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ECONOMIC FREEDOM AND HUMAN RIGHTS IN BUSINESS

Opening speech by Markus Löning
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Good morning everybody.

It's a great honor to be here and it's a great honor to address the EFN Asia for a second time. I remember being in your meeting in Hong Kong two years ago and we had a movement of students out of the streets, which was a great coincidence. Intellectuals debating economic freedom, human rights, economic progress. And students out on the streets fighting for their personal freedom, and for their possibility to create their lives in a way they want it to.

Thank you to the FNF for inviting me again. It's a great pleasure to be in Manila, and to share this stage with Chito. I have known you for a couple of years. We have been on Liberal International's human rights committee together, and Chito what I would really like to convey on behalf of Liberal



International and on behalf of our parties across the world - we are watching very closely what's happening in your country. We are very much with you and your work, and we will do everything we can to support you and many others in this country who are struggling for freedom, human rights, and liberal values.

I very much would have liked to make this trip under different circumstances. We see democracy all over the world under different challenges. We have populist parties taking over in Poland and Hungary. We have seen movement towards populism and authoritarianism in Turkey. We have seen a president being elected into office despising liberal values in the Philippines. And we have seen the very same in the United States, which was a shock, I must admit, just two weeks ago.

And wherever liberals meet these days, I think there's only one question that we do debate and that we should debate, and that is how liberals can fight back this movement of anti-liberalism, this movement of populism across the world. What can we do to push back, and to win again majorities in parliaments and gain power again? It will not only be good enough to say that the liberal world order is a good order. We must be more convincing than we have been, obviously. This conference will be part of this intellectual effort to be better, and to make better arguments for the liberal world order. But we must also deliver when we are in government, and even if we do deliver, there is no guarantee that liberalism will prevail as we can see in this country.

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So what should the liberal answers to the populist challenge be? It comes in two pieces. First: Delivering. People are not really interested in debates, ideology, or ideological wars. They want their lives and their children's lives to improve. They want schools to work. They want teachers. They want jobs. They want health services available to them. They want justice to be impartial and accessible. They want to feel safe in their life, and they want to make sure and be sure that their children will have a better prospect in life than they have themselves. And that is more or less the same everywhere in this world. In my own city in Berlin, where we have just had an election campaign, that was very much about schools and how schools should be funded better. It was about economic growth, and how to get more business investments in the city. And as I gather from what the EU Delegation in the Philippines just said, I guess that is the same point in the Philippines, too. How would you get more investments and jobs? How can you make schools work? So I think these are very important and crucial points, and liberals in government should deliver on these, to deliver on what people want and people need.

But there is a second point, and we shouldn't forget this second point. Liberals must stick to their values. Some people say, and excuse me for the wording - some people say that they don't give a shit about human rights. That makes them very different from us. Because we do. We respect and we protect the dignity and personal freedom of every human being. We strongly believe in the first sentence of the Declaration of Human Rights: "Every person is born free and equal in rights." And human rights are universal. They are for everyone. No matter where you are born, who your parents are, what gender you are, what color of skin you have, what you believe in or if you choose not to believe, and how you choose to live. Human rights are not a generous gift by anyone, certainly not by religious or political authorities. Everyone naturally owns them, and nobody can take them away from any person. On the contrary, political leaders have the duty to protect them. That is what state's duty is about. It is about protecting the human rights of the citizens, of the people in the country you are in charge of. And we should not forget that.



Individual freedom, the freedom to choose the way you want to live, is protected by the rule of law. That is the core of liberal values. And these are the issues this conference is about - how to improve people's lives economically, and how to protect human rights at the same time. What is state duty? And what is businesses' responsibility?

Five years ago, in 2011, the Human Rights Council of the UN unanimously voted on the UN Guiding Principles on Business and Human Rights. These principles are very clear about the division of responsibilities. They basically have three pillars saying that it is state duty to protect and defend human rights on its territory, which means to create the laws that are needed, but also to create law enforcement that is needed. That is an active role that needs to be played by states, and not something that you wait for to happen. It is an active duty of states to make sure rights are protected.

The second pillar of the UN Guiding Principles is directed at businesses. It very clearly says that business has a responsibility to respect human rights in everything it does. I'll come back to that a bit later. It's the responsibility of both the state and businesses to create access to remedy to those who have been violated in their rights.

So ladies and gentlemen, let me speak about the second pillar, the responsibility of businesses. Some people put that in the context of CSR. CSR is something which you do in the PR department of your company like some kind of charity, like a donation to the local kindergarten or football club. Something you do if the business does well and you have some extra money, you donate, but if the business does not do so well, you choose not to donate. Let me say that very clearly that businesses cannot opt in or out as they like from respecting human rights. No one could ever seriously suggest that. Nobody would ever - although some businesses actually try to do that - nobody would ever seriously say, that businesses can opt out of the tax code, for example. We have to see very clearly that respecting human rights is a legal obligation for every person and that means also for every person that is in charge of a business. The UN Conventions on Civil and Political Rights and on Social, Economic and Cultural Rights, and also the ILO Conventions are binding, and they are binding for businesses to. The EU Delegation was talking about other conventions that need to be implemented. My country is implementing certain UN conventions like the UN Convention Against Corruption, and there are other conventions that also the European Union would need to look at and debate. We have an ongoing debate between the EU and the Philippines on the UN Convention on Migrant Workers for example, where we don't get any closer. So my point is there is a legal obligation to respect human rights for businesses. It is not an option. It is not a PR, or other kind of issue.

The real debate is about business-related issues, and political issues. Business related issues are: Where does the responsibility of businesses end? How far does it go? And how can and should this responsibility be enforced?

The political issues are: How can we create a world order that enforce the rule of law in a globalized world? How can we grant access to justice to everyone? And how can we make sure that big transnational companies can be held accountable?

Globalization, without any question, is a source of innovation and economic growth. It is creating jobs in Europe, and in countries in Asia, for example. It has brought down poverty in a way the world has not seen in the centuries before. The freedom to move goods, capital, and ideas around the globe must be protected, and it must be expanded. It is to the good of the people all around the globe. But we will not, and that has become clear in the recent elections - we will not be able to successfully protect and expand these freedoms if we fail to address the downsides it creates, and that's a political question.

But let me take a look at the business issues for you. My team and I have just written a business paper that we will publish next week. We dug into different researches that have been done in respect to human rights in business, and we interviewed 30 major German businesses to find out what human rights means to them and their businesses. The findings are quite stunning. First of all, they don't feel the biggest pressure from state to implement human rights. They actually feel the biggest pressure from NGOs. That is what all the big companies unanimously said so, that is where pressure really comes from. Public opinion, worries about reputational damages are what is moving business. Companies know they will decline, they will lose turnovers and money if they are associated with inhuman working conditions, accidents, slavery. There has been an example with Adidas that has been associated with child labor while producing footballs in Pakistan. You saw pictures in big German magazine. They were losing money. Their turnovers were plunging after these pictures appeared in the publication. And they have learnt from that so they are making a big effort now to protect their workforce. This is something that the German industry has learnt from. And I think very often,

unfortunately, it takes these kinds of accidents, these kinds of reports about very bad situations that get people to move.

Interestingly, the EU Delegation has mentioned it, the pressure from corporate clients to suppliers in Germany or in the European Union is the 4th biggest point of pressure they feel. They get demands from corporate clients that say you must ensure that the goods you're selling to us are produced under good conditions so that we can be sure that there will be no reports in the newspapers about our supply chain.

The answer of the corporations we interviewed about how important they see human rights was also very strong. 88 percent of them said that human rights would be more important in the future. Let me just very roughly sketch why human rights are also a business case in Germany. These guys have a recruiting problem. They want young people to work for them, and these young people ask: Are you adding to the good of society? Are you a good company? Can I tell my friends and family that I am working for you and feel proud about it, or will I feel ashamed?

There is another very interesting moment right now. Banks and financing institutions have found out that sustainability reports will give them a very good insight into how well supply chain risks are being managed by companies. And they are important financial risk if you don't look at human rights. Strikes that will destroy production, if you look at the mining sector, if you look at big investment like big copper mine in Peru for example, that doesn't work for many years because the rights of the inhabitants have not been considered.

So ladies and gentlemen, these are just few reasons why businesses should look at human rights. The question on how far responsibility goes is a difficult one. We have a court case going on in Germany against a major German retailer. They have been buying garments in Pakistan, and the production site burned down. More than 200 people were killed. They didn't own any shares in this production site but they bought 70 percent of what they were producing for five years. But they deny that they have any responsibility for what happened in this production site. This court case goes to a German Court. There are two important questions that are interwoven in this court case. One question is how far your responsibility is. Obviously, it is different if you buy something for 20 dollars, and you buy it once a year. Or if you buy 70 percent of the production, you have an immediate impact on this production. You have influence, and with influence comes responsibility. Secondly, to what courts can people go? Should they go to a Pakistani court? Can a Pakistani court fine a German company, and make sure that this fine is being paid to the inhabitants of Pakistan? Can these people go to a German court and make sure that Pakistani law is applied towards this company?

So this is a question that liberals need to address because let's not forget that access to justice is a human right. We cannot have a globalized world, with liberalized trade, free trade agreements where investors are being protected, where we implement judicial mechanism for investors, which is great, but we should also have legal instruments to protect the victims of human rights abuses. We must look at these issues too.

I know that there is a question of people. Isn't all of this talk of human rights and social standards just another way of disguising that the EU once again wants to close off their markets? If we don't find good answers as liberals, this could turn into a protectionist nightmare. So we need to find good mechanisms, good liberal answers on how we can bring these two things together. How we can further expand global trade and investment, and at the same time make sure that people are being

protected, find access to justice, and that those that live on the downside of globalization are as few in numbers as possible. As many as possible must profit from globalization.

Let me close by quoting Milton Freedman, who I don't usually quote, but I will quote him today. He said something like the business of business is business within a set of rules. And I think he is right because what he really meant was that business, of course, creates value for society. To quote him in the way that he put it in the 70s, sounds cynical today. I think we should work on the wording. Bring what he meant into modern days, and we should say something like the business of business is to add to society by creating jobs, growth, new products and technology, by paying taxes and by respecting the law which includes human rights in the very first place.

Thank you.