



HUMAN SECURITY & *business*

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**BENJAMIN K. LEISINGER
MARC PROBST**

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“Human Security and Business” is the first volume of a series of books which takes up themes of the annual conferences of Political Affairs Division IV (PD IV) and of other events related to human security. This volume is based on PD IV’s annual conference 2006 “Political Risks in a Globalized Marketplace: Company Approaches to Conflict Prevention and Human Rights” as well as on the symposium “Human Rights Values and International Business Transactions” organized in January 2007 by the Novartis Foundation for Sustainable Development, in collaboration with the Law Faculty of the University of Basel.”

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PREFACE

Thomas Greminger

The liberalization of global trade and investment has led to an unprecedented surge in the transnational activities of companies and has had a positive impact on business opportunities. However, the trend of moving operations and investing abroad is also confronting companies with uncertainties and risks, such as inadequate legal security (for example, the lack of a functioning system of property rights), exposure to unpredictable government regulations (for example, concerning health and safety), as well as political instability. In parallel to these increased risks, globalization is also having the effect of refocusing many social expectations from state to private actors, in particular to international companies. This development has arisen as a result of the view shared by many that the unprecedented powers that corporations have now acquired place upon them correspondingly important social responsibilities. Consequently, demands are now being made and pressures exerted on foreign investors to promote environmental, social, as well as human rights issues.

The concept of corporate responsibility covers a wide variety of issues including climate change, environmental protection, HIV prevention, conflict transformation, and human rights. The common denominator of all these aspects is the expectation placed on companies to take into account the needs of all stakeholders in their business operations. For companies, corporate responsibility should be seen as an instrument to help them manage and mitigate their operating risks, as well as address newly awakening social expectations. It is crucial to understand corporate responsibility not as an ideal, which companies of a particular size or those active in a particular sector should subscribe to, but rather as a means to enhance their competitiveness and business performance.

The issue of human security and business is the least developed aspect of corporate responsibility, and the one that harbours the most potential for misunderstandings and confusion. Human security is a key element of Switzerland's foreign policy. The concept of human security goes further than what is traditionally understood by the term territorial security. It puts the emphasis on

the protection of individuals from political violence, war and arbitrary acts. Through promoting human rights, humanitarian and migration policy as well as peace policy Switzerland can create human habitats that are free of fear. Human security is also in the interests of companies because the security of individuals is an important factor for ensuring political stability in the broadest sense and, as such, reduces political risks and contributes to consolidating the globalization process.

The Political Affairs Division IV (PD IV), with its staff of about 70, is the center of expertise in the areas of peace policy, human rights policy, humanitarian policy, and migration policy of the Swiss Federal Department of Foreign Affairs. Due to the impact of globalization on human rights, the issue of human security and business has become one of PD IV's priority areas of activity. We aim to support the private sector by developing tools and policies with a view to maximizing the impact of those aspects of companies' behaviour that strengthen human security. To achieve this, it is important to establish a close partnership with the business community.

Every autumn, PD IV organizes a conference on a topic dedicated to one of its focal countries or themes: "Political Risks in a Globalized Marketplace: Company Approaches to Conflict Prevention and Human Rights" was the theme of last year's annual conference, which took place in September 2006. In January 2007, the Novartis Foundation for Sustainable Development, in collaboration with the Law Faculty of the University of Basel, organized a symposium on the subject "Human Rights Values and International Business Transactions".

These two events and the current importance of this issue for politics, business and civil society have led us to the idea of publishing the results of these discussions in the form of this book. Our aim is to make readers more familiar with the current trends and future challenges of globalization. We address this increasingly topical issue from the perspectives of foreign policy, private companies and civil society organisations, and describe new so-

cial expectations and how companies are responding to them. The book is however not limited to the results of the PD IV 2006 Annual Conference and the symposium on “Human Rights Values and International Business Transactions”. It also presents the opinions of a number of experts who did not participate in these two events as well as various views expressed in discussions conducted at the Global Compact Leaders’ Summit, in July 2007 in Geneva, where issues related to corporate responsibility were discussed extensively. PD IV intends to start with “Human Security and Business” a series of books which takes up themes of the annual conferences of PD IV and other events related to human security.

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I would like to extend a warm word of thanks to all those who contributed to this book, in particular

- + Klaus Leisinger, President and CEO of the Novartis Foundation for Sustainable Development, and Ingeborg Schwenzer, professor at the Law Faculty of the University of Basel, for co-chairing and financing the symposium on “Human Rights Values and International Business Transactions”.
- + Wolfgang Amadeus Bruehlhart, Head of Human Rights Policy Section and Natalie Erard of Political Affairs Division IV, for their valuable help in revising and editing the book.

The views expressed in the essays and interviews are those of the authors and need not concur with the position of the Political Division IV of the Federal Department of Foreign Affairs (DFA).

SWISS FOREIGN POLICY AND BUSINESS*

SENTIMENTALISM OR INTEREST?

Micheline Calmy-Rey

Switzerland is campaigning for a world in which everyone can live in peace and security, human rights are duly respected and conflicts are resolved through dialogue. The main aim behind our efforts to promote peace and the observation of human rights – which are key elements of our foreign policy – is to enable human beings to feel safe and secure.

But these key elements cannot be separated from our economic interests. Switzerland is fully aware of this link and in fact makes it the basis on which it defines its foreign policy goals. In our 1993 Foreign Policy Report, and again in the report for 2000, equal importance was attached to the promotion of the economy, development policy, the preservation of natural resources, and peace and human rights policy. Switzerland's foreign policy is based on these five pillars and takes account of the fact that the promotion of development, human rights and peace is the basis for securing sustainable prosperity.

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For a long time, however, a short-term, if not somewhat simplistic, perspective linked our commitment to human rights and the promotion of peace with a sentimental idealism, in stark contrast to the supposed realism of economic interests. But of course this was entirely on the wrong track:

Firstly, because human security is also a precondition for stability and security in the broadest sense, and as such reduces political risks. The threats that weigh on individual people endanger their existing values. The security of each individual goes hand in hand with the security of investments.

And secondly, because Switzerland depends on an open and globalised economy. But the globalisation process is still fragile, and it will only be able to firmly establish itself once it is seen to bring human as well as economic security.

This is the reason why I believe that, in the next few years, the interaction between politics and business will intensify and gain in importance within the globalisation process. I also believe that a better understanding of this interaction between business interests and those relating to development, peace and human

rights policy will be essential if we are to successfully deal with the challenges we face today and in the future.

I am, of course, aware that economic interests and the other pillars of foreign policy can give rise to difficult choices and trade-offs. But the difficult situations and incoherencies we have experienced in the past – for example, dormant assets or our foreign policy during the era of apartheid in South Africa – have clearly shown us that, over the long term, we can only maximise our gains through strong coherence.

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Our foreign policy sets out to convince and encourage players in the international arena to adopt an attitude and observe rules that are in line with our interests. This applies to governments, of course, but to an ever increasing extent it also applies to companies.

Switzerland needs to increase its prosperity. It also needs to create new jobs and find new business partners. But emerging markets, which open up enormous business potentials, are often associated with major economic and political risks. These countries, which are anxious to open their markets, are not yet able to guarantee political stability, and can thus be equated with countries towards which Switzerland offers its support in terms of development, promotion of peace and respect of human rights.

For the past 15 years, for example, Switzerland and China have been engaged in a process of human rights dialogue, and within the framework of this process, questions concerning the relationship between human rights and business have emerged, and these have since become an integral part of the ongoing dialogue. Swiss companies active in China, as well as Chinese companies themselves, require codes of conduct and identical and valid standards for all business players. In this way, companies and governments are able to respond to the demands of society in terms of transparency, responsibility and progress. One of the central issues in China today in the area of implementation of human, economic and social rights concerns the protection of private property as a fundamental human right. In June 2006, the Federal Department

of Foreign Affairs and the University of Zurich published the first “Swiss Human Rights Book”, which is entirely devoted to this topic. Switzerland is also considering the option of launching a multilateral diplomatic initiative aimed at more precisely defining the concept of the right of property ownership.

Switzerland’s foreign policy sets out to promote peace and human rights by aiming at strengthening human security. The concept of human security focuses on the individual, and in this way it deepens the traditional understanding of state security. In order to contribute towards the promotion of human security, we work with instruments in the areas of human rights policy, humanitarian policy and peace policy.

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However, the defence and promotion of human rights and conflict transformation are still kept on the sidelines in debates on the ties between foreign policy and economic interests. It appears that they continue to be regarded as tasks that are solely the responsibility of the state, although the private sector also benefits from political stability, which is directly linked with human security. The upheavals that we witnessed in Eastern Europe at the beginning of the 1990s are a good example here. They kindled fears concerning political insecurity, instability and a possible mass exodus of refugees. But our aid to Eastern Europe helped bring about a transformation of these countries, which have meanwhile become important partners and export markets for Swiss companies. This transformation process was in the interests of both the state and the private sector.

The importance the Federal Council attaches to the promotion of peace and human rights means that we take these into account throughout the entire field of political activity. The leitmotif here is “do no harm”. When we make decisions that have an impact on our foreign policy – for example, concerning the export of war materials – we are anxious to avoid acting in contradiction to the principles of human rights and the promotion of peace. And this approach could also be adopted by players in the private sector. Pursuing the essential objective shared by all companies, namely

to make a profit, does not necessarily have to have negative consequences on the human rights situation. The private sector needs to find a suitable balance between the pursuit of profit and the long-term preservation of conditions that are favourable to investment, production and business. In other words, the private sector should also be committed to the promotion of human rights and peace within the bounds of reason.

Switzerland wants to gain a better grasp of these complementary and reciprocal effects by creating dialogue and learning platforms at the national and international levels for players from the private sector, the political arena and civil society.

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In this connection I would like to say a few words about the Global Compact Network of Switzerland, which was founded in 2006 by a large number of Swiss companies. I welcome this private sector initiative, which was launched to support the UN Global Compact that was initiated by UN Secretary-General Kofi Annan in 1999. Networks that are active at the national level can play a major role in the progress of the UN Global Compact. The Swiss network also aims to more effectively integrate small and medium-sized companies into the UN Global Compact. In Switzerland, we possess the necessary expertise to effectively help small and medium-sized companies develop their sense of corporate responsibility, and thus safeguard and strengthen their competitive capacity on the international markets.

Switzerland together with the Sustainability Forum Zurich entered into a public-private partnership to develop the UN Global Pact learning platform for small and medium-sized companies. This project is primarily addressed to internationally active small and medium-sized companies, and focuses on identifying the main issues relating to corporate responsibility on the part of such companies, initially in the area of human rights. It set out to identify specific action fields, as well as provide a forum for dialogue and exchanges of views. The ultimate goal is to develop and implement good corporate responsibility practice.

As this example show, we are not trying to tell companies what to do, nor are we trying to stipulate the services they should provide as contributions towards the promotion of peace and human rights. Instead, what we are doing is endeavouring to find solutions through dialogue.

I wish to emphasise the fact here that the formulation of restrictive legal provisions relating to the respect of human rights and transformation of conflicts is not an aim in itself: on the contrary, it is necessary for voluntary initiatives and existing instruments to be rendered more effective, since we have to be aware of the fact that voluntary actions and self-regulation have their limits. It is often the case that the companies that take such actions are those that are the most visible and have the broadest public exposure.

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I would like to cite the mining industry as an example, or to be more precise, gold or diamond mining, both of which have demonstrated that self-regulation can certainly function very effectively. These companies are often active in conflict regions. At first sight, they do not appear to display much interest in conflict transformation – and here they are of course well within their rights, since conflict management is in fact the responsibility of the state. However, their activities automatically make them a party in the conflict. Some non-governmental human rights organisations that are concerned about the financing of “blood diamonds” have consequently threatened to boycott the companies concerned. One international group that was the target of such threats decided to take steps to safeguard its reputation. Since taking this decision, it has been actively participating in the creation of a certification system to ensure legal trading in diamonds – a move generally referred to as the Kimberley process.

The state can certainly support this type of process between government and private sector. In this case, for example, Switzerland was strongly involved in the implementation of the Kimberley process.

But we can also imagine an inter-governmental process that could be complemented by a process led by the private sector at a later date. I would like to cite the following example here:

In some conflict regions, companies more and more frequently call on the services of private security organisations. But how can we know whether these groups are integral and which legal provisions govern their activities? In order to find answers to such questions, Switzerland launched an initiative together with the International Committee of the Red Cross calling for such organisations and states to respect the provisions of international humanitarian law and the principles of human rights. By means of this inter-governmental initiative, Switzerland wants to reinforce the existing legal principles and submit recommendations to governments. And I can readily imagine a process, initiated by Switzerland for private security companies, aimed at developing standards and good practices for private companies delivering security services in conflict areas and weak states.

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Regardless of its effectiveness, self-regulation nonetheless has its limits. In some areas it remains essential for the state to issue directives: for example, corruption of foreign officials and private citizens abroad is a criminal offence in Switzerland. Furthermore, Switzerland supports recommendations developed by institutions such as the Organisation for Economic Co-operation and Development (OECD) or the International Labour Organisation (ILO) which are targeted at enterprises.

Foreign policy and business interests coincide on a number of points – or to put it another way, there is a pronounced coincidence of interests. There is a particularly large number of such points in the area of development and integration policy, and here they are more readily accepted than in the fields of peace and human rights policy. But co-operation in general, and in the area of promotion of peace and human rights in particular, is intensifying, and needs to continue to intensify. What is required is a close partnership between politics, business and civil society.

I see particular potential for synergies in working together to promote our common interests:

- + Switzerland is contributing towards the stabilisation of developing and transition countries, and supports efforts to reduce political and economic risks.
- + Switzerland is endeavouring to raise awareness among business, political and civil society players about the issue of human security and business. It encourages exchanges of know-how and experience between players in these three areas, and sets out to form ties between the various sectors.
- + Switzerland supports existing multilateral initiatives such as the UN Global Compact, and is actively involved in developing such initiatives in a qualitative sense.
- + Switzerland provides support by creating partnerships and financing projects aimed at defining conceptual issues and finding instruments and opportunities for translating fundamental principles into concrete action.

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Switzerland is regarded as an independent and neutral country that is committed to the promotion of peace and human rights. To some extent we owe this image and this credibility to the establishment of the International Committee of the Red Cross and the Geneva Conventions. And Swiss companies also benefit from this image.

So let us learn how to make good use of our political and economic weight. Let us learn how to make good use of our influence. And let us present a Switzerland that is able to play a pioneering role in creating a business sector that is aware of the issues relating to human security. Because those who are afraid of change will in the end experience both fear and change at the same time.