TNC operations in extractive industries can be associated with abuses of social and human rights in certain circumstances. For instance, competition over resource wealth may spark armed conflict in some countries, and even the formation of rebel groups; or, as another example, control of resources by the Government (may be linked to corruption and an inequitable distribution of public resources. This article examines the categories of human rights abuses which may occur, as well as the responsibilities of TNCs and other corporations in this regard. The latter is discussed in the context of “new players”, such as those from developing countries, the complex structures of many TNCs, and their governance (e.g. some are state-owned enterprises). The article concludes by assessing the roles that Governments, TNCs, NGOs and others can play in achieving a viable balance between a favourable investment environment in extractive industries and the interests of local populations.

The extractive industries are among the most prone to concerns about social implications of the activities of transnational corporations (TNCs). This partly reflects the fact that the location of such projects is dependent on the distribution of natural resource deposits. Many deposits are found in countries with weak governance structures and/or with major political, social and economic problems. In the case of an investment, TNCs have to face the realities of the local political, social and economic environment. Accordingly, the social dimension of natural resources investment takes on a key role in the overall policy environment.

The relationship between natural resource extraction and human rights abuses is well documented. The apparently frequent incidence of such a link has led to what some call the “resource curse”. Two principal types of cases may characterize this. First, competition over resource wealth may spark internal armed conflict and even the formation of rebel groups. Second, government

control of resource revenues may be linked to “endemic corruption, a culture of impunity, weak rule of law, and inequitable distribution of public resources” (Ganesan and Vines, 2004, pp. 304, 305). According to the International Network for Economic, Social & Cultural Rights, “such unaccountable governments – sometimes called “predatory autocracies” – are more likely to commit human rights abuses, and to prolong armed conflict” (ESCR-NET, 2005, p.17).

As noted in the introduction to this section, companies in the extractive industries may be more likely to operate in countries with weak governance regimes, as they follow the location of the natural resources. Avoiding investment in such places would mean foregoing access to essential natural-resource deposits. Thus, a strategy of disengagement from, or non-investment in, countries with poor human rights records is only seldom pursued by TNCs in these industries. Indeed, once the major expenditure in extractive capacity has been made, the sunk costs involved may render disinvestment economically unfeasible. Meanwhile, non-investment may result in a competitor taking up the investment.

Given the characteristics of the “resource curse”, coupled with the often significant environmental effects of investment in natural resource extraction projects, the principal types of human rights abuses that TNCs in the extractive industries have been associated with tend to fall into a number of certain categories. First, firms may find themselves implicated in conflicts generated by local competition for control over natural resources. This may lead to the firm “taking sides” in the conflict and assisting in the violations of human rights committed by the group that it supports. For example, the firms may offer assistance to government forces or to forces of opposition where they control the region in which the natural resources are located. Such assistance is likely to take the form of financial aid or access to the use of corporate assets in the course of the conflict.²

Second, firms may become complicit in human rights abuses where they knowingly benefit from repressive governmental policies, as where protests against the natural resource project in question are forcibly suppressed; where they obtain benefits from forced labour, as in the case of the Yadana and Yetagun pipeline project in Burma;³ or

² Assistance to both Government and rebel forces has been alleged to have been given by natural resource firms operating in recent years in the Democratic Republic of Congo. See ESCR-NET (2005, pp. 14–15) and in Sudan, see Kline (2005, pp. 57–62).
³ This led to a major case under the United States Alien Tort Claims Act against Unocal: see Doe v Unocal Corp. Judgment of 18 September 2002: 2002 U.S. App. LEXIS 19263 (9th Cir 2002); 41 ILM 1367 (2002). This decision was in turn vacated on
where they gain access to the mineral deposits as a result of the forced resettlement of indigenous populations. 4 Third, firms may commit violations of human rights through extensive industrial pollution of, or other environmental damage to, the region in which they operate, resulting in threats to the lives, health and livelihoods of the indigenous population. 5 A fourth category of abuses arises out of the operations of security forces contracted by the natural resource company to safeguard its assets and employees. Instances have arisen where the personnel of such forces have engaged in illegal assaults and killings of persons perceived as a threat to the investment. 6 Although the use of security forces may be justifiable in principle, the question arises as to the nature and extent of the responsibilities of the firm to control their activities. This will be considered further below.

Cases of human rights abuses and the responsibility of corporations in this regard raise many difficult normative questions. First, given the origins of international human rights standards as benchmarks for the control of governmental behaviour, how far can such standards apply to privately owned non-State actors such as corporations? According to

4 Such a situation arose in Sudan where, in the course of the civil war that ended after twenty-one years in 2005, the Government forcibly displaced hundreds of thousands of civilians in Western Upper Nile/Unity State without notice or compensation. Several oil companies, including Talisman Energy of Canada, were seen by Human Rights Watch as having been complicit in there abuses, not only by reason of their silence but also because Government forces used the infrastructure built by Talisman and the Greater Nile Petroleum Operating Company (GNPOC) in which Talisman was the lead partner including an airfield and a road network, to carry out attacks on civilians and civilian infrastructure. After initial denials, Talisman acknowledged that Sudanese forces had used the company’s airstrip for ‘non-defensive purposes’.” ESCR-NET, 2005, at p.14. This case also generated a claim under the United States Alien Tort Claims Act: The Presbyterian Church of Sudan v Talisman Energy and the Republic of Sudan Opinion of 13 June 2005: 374 F.Supp. 2d 331; 2005 U.S.Dist. LEXIS 11368.
5 For examples see ESCR-NET, 2005 at pp.#20-22.
6 A classic illustration is the case of BP in Columbia, where security forces carried out human rights violations, including the killing, in 1995, of a local organizer of protests against the environmental effects of BP’s investment in the Casanare region (Pearce, 1999). See, for a more recent example the allegations made against Exxon concerning the abuses of security forces hired from the Government by the firm in Aceh Province in Indonesia: John Doe et.al v ExxonMobil Corporation Civil Action No. 01-1357 (LFO) FIRST AMENDED COMPLAINT FOR EQUITABLE RELIEF AND DAMAGES dated 20 January 2006 and available at: http://www.laborrights.org/projects/corporate/exxon/Exxon%20First%20Amended%20Complaint%20Jan%202006.pdf.
John Ruggie, the United Nations Special Representative to the Secretary-General on Business and Human Rights, given the lack of international legal personality of corporate actors, they cannot be directly bound by international law as such, and that, apart from certain narrowly drawn responsibilities in the field of international criminal law, corporations have no existing international obligations in the field of human rights, as most codes are voluntary in nature and are addressed to States (Ruggie, 2006, paras 60–65).

However, at the level of “soft law”, the non-binding Universal Declaration of Human Rights (UDHR) addresses both governments and “other organs of society”. Following this provision, the third recital of the Preamble to the United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights (hereafter UN Norms) recognizes that, “even though States have the primary responsibility to promote, secure the fulfilment of, respect, ensure respect of and protect human rights, transnational corporations and other business enterprises, as organs of society, are also responsible for promoting and securing the human rights set forth in the Universal Declaration of Human Rights” (United Nations, 2003). Thus, while in strictly legal terms, TNCs are not subject to human rights obligations, this cannot absolve them from a moral duty to observe human rights. Furthermore, developments in national laws may impose human rights obligations on TNCs that are located in the relevant jurisdiction. For example, United States courts have accepted that, in principle a corporation can aid and abet a government in the commission of human rights violations and that an action may be brought against it under the Alien Tort Claims Act (Joseph, 2004; Muchlinski, 2007, ch.13; Clapham, 2006, ch.6).

Second, in a developing-country context, can the goal of economic and social development, as expressed through the right to development, ever justify a restriction of other human rights? If this proposition were to be accepted, it would introduce a hierarchy of human rights, placing the right to development at its apex. This would be contrary to the consensus that all human rights are universal and indivisible and that the observance of all such rights is important. However, this does not mean that a government may never place qualifications or restrictions on the enjoyment of human rights. For example, it is possible for a government to derogate from certain human rights in cases of urgent national emergency, though this does not extend to so-called “non-derogable” rights such as the right to life or the prohibition against
torture or inhuman or degrading treatment.\textsuperscript{7} In addition, certain human rights, such as freedom of speech or freedom of association, may be subject to restrictions that are necessary in a democratic society for the protection of certain essential public policy goals, such as the protection of public moral or public health. The text of the relevant provision in the human rights instrument will outline the scope of this discretion.\textsuperscript{8}

Third, given the complex structure of many TNCs and the use of independent subcontractors to carry out various corporate functions (of which the employment of independent security forces is perhaps the most pertinent example), the precise scope of corporate responsibility raises the issue of what constitutes the company’s “sphere of influence” over human rights infringements.\textsuperscript{9} In the case of security forces, the corporation may be able to secure compliance with basic human rights standards by reason of the terms of the contract under which the security force is hired. Thus, it may be said that the security force is within the company’s “sphere of influence”. Should that force act in a way that violates human rights, its contract could be summarily terminated.

Equally, firms can actively ensure that security forces that are known to have committed human rights violations in the past are not employed. As regards the matters that a firm should consider when deciding on its security policy, the Voluntary Principles on Security and Human Rights may offer useful guidance. The Governments of the United States, the United Kingdom, Norway and the Netherlands plus companies operating in the extractive and energy sectors and non-governmental organizations, all with an interest in human rights and corporate social responsibility, have engaged in the dialogue on security and human rights and have collectively developed the Voluntary Principles on Security and Human Rights (Voluntary Principles 2007).

Fourth, the extent to which a corporation should be involved in the events leading to the alleged violation of human rights, before being held responsible, needs to be considered. This is the question of what constitutes “complicity” in the violation of human rights. It is a key issue, especially as most of the cases outlined above will involve direct governmental action as part of the chain of events giving rise to the violation. In this regard, the United States courts have held that a

\textsuperscript{7} See for example Article 4 of the International Covenant on Civil and Political Rights (ICCPR) and Article 4 of the International Covenant on Economic, Social and Cultural Rights (ICESCR).

\textsuperscript{8} See for example Article 19 ICCPR (freedom of speech) and Article 22 ICCPR (freedom of association).

\textsuperscript{9} On the issue of the “sphere of influence” see Clapham (2006, ch.6).
corporation can be found to have aided and abetted a Government in the commission of human rights violations. This allows for a finding that a corporation may be liable even if it has not directly taken part in the alleged violations, but has given practical assistance and encouragement to the commission of the crime or tort in question and has actual or constructive knowledge that its actions will assist the perpetrator in the commission of the crime or tort.\textsuperscript{10}

Finally, the issue of monitoring and enforcement of human rights standards needs to be considered. At present, there is no binding international mechanism for holding TNCs to account for human rights violations. The United Nations Global Compact is a purely voluntary initiative with two objectives: to mainstream the ten principles it promotes in business activities around the world, and to catalyse actions in support of UN goals. In addition, companies that do not deliver on their Global Compact commitments face the risk of being delisted from the programme.

Turning to the United Nations Norms, their legal force has not been fully settled (Muchlinski, 2007, ch.13). However the United Nations Human Rights Commission, in resolution 2004/116 of 20 April 2004, expressed the view that, while the Norms contained “useful elements and ideas” for its consideration, as a draft, the proposal had no legal standing. Indeed, the United Nations Special Representative has criticized the Norms as an exercise that “became engulfed by its own doctrinal excesses” making exaggerated legal claims as to the applicability of existing human rights instruments to corporations and creating, “confusion and doubt even among many mainstream international lawyers and other impartial observers.” (Ruggie, 2006, para. 59) The main influence of the Norms has been to establish a list of issues that may be relevant for the development of a human rights framework for companies in their own efforts to comply with human rights standards as a matter of good business practice (Business Leaders Initiative on Human Rights, 2006).

The discussion on the extension of the human rights standard to corporations raises a further general issue. What are the implications for the “new players” from developing countries in the extractive industries? At the outset, it should be noted that all countries have subscribed to the Universal Declaration of Human Rights and so accept, at least as a moral imperative, that all organs of society in their territory should observe fundamental human rights. In this light, it can be argued that the debates

\textsuperscript{10} See the Unocal case in footnote 3.
on corporate social responsibility and human rights pertain equally to such firms, as they do to the established TNCs from developed countries (UNCTAD, 2006, p. 232). However, in the extractive industries, the issue is further complicated by the fact that many TNCs from developing countries are State-owned, raising potential issues related to corporate governance and transparency (UNCTAD, 2006, p. 233).

Nonetheless the “new players”, whether they are publicly or privately owned and controlled, may derive considerable operational benefits from complying with basic human rights standards as part of a wider corporate social responsibility policy. In particular, operations in high-risk zones may require greater attention to human rights compliance so as to ward off accusations of complicity with such abuses which could lead to adverse economic consequences (such as, for example, embargoes being placed on the products of such companies by the home countries of their principal competitors, or by way of consumer boycotts). Another consequence may be increased difficulties in obtaining access to finance through the public offer of shares and increased risk of exposure to foreign direct liability litigation, as under the United States Alien Tort Claims Act (UNCTAD 2006, pp. 235–237). Thus, it should be in the interests of all firms to comply with such standards.

Taking future developments into consideration, human rights considerations will play an increasingly significant part in the operations of TNCs in the extractive industries. Already, in response to earlier instances of alleged complicity in human rights violations, firms have reconsidered their decision-making processes and have introduced human rights and other social responsibility-related concerns into these processes.

Furthermore, home countries have introduced human rights and environmental impact considerations into their national investment insurance schemes. For example, the United States Overseas Private Investment Corporation (OPIC) will not grant insurance for an investment where the project, in the judgment of OPIC, would have an unreasonable or major adverse requirement on the environment or on worker health and safety. Minimum labour rights must also be respected and the applicable national corrupt practices laws complied with. Likewise, the United Kingdom Export Credit Guarantees Department (ECGD), as a result of the 1999–2000 governmental review of its mission and status, must now take into account the contribution of an investment to

sustainable development and to the promotion of human rights and good governance.\textsuperscript{12}

Host countries can contribute to an improved human rights environment by following good governance principles in the conduct of their economic policies, promoting respect for the human rights of those who are affected by a major extractive investment. Particular attention may need to be paid to the concerns of indigenous minorities which may be especially vulnerable to such infringements due to their weak political position in the host country. In this connection, a rebalancing of the legal framework for the extractive industries may be required. According to the Nordic Africa Institute (NAI):

“The current process of redefining the role of the State through the introduction of increasingly standardized legal and fiscal frameworks intended to create a favourable investment environment, but at the expense of the State’s capacity to respond to the challenges of development, is neither viable nor in the interest of local populations or of foreign investors.” (Campbell, 2004, p. 85)

One way to achieve a more viable balance between a favourable investment environment and the interests of local populations is to build human rights standards into the regulatory regime of the host country. This could be left to the corporations themselves through the adoption of voluntary codes of practice and adherence to international guidelines such as the OECD Guidelines for Multinational Enterprises (OECD, 2000). However, that may be an inadequate response given the absence of external monitoring and enforcement mechanisms. This could be improved by involving the monitoring of the firm’s conduct by way of a partnership with an NGO that could report on the human rights impact of the firms plan’s and operations in the host country. In addition, positive State regulation may be introduced through legal requirements to observe human rights being imposed on the corporation.\textsuperscript{13}

Apart from the host and home countries and the TNCs concerned, NGOs can act as a catalyst for further development of human rights considerations in extractive industry projects. Indeed, it is mainly due

\textsuperscript{12} See Department of Trade and Industry \textit{Review of ECGD’s Mission and Status Cm 4790} (London, July 2000) and ECGD \textit{ECGD’s Business Principles} (December 2000) available at www.ecgd.gov.uk

\textsuperscript{13} This was done, for example, through the addition of a human rights undertaking to the Baku-Tbilisi-Ceyhan investment agreement between the three host countries and the consortium of oil and gas companies charged with the construction and operation of the project (Leader, 2006).
to the monitoring of firms by NGOs, and to publicity given to major
cases of complicity in human rights violations by such bodies that the
issue has gained ascendancy in recent years. Further monitoring and
consciousness-raising can be expected to occur as and where future
cases arise. Particular attention may be paid to the “new players” from
developing countries, which may themselves have poor human rights
compliance records, or where corporate social responsibility standards
are poorly developed. Indeed, it may be the case that where a developed
county TNC is involved in allegations of complicity in human rights
abuses, it may choose to divest and it will be replaced by a “new player”
from such a country. This has occurred in Sudan, where Austrian,
Canadian and Swedish companies were replaced by Chinese, Indian and
Malaysian investors.

Investment institutions may also have a part to play. According
to the NAI:

“Stock exchanges in the countries where mining companies
are registered should establish corporate social responsibility
disclosure requirements, modelled on corporate governance
guidelines. As part of their listings requirements, companies
would be required to disclose in their annual reports or annual
information circulars their approaches to corporate social
responsibility, evaluate the extent to which these practices
conform to the corporate social responsibility guidelines set out
in stock market listing rules, and explain any discrepancies.”
(Campbell, 2004, p.85)

Such changes could offer greater transparency. Whether a poor human
rights record will lead to a decline in the share price of the company
is less certain (see Zadek and Forstater, 1999), though it is possible if
investors continue to pay greater attention to such matters when valuing
the firm. In this regard, consciousness-raising of the risks inherent in
investing in weak governance zones, by industry groups and NGOs,
may serve to heighten investor awareness of the financial consequences
of non-observance of human rights 14

Finally, it may be necessary to get the “new player” companies
more involved in existing international initiatives. In this connection there
may be a need for capacity-building on human rights and conflict risk
assessment. For example, many companies use the Danish Institute for
Human Rights Human Rights Compliance Assessment (HRCA), allowing

14 On the other hand, this could lead to capital flight from such zones, precipitating
a further decline in their capacity to sustain good governance.
firms to run down a check-list of issues pertaining to the human rights practices of the firm.\textsuperscript{15} International Alert has produced a publication, Conflict-Sensitive Business Practice: Guidance for Extractive Industries (CSBP), which it is piloting in Colombia and elsewhere. CSBP includes risk and impact assessment and screening tools, as well as specific guidance on “flashpoint issues” such as indigenous people, dealing with armed groups, transparency, and security, and identifying legal standards and best practices. CSBP also includes a discussion of the limitations of environmental and social impact assessments (ESIAs)\textsuperscript{16} (United Nations Special Representative, 2007, para. 33).

In addition, the International Business Leaders Forum (IBLF), the International Finance Corporation (IFC) and the United Nations Global Compact are jointly producing a guide to human rights impact assessments for business. The guide is intended to outline a process by which operational managers can identify human rights implications and challenges, and annotate other relevant sources of information and expertise. It is due to be published in March 2007, then tested by companies in different sectors and finalized in 2009\textsuperscript{17} (United Nations Special Representative, 2007, para. 31). Further similar initiatives are being taken by other bodies (United Nations Special Representative, 2007, paras 30-36), leading the United Nations Special Representative to say that:

“Given the proliferation of public information on human rights, including the numerous specialized resources for business (e.g. the Maplecroft maps, the Business and Human Rights Resource Centre, the aforementioned Danish Institute and HOM tools, and business-specific research by Amnesty International and Human Rights Watch), there is no excuse for any company, lender or investor to claim to be unaware that their investments could impact human rights.” (United Nations Special representative, 2007, para. 40).

This comment may be taken to apply to the old and new players alike in the extractive industries.

\textsuperscript{15} See https://hrca.humanrightsbusiness.org/.
\textsuperscript{17} See http://www.ifc.org/ifcext/enviro.nsf/Content/OurStories_SocialResponsibility_HumanRights.
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