U.S. Alien Tort Claims Act in a number of cases is a wake-up call to the private sector. On another front, the recent U.S.-Jordan Free Trade Agreement included labor provisions with an enforcement mechanism, a first for this type of agreement. I am proud that Levi

Strauss & Co. was the only private sector organization to lobby for this path-breaking pact.

While NGO campaigns, the corporate social responsibility movement, public-private partnerships, and the emergence of legal frameworks undoubtedly are having a positive effect on the state of global human rights, it is clear that we still have a long way to go.

Most importantly, we need more reliable and mandatory legal frameworks. As I mentioned earlier, I believe that for business to fulfill its role in the area of human rights, we need to have a binding legal framework that applies across the board in every sector. The jury is still out on how effective the U.S. Alien Tort Claims Act may be in holding non-state actors accountable for human rights violations in foreign countries. From experience we know that it is complicated and imperfect. The U.S.-Jordan Free Trade Agreement is a start, but the enforcement mechanism has yet to be road tested. Using the force of the World Trade Organization to develop standards with strong labor, environmental and enforcement provisions would amplify and sustain the progress we've seen to date.

Despite examples of progress in corporate social responsibility, improvement opportunities abound. Initiatives are largely voluntary, and, in some cases, amount to little more than grand public relations exercises. What are we to think about an energy company that in its glossy annual report claims to be devoted to finding solutions to climate change, but neglects to mention that it lobbies in Washington for weaker emissions standards at their coal-fired generation facilities?

For this reason we need to keep up the pressure on companies that abuse their powers or mislead the public. In recent years the effectiveness of NGO "name and shame" tactics has stalled as a result of their being narrowly-focused on a few industry leaders and neglecting to address the misdeeds of other companies in the sector. Industry-wide pressure has the potential to help create real change—especially when it comes from consumers or the NGOs that can give voice to consumer interests or organize them. These types of efforts will be welcomed by progressive companies that have a strong interest in seeing a universal set of high standards applied to all in their respective markets.

Another approach would be for NGOs to help create incentives for businesses to make the right kinds of business decisions. These can be helpful in persuading some business leaders to do what they know is the right thing when it comes to issues of human rights.

Although public-private partnerships are proving to be a promising development, they are complex, with success hinging upon the abilities of varied partners to see beyond their own experiences and interests to forge a better future. Further, no particular formula has emerged that would dictate how to establish, sustain, and scale up such complex collaborations.

In the absence of enforceable, industry-wide standards created by international organizations, individual companies are left with the burden of regulating

their own conduct. By way of illustration, let me give you some examples of what Levi Strauss & Co. has done.

The Apparel Perspective and Levi Strauss & Co.'s Experience

At \$4.4 billion in annual revenues, Levi Strauss & Co. is not big by the standards of a Wal-Mart or Toyota. Nevertheless, the apparel perspective is highly relevant in a discussion on business and human rights for the following reasons:

- The apparel industry is one of the most “globalized” in the world. It has a presence in every corner of the globe and operates with a unique combination of low-skilled labor and high-tech design, logistics and marketing.
- Over the years, developing countries have relied on apparel manufacturing to speed the industrialization of their economies. In the case of the U.S., it provided economic opportunities and enabled social integration for generations of immigrants from all over the world.
- Apparel production has emerged as an avenue by which women, who comprise two-thirds of the industry’s workforce, have entered the wage labor market for the first time.
- Finally, the availability of apparel jobs has spurred rural-to-urban migration in manufacturing countries.

While not the largest player in the global apparel and retail industries, Levi Strauss & Co. has played a leadership role in promulgating standards of conduct for our industry. In 1991 we were the first global company—in any industry—to develop and implement a program to respect and protect the human rights of the people making our products. Additionally, we were the first in our sector to address the environmental impacts of apparel production on the communities where our products are made.

Paralleling those initiatives, our philanthropic endeavors evolved to focus on sustainable social change by addressing workers’ rights, health issues, and economic empowerment in the communities in which we operate.

Our leadership in these areas is consistent with our longstanding commitment to responsible corporate conduct and practices. We integrated our sewing plants in the American South in 1960, well before others in our industry or national civil rights legislation.

We were among the first companies to develop policies and programs in the area of HIV/AIDS and were the first *Fortune* 500 company to extend health care benefits to the unmarried partners of our employees. We’ve pioneered socially responsible programs in the areas of the environment, employee community involvement, philanthropy, and employee assistance.

Among the lessons we’ve learned over the years is that to be successful and

enduring, corporate responsibility programs must be embedded in the business. They must be measured and managed in the same way that revenue-producing business units are managed.

Being a leader requires taking risks and going into uncharted territory. Inevitably we've stumbled along the way. But we've also made an effort to learn from our mistakes. Guided by a 155-year tradition of "Profits with Principles," we've seen that business can be a powerful force for positive social change.

A WAY FORWARD FOR BUSINESS

Now I recognize that I wasn't asked to talk about the world as we know it. My charge is to look out over the horizon forty years from now and survey the human rights landscape. That's a daunting task. Predictions are easy. Accurately portraying a distant future is another thing!

But since I have the comfort of knowing that I won't be around forty years from now to answer for my divinings, I'll take the plunge!

Based on what we know today and developing trends, I believe that in 2048:

- Rapidly changing environmental conditions, including the depletion of natural resources and shifts in weather patterns, will continue to affect society's ability to respect, protect, and fulfill human rights.
- Rapid advances in the areas of information and biotechnology will profoundly influence human activities and rights.
- Migrant labor forces will continue to figure prominently in global manufacturing. Migration to urban areas and the creation of new urban centers will impact global human rights.
- New and powerful global pandemics will be exacerbated by increased human mobility.
- Extreme poverty will continue to condemn large parts of humanity to suffering.
- Demographic and numeric shifts in populations will occur, widening the gulf between the rich and poor.
- The economic power of corporations will increase, with perhaps 50 percent or more of the largest economic entities being in the private sector.
- Considering the impact that these forces will have, it is very clear that the status quo is not sustainable.

I continue to believe that ensuring human rights is primarily the responsibility of governments. However, as I hope I've demonstrated, business has a role—indeed a responsibility—in advancing human rights globally, especially when we step back and consider the power and influence the private sector exerts in the global economy; the natural resources consumed by the private sector

in the pursuit of its economic goals; the speed at which business can move and innovate; the products and expertise that business can harness to help solve the world's most pressing problems, including human rights abuses; and the influence business can and does have on geo-political, social, and human rights issues.

As I've shown, there has been a gradual but incomplete awakening of the business sector to its responsibilities in respecting and protecting human rights. But much remains undone.

Over the next forty years we need to raise awareness and harness the power of business to create a world where child and forced labor are things of the past; where human rights principles are embedded into the laws that govern global trade; where we leverage the great democratizing power of information technology to put more information in more people's hands, providing them the tools they need to defend themselves and their rights more effectively; and where it is universally understood that human rights hinge on the maintenance of a clean and healthy environment.

To achieve these goals we need to develop a mandatory international framework on business and human rights. But we also know it will take time to develop a formulation that will be acceptable to all stakeholders and that works in practice. So the question for business today is, "what should business be focused on *now* in order to achieve this vision of a more just and sustainable world?"

Let me offer some thoughts:

First, *all businesses should examine their respective spheres of influence and responsibility and apply a human rights lens to their critical decision making.* This doesn't necessarily require an additional process. Many companies today profess to be "values-based" or have strong mission or vision statements that can serve as the starting point for this review. At Levi Strauss & Co., for example, we consistently refer to our values—empathy, originality, integrity, and courage—to guide us in making tough business decisions, especially when those decisions may have an impact on people or the ecosystems upon which they rely.

Second, *the private sector should strive to help shape societal norms by modeling strong ethical conduct and enabling positive change in both the workplace and the broader community.* One way individual businesses can move in this direction is by actively and constructively engaging the U.N. Special Representative on Human Rights, Professor John Ruggie, on his mandate.

His work represents important steps toward developing common principles around business' human rights responsibilities. By actively participating in the process, corporations can provide an informed business perspective that can make the mandate stronger and work better for the business community.

Next, *businesses need to embed programs that touch on human rights and related issues into their core functions and at the Board level.* Managing and

measuring these programs as an ongoing aspect of running the business limits the likelihood that they will be neglected or abandoned during difficult financial times.

Business should seek a new approach to corporate philanthropy. Corporate charitable contributions, however well-meaning, are insufficient. To have an impact, a corporation must consider moving to a model of social-change philanthropy.

Companies should apply the same strategic perspectives to their grant-making that they use to formulate business plans. Addressing the intersection of business and human rights in corporate giving programs can foster sustainable social change.

Business should do its part to create an educated consumer base. We should leverage our relationships and the power of our brands to influence responsible consumerism. This will require education and transparency.

Additionally, as consumers, each one of us in this room has an obligation to lead by example. We must recognize the human rights linkages in the purchases we make and educate our friends and family members about these connections. Businesses should seek opportunities to engage with NGOs, who also have an important role to play in this area.

Business should use its influence with governments, employing advocacy programs to push for positive change that is good for business and for the people affected by it.

In its advocacy, business should affirm its commitment to social responsibility by demonstrating a willingness to hold itself accountable. This may include advocating for legal or regulatory frameworks that could involve a cost to the business. In advocating for the passage of trade agreements, including the World Trade Organization, private sector leaders should insist on the inclusion of labor, environmental and other provisions that protect human rights along with related enforcement mechanisms.

And finally, *business should become involved in multi-stakeholder initiatives* in order to address targeted issues, participate in the dialogue, and share best practices. By bringing together unconventional allies, public-private partnerships have shown tremendous promise as a means of resolving issues and promoting human rights. They also represent an opportunity to build trust among different partners that will be necessary in the creation of binding international frameworks.

By following the measures I have just outlined, business has the capacity to play an ever larger and more important role in promoting global human rights.

But progress will require the participation and efforts of others. We need the commitments of NGOs to create a level playing field and a shared language of measurement and accountability. We need the commitment of governments to carry out their responsibilities and to create legal frameworks that are evenly applied.

If we are to succeed, we need consumers and investors to demand that we operate ethically, honestly, and transparently with respect to human rights and related issues. And finally, businesses must continue to do what they do best—identify opportunities, create products and services, and enjoy and share the rewards of their success.

In today's interdependent global world, business has an important role to play in respecting and protecting human rights. If we are to realize the promise of the Universal Declaration of Human Rights, business must be a key part of developing just and sustainable solutions.