

**Workshop for Domestic Application
of International Human Rights Standards on Multinational Corporations**

- Date: October 21, 2008 PM 1:30~5:30
- Venue: Baeumteo 2(11th floor), National Human Rights Commission of the Republic of Korea

1:30-1:40 Opening ceremony & introduction

1:40-2:00

- Keynote speech: Domestic application of international standards on multinational corporations: Kwak, Nohyeon, Professor, College of Law, Korea National Open University/Co-representative of Korean House for International Solidarity

Part 1: Present situations and the significance of Global Compact and OECD Guidelines in Korea
(Moderator: Jeong, Kyeongsoo, Professor, College of Law, Sookmyung Women's University)

2:00-3:20 Presentation

1:40-2:50

- Abroad practices and lessons of OECD Guideline and Global Compact
Bart Slob, (2:00-2:30) Senior researcher, SOMO (Centre for Research on Multinational Corporations, based in Netherlands)
- Development plan of OECD Guideline NCP
Hwang, Pilkyu, (2:30-2:50) Attorney at Law, Gonggam (Non-profit public interest lawyers' group)

2:50-3:20 Discussion

- Angela Joo-Hyun Kang, Founder & Chair, Emerging Economics Working Group, Corporation 20/20
- Kim, Taehui, Korea OECD NCP/public official in Foreign Investment Policy Division, Ministry of Knowledge Economy
- Kang, Yeonbae, Policy director of Korea Health & Medical Workers' Union, KCTU (Korean confederation of Trade Unions)

3:20-3:40 Tea time

Part 2: Overseas corporations' operations and Korean responses

3:40-5:20 Presentation (Moderator: Kwak, Nohyeon)

(3:40-4:50)

- Korean corporations' problems observed through gas exploitation:
-Wong Aung, Global Coordinator of the Shwe Gas Movement
-Matthew F. Smith, Project Coordinator, The Burma Project, EarthRights International

(3:40-4:10)

- Role suggestions for national human rights organizations on Burma Gas exploitation:
Jiewuh Song (Attorney USA), Project Supervisor, Shwe Gas Development Team, International Human Rights Clinic, Harvard Law School (4:10-4:30)

4:30-5:30 Discussion

- Jeong, Sang young, Civic Sector Education team, National Human Rights Commission of Korea
- Cho, Seungsoo, Chief of Center for Energy Politics (former-Member of Parliament)
- Shin, Taejung, Citizens' Action for Responsible Enterprise, Citizens' Action Network

This workshop is sponsored by 2008 human rights organizations cooperation program of National Human Rights Commission of Korea

**“Domestic Application
of International Human Rights Standards on Multinational Corporations”**

Discussion for

“Part 1: Present situations and the significance of Global Compact and OECD Guidelines in Korea”

Angela Joo-Hyun Kang

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Hello, my name is Angela Joo-Hyun Kang. Before I begin I'd like to first thank the keynote speaker and the previous presenters in Part 1 – thank you all very much. Today in this Part 1 discussion session, I would like to talk about the implication, situation, prospects and future tasks related with Global Compact and the OECD Guidelines for Multinational Enterprises in the Republic of Korea.

First of all, I want mention some background information to my discussion.

I'll start by giving you a short introduction of the organization that I have engaged, and my discussion approach. Since 2004, Corporation 20/20, founded by Allen White and Marjorie Kelly¹, has been creating a vision for future corporate design with six principles² advocating system redesign with professionals in business, civil society, government, law, labor, media and investment community. Among its several working groups, Emerging Economies Working Group is conducting research on the corporations of emerging economies through lens of six principles considering historical and cultural perspectives. Its current first step is to see corporate social responsibility (CSR) in Northeast Asia. I would like to focus on the Republic of Korea and Korean multinational corporations with an aspect of its competition with other multinational corporations of developed and emerging economies. I want to argue that a differentiating model of the Republic of Korea is needed, in order to have more competitive advantages based on Asian philosophy emphasizing the whole and interconnectedness³ and to behave more properly as an OECD member country⁴ abiding by international standards.

¹ Allen White is a co-founder and former CEO of GRI (Global Reporting Initiative) and Marjorie Kelly is a co-founder and former editor of Business Ethics

² Six principles are related with socio-economic purpose, fair returns to stakeholders, sustainability, equity, participation, transparency, ethics, accountability and human rights.

³ Some academics highlighted positive factors of Asian philosophy, science, religion and world view for potential change of people, organization and social system design comprising of sustainable world. Peter Senge, C. Otto Scharmer, Joseph Jaworski and Betty Sue Flowers, “Presence: Exploring Profound Change in People, Organizations and Society”, The Society for Organizational Learning, 2004

⁴ The Republic of Korea signed the convention founding the Organisation for Economic Co-Operation and Development and became a member country on 12 December 1996.

The other piece of background information I'd like to tell you about regards the recent global financial crisis and economic recession as well as their potential consequences. Short term revenue pressure and stock price stress might make corporations feel human rights or climate change issues as much more long term agenda. However, Michael Porter, Professor of Harvard Business School, a mentor to many business people, advised the Korean business community to go back to basics at the 2008 World Knowledge Forum, hosted October 14-16 by Maeil Business Newspaper.⁵ He said, "Offering affordable price competitiveness with similar product and service is not competitive advantage but water bubble that could be defeated by competitors depending upon situation." Paul Tregidgo, the Vice Chairman of the Credit Suisse IB Division showed conservative movement within the financial sector advocating the necessity of strict capital and deliberate risk management in order to maintain solid status in the midst of global financial turmoil and the fall down of Wall Street's investment banks.⁶

Then, what are the implications and situation of human rights in business management in Korea in this fast changing, unpredictable environment?

Regarding the OECD Guidelines, I would like to refer to detailed presentation material prepared by Bart Slob, Senior researcher of SOMO, Centre for Research on Multinational Corporations, based in Netherlands and the presentation about the development plan of OECD Guideline National Contact Point (NCP) by Hwang, Pilkyu, Attorney at Law, Gonggam, Non-profit public interest lawyers' group. Mr. Hwang's presentation mentioned "Three step supporting plan of ethical management for corporations operating in overseas" by Ministry of Knowledge Economy, former Ministry of Commerce, Industry and Energy in 2003, and its efforts to collaborate Federation of Korean Industries and other business related associations, and pointed out limited NCP actions and desirable approaches to improve their effectiveness.

I would like to talk more about UN Global Compact based on my work experiences of several months at Global Compact Korea Network. I want to say my opinion is from my personal opinion, and is not representative of Global Compact Korea Network's official position.

Started as an initiative of UNDP, Global Compact Korea Network was established on September 17, 2007, to accelerate Global Compact in the Republic of Korea. As of August 7, 2008, there are 127 signatory members including state owned enterprises like Korea Gas Corporation and Korea National Oil Corporation and Korean Chaebol subsidiaries from SK, Hyundai and CJ.⁷ Awareness of Global Compact has greatly increased in the Korean business community through a series of news and events, particularly

⁵ World Knowledge Forum 2008 "Special Lecture: Management Strategy in Times of Uncertainty"

<http://news.mk.co.kr/newsRead.php?sc=40200016&cm=세계지식포럼&year=2008&no=634158&selfFlag=sc&relatedcode=000120054&wonNo=&sID=800>

⁶ World Knowledge Forum 2008 "Finance CEO Roundtable: New Architecture of the Financial System"

<http://news.mk.co.kr/newsRead.php?sc=40200016&cm=세계지식포럼&year=2008&no=634151&selfFlag=sc&relatedcode=&wonNo=&sID=800>

⁷ Signatory member list from Global Compact Korea Network Web site <http://www.unglobalcompact.kr/32.php>

in 2008. Chey, Tae-Won, Chairman of SK Group, was appointed as a Global Compact Board member in May. The joint event co-hosted by Global Compact, Principles for Responsible Investment and UNEP Finance Initiative was held in Seoul in June.⁸ Over 200 CEOs from private and state owned corporations attended the lunch event with UN Secretary General Ban, Ki-Moon and the Prime Minister of the Republic of Korea Han, Seung-Soo in July. The Federation of Korean Industries contributed a panel discussion in its Millennium Development Goals seminar in September. As far as I know, Global Compact has its own filtering system. It might have weaknesses and strengths but I would like to highlight its strong point that Global Compact Korea Network has been served as the only effective way to reach corporate CEO rooms and capture top management attention in terms of CSR, which is still peripheral within corporations. In the Korean context, it is very important in such a hierarchical Korean corporate structure.

However, corporations that are good at publishing CoP(Communication on Progress) reports may not necessarily comply with the ten principles of human rights, labor, environment and anti-corruption. Similarly, quantitative progress might not mean qualitative development. According to people of Global Compact Korea Network, they will address the qualitative aspect of its member service in the future.

Then, what about future prospects? Is there any way to change a rigid mindset of business people, quick to avoid risks and to search for opportunities and to help them recognize human rights as business assets beyond compliance, merely abiding by international standards?

Now, I would like to quote a famous term, “Killer Application”. Like cars, phones and internet book stores, as soon as a Killer App. appears, it sweeps away competitors, changes the game and writes its market history. When Amazon.com first appeared, traditional book stores did not see it as a threat to their business. However, it created new values and changed people’s mindset. The word, “killer”, signifies a dreadful reality that anything that does not adapt will be eventually fail.

Korean business people can not have flexible mindsets in human rights and labor areas due to many social, political and economic crises and changes in Korean modern history. From industrialization to the current global competition era, costs down stress and pressure from stakeholders have prevented them from having an open and flexible mindset to change. However, we know well when corporations get it, they act very fast.

Bart Slob’s presentation material on OECD Guidelines pointed out that a large degree of ignorance about the Guidelines among business, government and civil society are occurring not only in developing countries, but also in OECD countries. Then, can’t the Korean government and corporations build human rights risk-free business systems in order to have competitive advantages in its global resource searching

⁸ I was a Joint Conference Coordinator as an individual contractor for special service of UNDP Korea stationed in UN Global Compact Korea Network

efforts in the extractive industry, especially the area vulnerable to human rights abuses?

As you know, some governments show a tendency to choose companies that support good practices on the rights of aboriginal people and human rights in their extractive project biddings.⁹ I want to argue that now is the time we need a Killer Apps. type of momentum and innovative model to raise awareness about business and human rights. I am not trying to water down traditional aspects of human rights and labor. On the contrary, I am trying to pave the way to prepare a triggering platform to bring various aspects of human right areas in business. Former CEOs of general trading subsidiaries of Korean Chaebols have been increasingly appointed as CEOs of Korean state owned corporations in the resource searching industry. In order to shift the focus of dialogue, we need to start high profile areas with much attention. It's also the most vulnerable part beyond the domestic safe zone to Korean corporations.

Then, what are their future tasks related with business and human rights in the aspects of internal and external environments of corporations?

Internally, in addition to the evident proposition that the Republic of Korea should act properly, so as to be worthy of being called an OECD country, business people should change their mindset to see human rights as business assets, not costs. If they agree with the messages of Michael Porter, competitive advantages in the global resource searching area might be to act proactively through a risk-free business system faster than competitors, preventing bigger losses. Otherwise, Killer Apps will bring about a modern survival of the fittest symptom.

In order to make this possible, internalization of human rights is indispensable. We need compelling narratives with business relevance that appeal to corporate people and explain why and how are human rights are directly related with their business.

Korean corporations have made progress on environmental and ethical management practices but their efforts are fragmented and managed in silos, not related with corporate, business and global strategy people. Corporations need an integrated and organic system that penetrates all functions and business related departments with an interconnected system design perspective in order to embed human rights into corporate values, policy, culture, organization, system and practices.

This complex and daunting task needs the leadership of CEOs. I mentioned Global Compact is the only way to reach the top. Some Korean corporations show some movements to form company-wide CSR committees led by top management, such as Hyundai-Kia Motors Group. Of course, there are still many limitations and progress is slow, having far more development stages to go. However, if a good example is produced, its impacts would be meaningful.

⁹ Rights of Indigenous people, Business and Human Rights, Resources of Business for Social Responsibility <http://www.bsr.org/resources/featured-resources.cfm>

These same principles that I present here, can be applied to Korean corporations operating in Burma which will be discussed in Part 2, Operations of Overseas Corporations and Korean Responses. I'm approaching this situation with a positive and hopeful mind, as I believe good momentum to change is already underway, considering the current situation that integral business operations are already in risks and all core corporate departments are engaged very tightly.

Some argue that preparation of CSR departments might not good, because other departments might think CSR should be done only by that assigned department. Human rights might be same. They are not values that one or two departments should abide by. Necessity and sensitivity of human rights should be spread to all parts of an organization. We should remember always risks and opportunities are two main drivers of corporate actions. Without fully understanding, recognizing and internalizing why and how human rights are related with their job descriptions, visible corporate actions honoring human rights might not be seen publicly.

AMD, a computer chip maker, succeeded in executing an integrated organizational structure approach for advanced corporate citizenship, which was triggered by pressure from its customer companies. The notable point is its change was proactively led by mid level managers, an EHS engineer and a PR director, knocking on the door of every department of the organization. This change took one year to win the support of employees and top management.¹⁰ I heard that one Korean chip maker said that it joined Electronic Industry Code of Conduct because of encouragement from its customer company. I also know of small but genuine efforts of a supplier company to address human rights and labor areas regardless of the policies of its Korean Chaebol customer. I would like to highlight these obvious domino effects in B2B field.

Regarding the external environments of corporations, I would like to echo the speeches of the previous key note speaker and two presenters. I would like to emphasize once more about Korean corporate competitiveness in resource searching efforts in global competition. NCP needs more effective and persuasive methods in handling violations of Guidelines, providing information and education, finding and disseminating best practices and mobilizing cross sector collaboration system among public, private and NGO sectors. CSR managers complain that the complexity of terms and concepts when it comes to implementation. NCP has to engage with corporations more aggressively about the importance of international human rights standards by providing their business implications and relevance. Simplification of strategic points related with human rights and a solution searching approach will be more effective to reach the corporate community. Nike changed the whole industry paradigm, improving

¹⁰ Bradley K. Googins, Philip H. Mirvis and Steven A. Rochlin, "Beyond Good Company: Next Generation Corporate Citizenship", Palgrave Macmillan, 2007. P. 114-118

its competitive position even while it revamped its labor and human rights practices.¹¹ In order to improve overall human rights practices, public policy making approach aiming macro scale change could be also considered.

In particular, NCP also needs to help businesses understand that NGOs do not want a lose-lose situation either. It can disseminate lessons of innovative partnership experiments¹² between corporations and watchdog NGOs trying to create dual values for business and society while they maintain their own stances and values. Also, NGOs should have positive hope that corporations can make proactive changes better when they are considered as subjects of remedial actions, not as objects of problem makers. Sometimes, they might approach the business community as counsellors sharing their expertise and advising how to address socio-economic issues surrounding business.

The Republic of Korea has a long standing national foundation philosophy, “Humanitarian Ideal” that makes devotion of the welfare of mankind. In order to become respected global corporate citizens, Korean multinational corporations should create competitive advantages of human rights especially in overseas resource searching areas for Korea, Korean corporations and people affected by their international operations for fair returns to every stakeholder. They should make a Killer Apps type of momentum to transform the overall landscape of business and human rights discussions.

In order to start actions for change, we always need courage, understanding and compromise. In September 2008, the National Human Rights Commission of the Republic of Korea, the Federation of Korean Industries, and the Korean Corporate Citizenship Center, co-hosted an international CSR seminar in the aspect of business and human rights by inviting speakers from Business for Social Responsibility, AccountAbility and a human rights lawyer.¹³ According to the people involved, intensive tensions almost caused the cancellation of this experiment several times, and they might not have overcome this situation if they had not had courage and understanding, and made concessions for each other’s different perspective. One attendant, a manager of ethical management in a small to medium enterprise said, “Today’s seminar let me think many things. In Korea, CSR is regarded as the area that big corporations do social contributions out of their big profits, However, today, I gained confidence that even a small company like our company with slim profit structure can do CSR in overall economic value chain activities.”

When we think about the adversity faced by many people involved in business and human rights issues, it seems that we don’t have much time. Nonetheless, I try to remain hopeful, believing movements have already begun.

¹¹ *ibid.* P. 96

¹² Partnership examples such as Unilever and Oxfam, Chiquita and Rainforest Alliance and Greenpeace International and McDonald’s are all creative and innovative cases working together between corporations and their long time critics.

¹³ I worked as an interim coordinator of global outreach and business and human rights of the National Human Rights Commission of the Republic of Korea