

Companies engage in measures to promote social responsibility for a number of reasons. In addition to the personal value systems of their owners and managers, Canadian companies increasingly recognize reputation as an important (if intangible) strategic asset that can have a profound impact on their competitive success. Business leaders understand the advantages that flow from operating in a manner that is consistent with the values of their customers and their employees.

The Canadian public strongly values corporate accountability. In a recent cross-national survey, only 11% of Canadians polled agreed with a narrow view of corporate social responsibility ('making a profit, paying taxes, employing people and obeying all laws') whereas 43% of Canadians chose an expanded notion of corporate responsibilities ('to exceed all laws, set a higher ethical standard, and help build a better society for all') and 45% thought a company's responsibilities fell somewhere between these two extremes. Over \$4 billion is currently invested in socially and/or environmentally screened mutual funds, and Canadians are amongst the most willing in the world to punish firms for perceived violations of social values. Opinion leader research suggests that these pressures are likely to increase over the coming years.⁶

Consumer pressure is unlikely to have a strong influence on corporate behaviour outside the brand-rich consumer goods and services industries. A case can be made that poor corporate accountability in other sectors is a form of 'market failure' demanding government remediation. Canadian firms already engaged in corporate social responsibility initiatives have a real interest in supporting such efforts. First, public opinion is relatively undiscerning. A single high-profile case of corporate complicity in human rights abuses can damage the reputation of an entire sector. Secondly, corporate social responsibility takes resources. Companies that operate overseas in an ethical manner are at a disadvantage vis-à-vis their less scrupulous rivals. Such firms would benefit from a more active approach to monitoring and, where necessary, curtailing those corporate activities that lead to gross human rights violations.

Sanctions vs. Constructive Engagement

Some would argue that 'constructive engagement', or unfettered economic interaction, is the best way to promote human security in risky states. The Business Council on National Issues (BCNI) has articulated such a position, advocating Canadian business involvement in non-democratic countries because 'trade will act as a positive catalyst for change'.⁷ The rationale for the constructive engagement position rests partly on the disappointing record of economic sanctions as a tool of human rights diplomacy and partly on the view that economic development leads directly to political liberalization.

⁶ Polling data is derived from a cross-national Environics survey conducted on behalf of the Prince of Wales Business Leaders Forum and the Conference Board entitled *The Millenium Poll on Corporate Social Responsibility*, available for download on the UN Global Compact Website (<http://www.unglobalcompact.org>). Details on social investing in Canada can be found on the Social Investing Organization's website (<http://www.web.net/~SIO>).

⁷ Quoted in Craig Forcese, 'Human Rights Mean Business: Broadening the Canadian Approach to Business and Human Rights' *University of Toronto Law Review* (forthcoming).