Current legislation is weak but not totally impotent. In cases where a company has publicly expressed a commitment to a certain standard of behaviour and manifestly does not meet that standard in its activities overseas the Government could bring regulatory proceedings for misrepresentation under Section 52 of the *Competition Act*. While this is an important legal avenue that Government should explore further, it does not help in cases where no such public commitment exists. Therefore, further legislation is advisable. One possibility is to revise the *Special Economic Measures Act*. Alternatively, entirely new legislation could be drafted. In either case the threat embodied in the legislation must be *credible*, not because it will be used often but because this will make voluntary approaches to compliance more effective.

On a related point, the Government should recognize the constructive role that shareholder activism can play in influencing corporate behaviour. Today, Canadian shareholders wishing to focus management's attention on human rights-related issues by bringing shareholder resolutions to a corporation's annual general meeting face serious impediments. The fact that this direct avenue for voicing concern can so easily be blocked increases the pressure on Government to take direct regulatory or legislative action. It also reduces the ability of Canadian firms to anticipate and respond flexibly to social concerns. Yet despite arguments for eliminating these impediments, the bar to shareholder action has been raised not lowered in the recently revised *Canadian Business Corporations Act* currently before Senate. Government should urgently reconsider its position on this issue.

IV. Responses to Anticipated Objections:

1. **'Constructive engagement' is the best way to promote human security in host countries.**

   Response: Although it is true that economic development is a key ingredient to enhancing human security, it does not follow that economic engagement *in itself* reduces civil conflict in risky states. Recent reports demonstrate conclusively that foreign investment in risky states – especially in the resource sector – can prolong conflict and exacerbate human security.

2. **Canada should not impose unilateral sanctions on risky states.**

   Response: Many arguments against a more active Government policy on global corporate citizenship boil down to arguments against the imposition of unilateral sanctions. Some argue that Canada's sanctions legislation does not permit such measures, others argue that unilateralism does not sit well with Canada's foreign policy tradition, while still others argue that it would be ineffectual for a small state like Canada to act alone. These arguments miss the point because they focus on state-to-state relations rather than the activities of individual firms. The proposals outlined above focus on how the Government can promote good business practices not sanction foreign governments.

3. **Measures to regulate Canadian firms operating abroad amount to an assertion of extraterritorial jurisdiction and hence are unacceptable.**

   Response: Although a degree of caution is appropriate here, there is no bar in principle to Canadian legislation aimed at dissuading corporate complicity in human rights violations overseas. The Government of Canada has the sovereign right to regulate Canadian firms. An appropriate precedent here is the