

Simon Johnson: One Page Summary

15.223, class #9: Global Business and Human Rights

Norms and values change all the time, including at the global level. What was reasonable or acceptable a few years ago can easily become questionable or controversial or unacceptable in the near future.

In this context, investment in countries with authoritarian regimes is worth close attention. Should we think of these investments and the associated firms as:

- 1) Just following “realpolitik”: consumers in rich countries want to consume a lot of oil products? At the end of the day, someone will drill and distribute the oil (and the same goes for other fuels and minerals).
- 2) Helping economic development, because productive investments are essential to rising income levels – and poor countries often do not have other high productivity ways to engage with the global economy? Skills and technology may be transferred to locals.
- 3) An effective constraint on poor governance and human rights abuses? If a U.S. company is present, that can raise the visibility of all issues around how people are treated.

With a country like Burma/Myanmar, what is the appropriate form of “engagement” by foreign companies? If the U.S. government supports the form and scale of a U.S. company’s involvement in a particular country, is that sufficient to protect against any kind of regulatory or consumer backlash down the road?

Unocal was careful about environmental impact and provided medical services to the areas where it worked. They paid above market wages and established a technical school. Is that enough?

Who will protect a pipeline or other valuable on-the-ground physical investment? Control over the means of coercion is essential in any political regime.

If the U.S. or anyone else wants to encourage democracy, what forms of engagement make it easier to do that? Or is it better to organize some form of boycott or trade sanctions?

Does the rise of China make a country like Burma/Myanmar more or less likely to want to work with the U.S.?

What is the best way to limit a country’s involvement in the production and trade of illegal narcotics?

How easy is it to keep secrets in today’s globalizing society? How much difference does the Internet make? If you don’t know exactly what happens within your supply chain, e.g., regarding the use of child labor, does it matter?

The Caspian Development Advisory Project suggests that bringing in outsiders can help increase transparency and improve relationships with stakeholders more generally. Is this a model that can be applied more generally? Would you advise that all such panelists be based in North America? What particular role would you envisage for a Washington-based law firm in such an initiative?

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