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Corporate Responsibility in Conflict Zones

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Corporate Responsibility and Conflict Zones – New Challenges on the Frontlines of Globalization

Over the last decade, corporate responsibility in zones of conflict has emerged as a new set of challenges cutting across several dimensions of the globalization debate:

- Development / Governance
- Conflict Management / Foreign Policy
- Roles and Responsibilities of Companies

These dimensions of the debate have become inseparable

Development and Governance

Studies demonstrate that the poorest countries are those with the highest risk of violent conflict (Paul Collier, *Breaking the Conflict Trap: Civil War and Development Policy* / World Bank, 2003)

Violence and instability disrupt economies, threaten FDI, deepen poverty, and distort development.

Conflict issues often are only the surface indicators of much deeper development and governance deficits.



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Conflict Management and Foreign Policy

The conflict management / diplomatic communities focus on whether company investments and operations in weak states contribute to conflict, human rights violations or corruption.

Interest is growing in testing the willingness and deploying the capacity of business to contribute to peace-building, human security and sustainable development



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Business Roles and Responsibilities

NGO campaigns and media coverage have focused on extractive companies (oil/ gas/ mining) and companies in other sectors (agriculture / foods)

Human rights is the key issue along with broader governance / corruption / revenue transparency

Companies face difficult dilemmas – where does corporate responsibility end and government responsibility begin?



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Corporate Responsibility in Conflict Zones Cuts Across Key Dimensions of Globalization – Around the World...

Africa

- Sudan
- Nigeria
- Chad/Cameroon
- Equatorial Guinea
- Sao Tome and Principe
- Gabon
- Angola
- DROC
- Algeria

Middle East

- Iraq
- Other Gulf states

Asia-Pacific

- Indonesia
- Papua New Guinea
- Burma

Caspian

- Kazakhstan
- Uzbekistan
- Turkmenistan
- Georgia
- Azerbaijan
- Turkey
- Russia

South America

- Columbia
- Peru
- Ecuador
- Bolivia



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Issues Emerge in Most Regions of the World – and in Different Types of Conflicts/ Situations

Companies face challenges in different conflict situations:

- Post-conflict reconstruction / post-political settlement reconciliation (Balkans, South Africa)
- Major armed conflict / civil wars (Sudan, Colombia, Iraq)
- Low-intensity regional conflicts (Indonesia, Nigeria)
- Commodity-driven conflicts (West/Central Africa)
- Potential pre-conflict scenarios (Caspian)
- Mostly non-violent political conflict / “no-go zones” (Burma)

Corporate Responsibility and Conflict Zones – What's At Stake for Companies

Companies have certain core interests in navigating these issues:

- Safeguard personnel, facilities and assets – and ability to operate
- Maintain social license to operate from local communities, international stakeholders
- Protect corporate reputations
- Minimize litigation risks
- Invest in secure and sustainable business environments



Corporate Responsibility and Conflict Zones – What's At Stake for Local Communities / Civil Society / NGOs

Key stakeholders have certain core interests in pressing these issues:

- Prevent corporate complicity in human rights abuses – “Do no harm”
- Encourage corporate contributions to conflict prevention
- Support post-conflict reconstruction
- Address longer-term governance and development challenges



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Corporate Responsibility and Conflict Zones – What's At Stake for Governments, International Institutions

Public entities also have clear interests in addressing these issues, but often with different agendas:

- Home country governments of companies want to maintain FDI for commercial and foreign policy reasons, also want to safeguard company and country reputations
- Host country governments for FDI want to maintain company presence/ operations for direct revenue and broader economic development/ employment
- Some home, host country governments are interested in corporate support for post-conflict reconstruction or conflict prevention

Corporate Responsibility and Conflict Zones – Converging and Clashing Interests / Agendas (1)

There is a significant convergence of interests on the part of the key actors in addressing these challenges – but there are also clashing interests that make cooperation difficult.

Interests largely converge among some core aims:

- Abide by laws of the host countries
- Avoid complicity in human rights abuses / Respect IHL
- Promote rule of law, accountability where possible
- Contribute to conflict prevention/resolution, post-conflict reconstruction

But even these baseline interests are difficult to advance in countries with repressive and corrupt governments – especially where sovereignty is at stake.

Corporate Responsibility and Conflict Zones – Converging and Clashing Interests / Agendas (2)

Clashing agendas impede progress:

- Tensions between home and host country governments
- Distrust between many multinational corporations and international NGOs
- Differing agendas in some cases among international / local NGOs and local communities

Nonetheless, there is a growing view that companies are not just part of the problem in conflict zones but can be part of the solution.

Conflict-Sensitive Business Practices

Solutions are emerging around the world to address many of the key issues where interests converge – and manage differences where they clash.

Practices identified by the UN Global Compact include:

- Conflict Impact Assessments
- Multi-stakeholder Engagement (local / international)
- Community Development Projects
- Revenue Transparency
- Commodity Certification
- Responsible Security Arrangements

From Corporate Responsibility to Public Policy

There is a growing consensus that:

- Company and industry initiatives must be complemented by public policies shaped by national governments and international institutions – together with civil society and engaged stakeholders
- Corporate responsibility initiatives and public policies also need to be integrated into broader international conflict initiatives, practices

Key International Actors (1)

No one set of international actors can address business/conflict zone issues alone:

- Host country governments (national/provincial/local governments, military/police) may have the greatest responsibility but are often the weakest actors
- Home country governments (diplomatic channels, foreign assistance programs) can make an impact within resource, sovereignty and other political constraints



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Key International Actors (2)

- International and regional development banks – as primary funding sources for significant investment projects in the developing world – are beginning to address linkages between conflict/ underdevelopment and encourage public-private partnerships
- The UN system is using its convening power through the Global Compact and at times the UNSC, while focusing programs through UNDP.



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Three Specific Examples of Conflict-Sensitive Initiatives at the Intersection of Corporate Responsibility and Public Policy

- The Voluntary Principles on Security and Human Rights
- The BP Tangguh Human Rights Risk Assessment
- The Extractive Industry Transparency Initiative



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The Voluntary Principles on Security and Human Rights (1)

- The VPs provide practical guidelines on how oil/ mining companies should interact with public and private security forces in conflict zones to diminish the risk of complicity in human rights abuses and ensure accountability when abuses occur
- The VPs were developed by the U.S. and UK governments together with leading oil and mining companies and international human rights NGOs and CSR organizations
- Risk assessment is a major focus of the VPs – along with operational guidelines

The VPs are most relevant in Nigeria, Indonesia, Colombia and the Caspian region but are being applied elsewhere

The Voluntary Principles on Security and Human Rights (2)

The VPs are significant because they are:

- The outcome of a government-facilitated, multi-stakeholder dialogue among companies and NGOs
- The only operational standard addressing human rights responsibilities of oil and mining companies
- The most specific and concrete standard developed in any sector to address the roles and responsibilities of companies in conflict zones
- A model that is testing the credibility of voluntary versus regulated approaches to corporate responsibility



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The Human Rights Assessment of the Proposed Tangguh LNG Project (1)

“Oil companies don’t choose the easiest places to practice social responsibility. At first, it reads like a film script. An oil multinational enters a remote rainforest in a disputed corner of an unstable country, where a brutal army confronts a popular independence movement. Throw in tribal politics, corrupt officials and hostile NGOs, and watch it all simmer.”

*“BP in Indonesia Sociologists before geologists?”
The Economist, June 27, 2002*



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The Human Rights Assessment of the Proposed Tangguh LNG Project (2)

Tangguh is a \$2 billion LNG facility being developed by BP under a production-sharing contract with Pertamina, targeted to China market.

“Tangguh has the potential to become one of the world’s premier LNG facilities- while sustaining Indonesia’s position as the world’s largest LNG exporter. And in the process, the Tangguh Project aims to meet high standards in socially and environmentally responsible resource development.” *BP Overview of the Tangguh LNG Project, September 2002*

The Human Rights Assessment of the Proposed Tangguh LNG Project (3)

Broad human rights challenges are *whether*:

- Indigenous Papuans will have an appropriate voice in the development of Papua's natural resources and be able to participate equitably in the project revenue stream
- The influx of migrant labor associated with project construction will inevitably displace indigenous communities
- Indonesian security forces will respect the rights of people living and working in the project area

These human rights challenges play out against backdrop of uncertainty over Papuan governance structures, low-intensity conflict plus lessons learned from Freeport McMoRan experience. They pose serious operational and reputational risks for BP.

The Human Rights Assessment of the Proposed Tangguh LNG Project (4)

Assessment attempted to meet three key objectives:

- Identify key human rights issues that could arise
- Offer specific proposals to avoid human rights violations and resolve unavoidable human rights conflicts
- Propose broader approaches and model processes to protect and promote rights of communities and peoples affected by project

Assessment both analytical and prescriptive

The Extractive Industry Transparency Initiative

EITI takes an indirect but innovative approach to the deeper challenges that companies face as they operate in conflict zones:

- EITI aims at greater transparency in payments and contributions by companies and revenues received by governments for natural resource extraction
- EITI focuses on the governance and development underpinnings of conflict in countries with significant extractive industry revenue
- EITI's approach calls on both public and private sectors to be transparent and accountable – recognizing that there must be shared responsibility

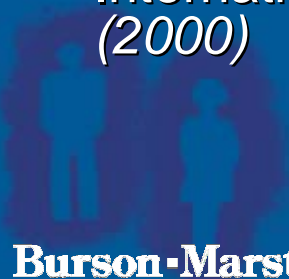


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Major Research and Resources

- UN Global Compact – Multi-stakeholder Dialogue on the Role of the Private Sector in Zones of Conflict plus forthcoming report *Enabling Economies of Peace: Public Policy for Conflict-Sensitive Business* (2005)
- World Bank Group – *International Companies and Post-conflict Resolution*
- International Alert – *Conflict-sensitive Business Practice: Guidance for Extractive Industries* (2005)
- Amnesty International UK / International Business Leaders Forum – *The Geography of Risk* (2002)
- International Business Leaders Forum – *The Business of Peace* (2000)



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New Issues in the Debate

The business/ conflict debate has focused mostly on company interactions with indigenous populations and public security forces (military, police) in “low intensity” conflict zones

There has been a parallel focus on the roles and responsibilities of private security contractors – around the world, particularly in West/ Central Africa

There is now a spotlight on private security contractors in Iraq – as they have assumed growing roles alongside U.S. military forces, Iraqi civilian authorities and multinational corporations involved in reconstruction efforts

The Debate Over Private Security Firms

- More than 20,000 armed contractors are estimated to be operating in Iraq – on top of 130,000 U.S. troops deployed
- Government estimates suggest security costs could claim up to 25% of the \$18 billion budgeted for reconstruction
- The U.S. military, Iraqi government and multinational corporations have all used private security to complement existing forces and guard sensitive targets – both individuals and specific infrastructure projects
- Contractors face major security threats (between 2003 and mid-2004, contractors filed claims for 94 deaths and 1,164 injuries – for all of 2001/2002, those numbers were 10 and 843)

Growing Exposure, Tough Issues

- The role of contractors (interrogators) in the Abu Ghraib scandal has received the most exposure in the media thus far in the conflict – Titan and CACI allegations
- Less reported are issues concerning the rules of engagement for contractors in the field (security details, installation protection forces, etc.)
- The USG has only partly addressed these issues, and does not appear to have a comprehensive approach to setting guidelines and ROE for contractors
- What can the USG do to formalize standards in cooperation with a new Iraqi government?