

## **The Human Rights Dimension of Corporate Social Responsibility in Latin America**

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This article examines how recent global trends such as globalization, democratization, and increasing global commerce, have impacted Latin American corporate behavior, particularly with respect to human rights compliance, and places trends these dynamics in context with the rise of more general corporate social responsibility (CSR) dynamics mainly in industrialized countries. The paper argues that while global CSR movements have a catalyst effect on Latin American corporate actors, and have resulted in some improvement in CSR in the region, business is more *business as usual* than what may appear.

In the latter half of the 20<sup>th</sup> Century, beginning with the wave of democratization that began in the early 1980s, the fall of dictatorial regimes and later largely fueled by the dynamics of globalization, Latin America has undergone a process of profound social, political and economic transformation. Our identity as nations, as communities, and as individuals has been greatly altered as each day we become more inextricably linked to a new global society dominated by the social paradigms brought by global pop-culture and the growing cross-border flow of commerce.

Milton Friedman laid down corporate law in the mid 20<sup>th</sup> Century when he said that business' only role was to make business. Latin American boardrooms and management quarters hold fast to a Friedmanian concept of the corporate citizen. While some advances have been made in the recognition and action on environmental sustainability in the region, the social dimensions of CSR remains largely engrained in a historically narrow understanding of business responsibility on social issues and far from the direction global dynamics are taking towards business human rights responsibility.

While international companies have always had a foot in Latin America, more recent corporate globalization impacts in the Americas began with the *maquila* industry on the US-Mexico border, and with some offshore assembly industries in the Caribbean region, as the US market discovered that Latin Americans could do just as good a job putting together merchandise, at a much lower cost. Rather than bring responsible business practice, these industries sought out, and continue to seek out, low costs at nearly any price. We have seen the severe social and environmental impacts of the *maquila* industry, and can find numerous examples of transnational corporations doing and selling in Latin America, what they could not at home. Health and safety standards have been lax, while consumer product safety is also low on the list of such overseas companies.

As global concerns over environmental contamination reached alarming levels towards the latter half of the 20<sup>th</sup> Century we began, as global citizens, to wonder about Milton Friedman's law, and accepted that business had some responsibility towards sustainable

production, understood in an environmental context. Later this would evolve (it is still evolving) to include responsibility in social and economic sustainability, including human rights responsibilities.

ISO certification appeared as a driving force to make business more environmentally sustainable. At first, Latin American business saw ISO as luxury for northern markets. We didn't see the issue from an ethical perspective, but rather one of quality control of production processes; some even argued it was a trade barrier to close out Latin American products. Investment in clean production seemed more like an unrealizable dream in most of Latin America. Only three or four years ago, you could count on a single hand the number of your community's businesses with ISO 14000 or 9000.

Globalization took care of any doubts Latin American business might have had on ISO, and as markets began to close if you weren't certified, and as foreign investment arrived in large numbers, already convinced of ISO value, we quickly adapted. In only a few years, most Latin American big business have not only moved towards ISO certification, but many have even hired permanent staff to develop environmental management systems and emissions monitoring.

The CSR movement, however, kept up pace in the north, evolving from essentially focused on environmental impact, to examining human rights, community and economic impact of production, a far more complex set of issues for any business to address. The Nikes, Shells and Monsantos of the world were in for a rollercoaster ride against public opinion about how their investments affect people, and more specifically, human rights. All of a sudden a business could violate human rights. It seemed that Friedman's law was dead, and now a business's business was a lot more than to make business.

In Latin America, this notion of "businesses violating human rights" still turns heads, and is inconceivable to most, even to lawyers and judges who often face cases of undeniable culpability of business in the death of people in their communities due to contaminants they release into the water and air, to fumigate crops, or other damages caused to the local environment. There is simply little or no recognition in the region, that *business* can violate human rights. Human rights are largely thought of as issues pertinent to physical integrity and freedom of expression. This is largely due to the egregious human rights violations perpetrated by the military dictatorships. These are usually, civil and political rights. Other rights, including many social, economic and cultural rights, regularly and systematically violated by private sector activity, goes unregistered as a rights violations.

By and large, business in the region sees its social role as an engine of growth at any expense, and if there *is* some social benefit stemming from business, it is either measured in job creation or in corporate philanthropy. Business giving (corporate philanthropy) is extra-curricular for most business, that is, it occurs from the door outward. In much of Latin America, corporate philanthropy is actually quite well rooted in the development of industry, and oftentimes responded to traditional coercive systems of state-forced corporate giving to good causes.

In Argentina during the Peronist years, for example, when industry gained a foothold as a player in the Argentine economy, corporate giving to the state (for social causes) was

a *sine qua non* to produce. A portion of profits, sometimes as high as 20 or 30 % went to the state apparatus in the form of a contribution (not an official tax, but rather an extortion), with which the state provided social assistance. This coerced social giving over time became ingrained in the corporate social fabric.

As the Mafioso tactics of the state apparatus disappeared, the social structures that were left in place continued to see the corporate actor as a source of revenues for social needs, but not as a keeper of the social well-being, and much less as a protector of human rights or even faintly responsible for respecting human rights. Businesses now regularly donate funds to provide basic social needs for the poor, such as blankets, building schools, shelters, providing medicines, food, etc. The more savvy businesses see in corporate giving an opportunity to shine a bit more than the competition, and in many cases have converted their corporate philanthropy into very successful campaign schemes to increase consumer recognition and product value.

As the CSR movement has developed worldwide, human rights has infiltrated the CSR formula. We are beginning to see reporting on human rights compliance, such as the new 2002 GRI Sustainability Reporting Guidelines incorporating a new section on human rights reporting for business. However, in Latin America, the social aspects of corporate social “responsibility” are largely undeveloped. We have yet to accept that our livelihoods often adversely affect the livelihoods of others. The human impact of natural resource extraction industries such as lumber, fishing, oil, water, crop fumigation, the production of GMOs, child labor, discrimination in the workplace, and many more corporate activities that affect human dignity, and regularly and systematically violate human rights, have yet to be recognized, much less addressed by business in the region.

As evidence of where the trend is going, non governmental groups have appeared in many Latin American communities helping businesses target their giving, so as to make their donations more useful, more relative to the social problem specific to the community. Yet what many businesses are doing is cleansing with one hand, what they’ve soiled with the other. What is missing in the formula is the internalization in a conceptual sense of the Latin American corporate citizen as a socially responsible actor responsible for complying with human rights, and at the very least not violating them. We are still encapsulated in a Freidmanian construct, where business is only concerned with more business.

The Latin American Corporate Citizen is still far from assuming the implications of the CSR movement and its tendencies, as we see these trends develop in northern industrialized countries. Globalization, as it has permeated other aspects of the region’s development will probably reach the region at some time with more profound CSR implications, including greater human rights compliance, however, this will only occur to the degree that the underpinning systems flaws (state legislation, monitoring, and enforcement of laws and regulations) are corrected. Otherwise we will likely see continued resistance of the corporate citizen to align with this global trend.

## **The Center for Human Rights and Environment Activities in CSR and Human Rights in the Americas**

CEDHA has identified education, guidance and compliance as the fundamental stepping-stones to more socially responsible corporate behavior in Latin America. We are working on the development of didactic training materials for business leaders on what human rights are and how they relate to business behavior. We also work with civil society groups interested in CSR to improve their advocacy on corporate behavior and human rights. We are also helping victims of corporate abuse at local courts, with a view to setting jurisprudence on human rights implications of corporate behavior. We have conducted much research on corporate liability in the region, and particularly in Argentina. Finally, at the international level, we are helping develop international human rights reporting standards and practices, such as the Global Reporting Initiative's 2002 Sustainability Guidelines, of which we were a part, as well as the UN's work towards internationally binding legislation on corporate behavior and human rights, to which we are also contributing.

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