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Business and human rights

Beyond the "genocide Olympics"

NEW YORK

As the row over corporate sponsorship of the Beijing Olympics shows, firms are increasingly expected to take a lead in promoting human rights

BY THE standards of any previous boss of Coca-Cola, Neville Isdell is remarkably enlightened. Under his leadership, the soft-drinks giant has adopted a strategy of extending access to water supplies in the developing world, especially in Africa, where Mr Isdell spent 26 years. It is an active member of several organisations committed to promoting human rights, including the United Nations Global Compact and the Business Leaders Initiative on Human Rights. Even so, Mr Isdell now finds himself accused by human-rights activists of "complicity" with one of the world's most prominent human-rights abusers—the government of China.

No doubt sponsoring this summer's Beijing Olympics once seemed like a good idea to Coca-Cola and a gaggle of other big companies such as General Electric, Johnson & Johnson, Kodak, McDonald's and Samsung. The marketing benefits of the Olympics are believed to be huge, which is why Coca-Cola has been doing it continuously for 50 years, as Mr Isdell pointed out in a recent article in the Financial Times.

Yet by branding the Beijing games the "genocide Olympics", after the Chinese government turned a blind eye to the Sudanese government's atrocities in Darfur, human-rights activists are threatening to lay waste to the \$1 billion or so that spon-

sors have paid—and turn what they hoped would be an association with a joyous celebration of sport into a tricky exercise in reputational damage limitation. Firms that criticise China publicly over human rights risk antagonising not just its government, but also its people—a billion-odd potential customers. Recent protests in China against Carrefour, a French retailer, in response to pro-Tibet demonstrations in France, highlight the dangers, and may explain why Mr Isdell's article focused on Coca-Cola's work in Darfur, and said nothing about the recent bloodshed in Tibet.

To be fair, Coca-Cola is doing some good things in Darfur, from providing immediate relief on the ground to meeting other "stakeholders" to try to figure out solutions to the crisis. But is this enough to buy Coca-Cola the right to remain silent in public about China? As Mr Isdell puts it, "rather than make public statements, we have chosen a more direct and, in our view, more effective route to help address the staggering human suffering in Darfur." Not good enough, retorts Human Rights Watch (HRW), along with other campaigning NGOs. According to Arvind Ganesan, director of HRW's business and human rights programme, the Olympic sponsors' "silence on abuses in the run-up to the Beijing games makes their claims to support

human rights especially disingenuous."

It is tempting to dismiss this as yet another example of the old divide between political activists who favour protest and business realists who favour "constructive engagement", which has cropped up dozens of times—not least during the debate over sanctions against apartheid South Africa. Business leaders still like to point out that Nelson Mandela later thanked some of the multinational firms that defied sanctions and stayed in South Africa to do what they could to help bring about change. Peter Mandelson, the European Union's trade commissioner, argues that antagonising the Chinese government over the Olympics would drive the final nail into the coffin of the Doha trade negotiations.

Yet in many ways the battle over the Olympics paints a false picture of the current relationship between business and human-rights activists. What is striking today is how often activists, big firms and governments are now in agreement about the importance of human rights, and are working together to advance them.

This new consensus is reflected by the lack of serious opposition to a new report by John Ruggie, the UN Special Representative on Human Rights, which proposes a new framework that states clearly that firms have a responsibility actively to respect human rights. If this is adopted by the Human Rights Council in June, as seems likely, it will be the first time that the UN human-rights machinery has taken a substantive position on companies' responsibilities. Among other things, Mr

says his report makes it clear that firms should include human rights in their due diligence, and that rich-country agencies that provide finance to firms operating

▶ or exporting overseas, especially in conflict zones, should be required to take human rights into account.

Mr Ruggie hopes that the result will be greater clarity over the duties of firms and governments, and a better balance between protecting the legitimate interests of investors with the needs of host states to discharge their human-rights obligations. In recent years many deals have been struck between multinationals and governments that agree to indemnify the company against the cost of any legal changes in the country—including those that improve human rights. Such contracts have been enforced by independent arbitrators, and can be a disincentive to governments to improve human rights. One European mining firm is seeking compensation from South Africa's government because it is required to hire a certain number of black workers under the country's "black economic empowerment" law.

The adoption of a UN standard is likely to trigger a new spurt of activity in defining best practice, much of it involving collaboration between businesses and NGOs. This will build on much good work in recent years, which began after Royal Dutch Shell, an oil giant, was embroiled in the scandal surrounding the death of Ken Saro-Wiwa, a Nigerian activist and writer, in 1995. Among other things, a campaign by Global Witness, an NGO, resulted in the Kimberley Process, which attempts to keep "conflict diamonds" off the market; another collaboration led to a code of practice requiring firms to oversee the human-rights compliance of those responsible for ensuring their security in dangerous places, including government soldiers.

The Global Compact, which obliges signatories to uphold certain basic standards, has also been extremely popular. Over 3,000 companies have signed up, including several in China, where a summit was held in 2005. Though weakly policed, the compact has some teeth: 335 firms were struck off its list of signatories in 2006.

Chinese firms are slowly becoming more sensitive to human rights, says Sir Mark Moody-Stuart, chairman of Anglo American, a mining giant, and a veteran advocate of businesses promoting human rights. Rather than criticism, says Sir Mark, Chinese bosses respond far better to patient explanations that older multinationals became supporters of human rights because they learnt to their cost that when those rights are ignored, bad things happen. "I tell them that there is now a whole culture of multi-stakeholder designed initiatives that are helpful, and can stop you getting into trouble in five years' time," he says. Despite the Chinese government's many failings, its promotion of the "harmonious society" is taken seriously by Chinese bosses, says Sir Mark. Invoke this term, he says, and they get the message. •