

Local children meet  
John Ruggie in  
Casanare, Colombia,  
where human rights  
training reduced  
abuses by troops  
guarding the oil com-  
pany BP's property.

# The Corporate Responsibility to Respect



*Human rights organizations charge that a globalized economy brings workplace abuses by transnational corporations. For the first time, the Human Rights Council in June adopted clear policy guidelines on the duty of corporations. The project, reconciling corporate and rights advocates, was the work of **Dr. John Ruggie** of the Kennedy School of Government at Harvard, who oversees projects linking business and human rights programs for the UN. Here are some excerpts:*

Business is the major source of investment and job creation, and markets can be highly efficient means for allocating scarce resources. They constitute powerful forces capable of generating economic growth, reducing poverty and increasing demand for the rule of law, thereby contributing to the realization of a broad spectrum of human rights.

But markets work optimally only if they are embedded within rules, customs and institutions. Indeed, history teaches us that markets pose the greatest risks – to society and business itself – when their scope and power far exceed the reach of the institutional underpinnings that allow them to function smoothly and ensure their political sustainability. This is such a time and escalating charges of corporate-related human rights abuses are the canary in the coal mine, signaling that all is not well.

The root cause of the business and human rights predicament today lies in the governance gaps created by globalization between the scope and impact of economic forces and actors, and the capacity of societies to manage their adverse consequences. These governance

gaps provide the permissive environment for wrongful acts by companies of all kinds without adequate sanctioning or reparation.

## **Protect, Respect, Remedy**

Our focus should be on ways to reduce or compensate for the governance gaps created by globalization, because they permit corporate-related human rights harm to occur even where none may be intended.

The legal framework regulating transnational corporations operates much as it did long before the recent wave of globalization. A parent company and its subsidiaries continue to be construed as distinct legal entities. Therefore, the parent company is generally not liable for wrongs committed by a subsidiary.

Each legally distinct corporate entity is subject to the laws of the countries in which it is based and operates. Yet states, particularly some developing countries, may lack the institutional capacity to enforce national laws and regulations...or they may feel constrained from doing so by having to compete internationally for investment.

The framework of “protect, respect, and remedy” can assist all social actors, governments, companies and civil society to reduce the adverse human rights consequences of these misalignments.

Governments should not assume they are helping business by failing to provide adequate guidance for, or regulation of, the human rights impact of corporate activities. On the contrary, the less governments do, the more they increase reputational and other risks to business.

## **Corporate Respect**

In addition to compliance with national laws, the baseline responsibility of companies is to respect human rights. Failure to meet this responsibility can subject companies to the courts of public opinion comprising employees, communities, consumers, civil society, as well as investors and occasionally to charges in actual courts.

The United Nations is not a centralized command-and-control system that can impose its will on the world; indeed it has no “will” apart from that with which member-states endow it. But it can and must lead intellectually and by setting expectations and aspirations. The Human Rights Council can make a singular contribution to closing the governance gaps in business and human rights by supporting this framework, inviting its further elaboration and fostering its uptake by all relevant social actors. ■

*—Dr. John Ruggie, a former advisor to the UN secretary-general, was co-architect of the Global Compact, with 4,000 businesses now pledging to honor human rights. To read his full report, visit [www.business-humanrights.org/Documents/RuggieHRC2007](http://www.business-humanrights.org/Documents/RuggieHRC2007).*