

# Human Rights Abuses as 'Unfreedoms': The dark side of MNE's operations in developing countries

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# Motivation and Theory

- Multinational Enterprises (MNEs) are usually associated to development because of their expected **economic impacts** (employment, technology transfer, wage, export and productivity spillovers, etc.) (among many others: Giuliani & Macchi, 2014);
- **Underlying assumption:** *at some stage* positive economic impacts will generate other kinds of social impacts (health, education, quality of life, etc.)



# Motivation and Theory

- But development is not just about income-related progress, it is also about **enjoyment of freedoms** and **eradication of unfreedoms** (Sen, 1999)

*“Development can be seen ...as a process of expanding the real freedoms that people enjoy. Focusing on human freedoms contrasts with narrower views of development, such as identifying development with the growth of gross national product, or with the rise in personal incomes, or with industrialization, or with technological advance, or with social modernization.”* (Sen, 1999, p. 3)

- **Freedoms** means to give people the choice to strengthen their fundamental human rights – such as e.g. being literate, enjoying political rights, having access to health care, etc.;
- **Removal of ‘unfreedoms’** means avoiding deprivations such as e.g. starvation, undernourishment, escapable morbidity, or premature death, among others.



# Motivation and Theory

- Promotion of *freedoms* and eradication of *unfreedoms* are an *end of development*, not the by-product of economic growth;
- So, why waiting for economic impacts to be there (if any), and their alleged positive impacts on society (if any) be also there?
- Why not directly focusing on the **exacerbation of unfreedoms** caused by MNEs *while* they conduct their operations in developing countries?



# Our approach

- We treat freedoms and unfreedoms as **human rights (HR) promotions** and **retrogressions** since they are on the same agenda (Birdsall, 2014);
- HR: **universal** (1948 Declaration of HR and subs covenants and treaties);
- Focus on business-related **HR retrogressions** based on companies involvement in human rights controversies;
- **Context:** The HR controversies occurring in developing countries **involving a sample of the largest public companies from advanced countries (Forbes G2000)**, 1990-2012.

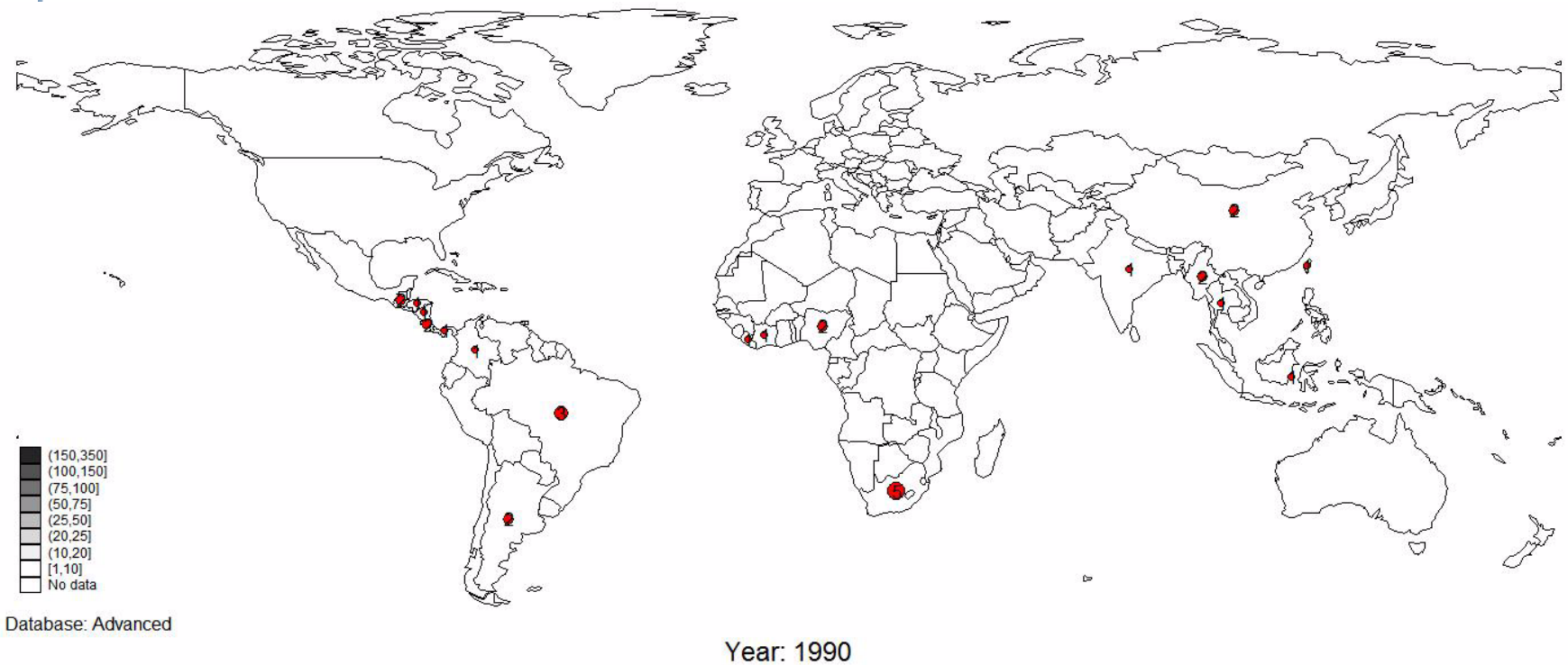


# Research questions

- How spread is the phenomenon?
- What type of HR controversies are more common?
- What makes HR controversies more likely?
  - MNEs adoption of corporate social responsibility (CSR) policies
  - Institutional quality of the countries where MNEs have had controversies already
  - Institutional quality of the countries where MNEs have invested in the past



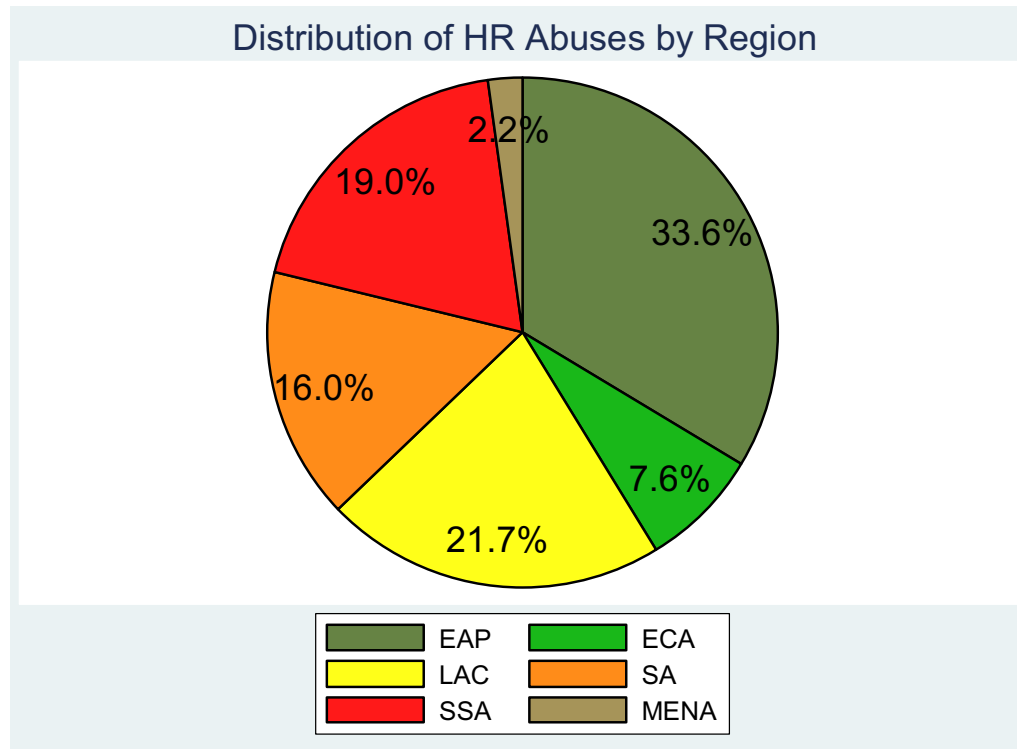
# How spread is the phenomenon?



Source: 1990-2012 data are based on [Business & Human Rights Resource Center](#)



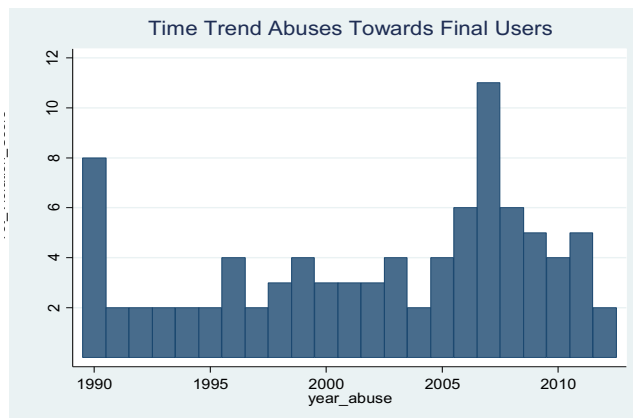
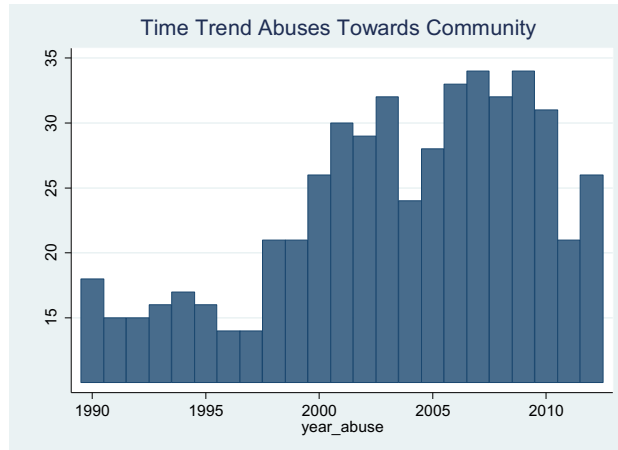
# The geographical distribution of HR controversies



EAP: East Asia and Pacific, LAC: Latin America and the Caribbean,  
SSA: Sub-Saharan Africa,  
ECA: Europe and Central Asia,  
SA: South Asia,  
MENA: Middle East and North Africa



# HR controversies by type of abused constituency



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by Vlad Savov | @vladsavov | Mar 18, 2015, 9:07am EDT

COKE ALLAYS FEARS, INSISTS WITHDRAWN DRINKS SAFE

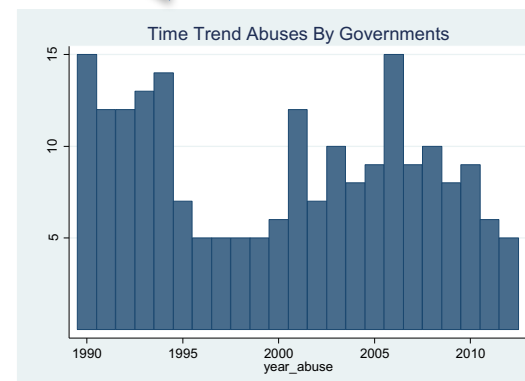
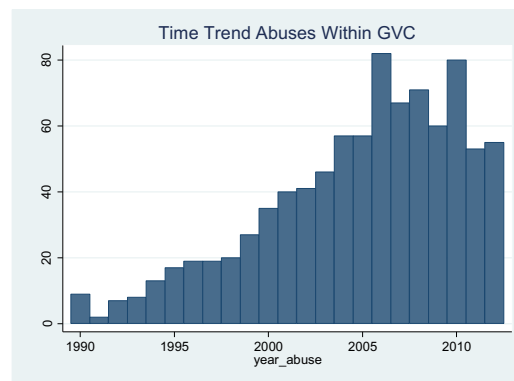
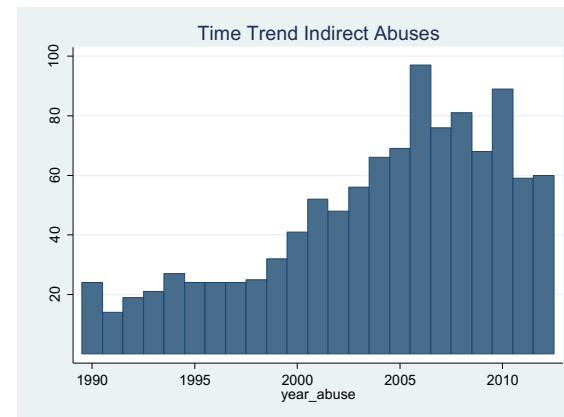
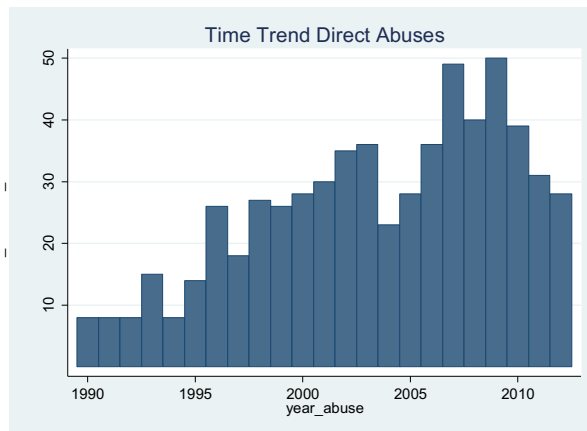
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By Jane Dreaper  
Health correspondent, BBC News



# HR controversies by type of abuser





# First insights from exploratory econometric analysis

- CSR adoption plays no role
- The weaker the institutional framework (civil liberties, democracy, political corruption) of the countries where past controversies, the more likely will be HR controversies – all kind of HR violations (direct and indirect; within the GVC);
- The probability of direct HR violations increases the more MNEs have direct investments in countries characterized by weak institutions & in developing countries

## Note:

- 81 firms from advanced countries (US, Canada, EU, Japan) with at least one reported human rights violation in emerging countries (1651 firm-year obs)
- Fixed effect linear probability model (see back up slides)



# Conclusions

- Business-related HR controversies not so rare
- Direct HR controversies and HR indirect controversies with the Global Value Chain are observed more
- Within developing countries, a downward spiral for countries with the weakest institutions
- CSR plays no role
- Caveats: preliminary analyses, exploratory research