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FOREIGN INVESTMENT IN PERSPECTIVE OF HUMAN RIGHTS

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Abstract

The relationship between human rights and foreign investment is complex, due to its opportunities as well as challenges. Foreign investment, especially in developing nations has the ability to **contribute** economic growth, create job opportunities and improve the infrastructure. However, it sometimes led to the violation of human rights such as forced displacement, exploitative labour practices, environmental degradation, and suppression of indigenous rights. This paper will deal with this link between foreign investment and human rights. It also covers the concept of globalisation and economic preservative while also keeping the legal view in mind. The international agreements and treaties, role of international organs like United Nations and OECD. Moreover, this paper will also put a light on environmental issues and on the Concept of sustainable development and the need for balancing investment treaties with human rights obligations. Foreign investment can promote human rights by adopting ethical practices and following standards like Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) principles. This paper explores the connection between human capital and foreign investment in simple terms, Human capital is all about the skills, education, and abilities of a country's people. On one side, countries with poor human rights may attract investors by keeping wages low and other suppression. On the other side, countries that respect human rights create a more stable, predictable, and skilled environment, which seems more attracting for investors in long-term investments. This research further helps to understand that better human rights conditions help countries attract more FDI by providing stability, safety, and a well-trained labour that encourages businesses to invest.

KEY WORDS – Human Rights, FDI, Sustainable development, Ethical Investment, Human Capital, Environment, business strategies.

Introduction

In developing countries, foreign investment will be a powerful source for economic growth. It can create job opportunities, supply up-front funds for infrastructure improvements, and encourage the dissemination of new technologies. But, when the foreign funding is not ethically managed, it can also result in shocking human rights abuse.

For many developing countries, foreign investments have brought various new technology, better infrastructure, increased productivity and money. However, behind these benefits there is a complicated link between foreign investment and human rights. As the concept of globalization grows and the flow of money also grows across the borders, it creates both chances and problems; especially when it harms the rights and lives of innocent local people living across the globe. Recently, many researchers have started to question whether foreign investors truly ignore human rights conditions. Out of which several reasons suggests that human rights are important to foreign investors, such as growing need for public awareness of abuses, by using the internet more effectively, the need for number of skilled workers, and the great desire to enter new markets for their profit. Additionally, respecting human rights creates an environment where the people and economies grow in a strong way, as such countries tend to be more open, responsible, and economically stable than others.

Determinants of Foreign Investment

Foreign investment involves capital flows from one country to another which grants foreign investors an extensive ownership stakes in domestic companies and assets. In another words, foreign investment refers to the investment in domestic companies and assets of another country by a foreign investor. In modern era unlike colonialism, foreign investment focuses on the financial interests in some other country without controlling its politics directly. It mainly aims to make profits which benefits both sides. Foreign investment means money flows between countries, giving foreign investors ownership in local companies and assets. This includes Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI), under FDI the investors actively manage and control businesses, while under Foreign Portfolio Investment (FPI), investors are involved in buying stocks or other financial assets without taking the management of the company in its own hands. FPI is also called foreign indirect investment.

Key impacts of FDI include:

- **Economic Growth:** Incoming investments add new capital into the economy, promoting globalisation and introduce higher level of productivity.
- **Job Creation:** Foreign firms contributed to generate employment related opportunities, which can lead to regional development as well as help the locals of host country.
- **Technology Transfer:** Exposure to new and advanced type of technologies and business practices can uplift local industries as well.
- **Infrastructure Development:** Investments in sectors such as energy and transportation, can lead to improved public services and human conditions.

The abovementioned determinants count as benefits which highlights why countries actively seek to attract FDI. However, the economic boom brought about by these investments is not without any dark side or repercussions for the human rights.

Human Rights and Foreign Investment

The relationship between human rights and foreign investment is very inter-connected and complex. On one hand, foreign investment serves as a powerful source of economic growth, which brings up much-needed capital, technology, and infrastructural development to those regions that often remains underfunded. These investments can enhance living standards, provide access to better healthcare facilities, and expand educational opportunities for local populations of host countries. Meanwhile on the other hand it reflects negative consequences that cannot be overlooked in this era of modernisation where the international organs like United Nations General Assembly adopted a landmark document Universal Declaration of Human Rights (UDHR) on December 10, 1948.In order to establish a standard declaration of Human Rights which ensures human dignity and freedom irrespective of the nationality and geographic region. It consists of 30 articles which over a period of time contributed in inspiring over seventy human rights treaties and their laws and various policies worldwide. Fighting for civil, political, economic, civil and cultural rights to ensure every human equality, liberty and the most important dignity.

There is no doubt we all have human rights but in the race of development the foreign investors can be looked as a violator of rights of other human being for the mere profit. A few pressing issues include the following-

- **Forced Displacement** -Large-scale projects like constructing dams, buildings, mining projects, establishing industries or initiating urban development can often result in the forced relocation of local communities who were living peacefully but such displacement disrupts their lives, severs cultural and social ties, and causes psychological and economic distress for those who are affected. For example, the building of a dam may wipe out large areas of land, displacing thousands of populations who have lived there for generations and depend on the land for their livelihood. Thus, this hinders their right to life and livelihood which is a part of it. Foreign investors have neglected approach towards the underprivileged sections of the society. They must have done some survey or have ant pre plan for the rehabilitation of those who affected due to the big foreign projects.

- **Exploitative Labor Practices** – Foreign Investor's desire to cut the costs can lead to gross exploitative practices in areas where labor laws are weak and not enough to support the labours. There are number of workers who may be exposed to hazardous and life-threatening conditions, no fair wages, or the workers are subjected to excessive working hours with no concern for their welfare. In extreme cases, this can be seen similar to slavery, continuing the endless cycles of poverty and inequality even in this modern and developing nations. Due to this inhumane treatment adopted by the foreigners towards poor workers their dignity is tampered which affects the human rights.

- **Environmental Degradation** -Some industries adopt unsustainable practices which causes heavy harm to environment including land, water, air affecting ecosystems, leading to deforestation, increased number of pollutants in atmosphere causing pollution, and habitat destruction and loss of natural habitats and unstable biodiversity. These environmental impacts not only threaten biodiversity but also disturb the health and livelihoods of locals who are relying on these natural resources. Foreign Investors must first do the Environmental Impact Assessment (EIA) before they invest in such areas that are risk prone and likely to cause harm to environment which ultimately affect the heath conditions like no proper sanitation and unfit drinking water which may put the lives of innocent people living near those areas as the risk of communicable diseases increases .Also it has adverse impact on livelihood due to lack of natural resources which they need in order to earn and support their families.

- **Supressed Indigenous Rights-** Indigenous communities include those people who are somewhat different from society, and they follow distinct cultural traditions linked with their ancestors and a part of land and natural resources. They are marginalised and thus subjected to suppression and often suffers due to large-scale investors who only prioritise profits and gains over local customary laws. They overtake the land and threaten the communities due to lack of legal provisions to support this self- identified groups. For example, if there a community which used to cut logs from the nearby forest and sell them in market in order to generate income, but some MNC owns that land and to expand their business they attract investors from abroad and decided to cease the forest area which was under control of local community over a long period and oppose them from collecting woods. Now in this situation the locals' rights are violated and against the human rights as it restricts their freedom by barring their entry in the forest due to some huge developmental project in near future but what about the current mental damage caused by investors actions to domestic people and their small businesses. Keeping this example in mind we must thought about protecting domestic player's interest as well.

Remedies and Measures

In order to overcome these challenges, international legal schemes and accountability mechanisms need to be enhanced. Governments, corporations, and activists have to collaborate with each other to ensure that foreign investment leads to human development without undermining ethical values.

These include:

- Encouraging transparency in investment agreements.
- Implementing labor and environmental laws.
- Securing the rights of marginalized communities, especially indigenous populations. By bridging the line between profit and the welfare of people, foreign investment can turn into a path of sustainable growth instead of destruction.

Two important frameworks:

- CSR
- ESG

With modern globalization, the corporate function goes far beyond making profits. More and more, businesses must be held accountable for their wider social and environmental footprint. Two main frameworks—**Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) principles**—have become pillars for reassessing the way companies do business in a globalized economy.

CSR - Corporate Social Responsibility (CSR) is a firm's dedication to conduct business in an ethical and sustainable way. It is about doing things actively to make society better, from upholding ethical labor practices to building sound community relationships. CSR centres on the idea that businesses flourish best when they can also deliver well-being to their stakeholders.

Let's examine how CSR programs operate in real life:

Fair Labor Practices Adherence to Fairness and Safety: Ethical work practices prioritize equitable remuneration, healthy work environments, and respect for workers. This exceeds compliance with laws. Organizations may implement:

Wage Policies: Establish living wages equivalent to the market rate and the cost of living in the area. Multinational corporations prefer to pay wages higher than the minimum rate, allowing workers to survive and make their future investments.

Human Capital: Offering skills training and career development opportunities, and channels for voicing concerns. Leadership training and grievance processes enable employees for a safer, more fulfilling work environment.

Ethical recruitment practices establish a culture where workers feel valued, increasing productivity, employee development, and building loyalty and trust in the company.

Community Engagement- Many corporations, also aid educational campaigns and healthcare awareness programmes.

Environmental conservation and CSR

- **Sustainable Development**: Environmental conservation as a CSR measure involves actively reducing the environmental footprint of a business and making it sustainable. Companies consider ethical environmental conduct as the drivers of long-term success.

Actions include:

- **Carbon Footprint Reduction**: Firms invest in energy-saving technology, improve efficiency, and use renewable energy. They may install solar panels, reduce logistics to save fuel, or use green energy practices.

- **Renewable Energy Projects**: Most companies actively invest in renewable energy projects within the local area, lowering emissions and generating economic returns.
- **Conservation of Local Biodiversity**: Firms near fragile ecosystems can engage themselves in habitat restoration, wildlife conservation, and reforestation. By using conservation reserves and joining hands with NGOs, their goal is to bequeath natural resources to future generations.
- **Sustainable Resource Management**: Waste reduction practices that recycle, save water, and optimize resources. Most companies today release annual sustainability reports of their waste reduction and resource optimization practices.

Aligning business activities with environmental actions assists businesses in the battle against climate change and long-term cost-effectiveness, combining profitability with sustainability.

Environmental, Social, and Governance (ESG)- These standards offer a means of measuring the success of a company beyond profit. Investors increasingly consider how companies deal with the significant issues of resource utilization, treatment of employees, ecological sustainability, and leadership ethics. ESG offers number of factors that complement conventional financial analysis and reflect long-term sustainability.
beyond social responsibility, ESG standards provide investors and stakeholders with instruments to measure the sustainability of an enterprise. like-

- **Environmental Management**: Organizations are assessed on their ability to manage waste, conserve energy, and attempt to minimize damage to the environment.
- **Social Impact**: This is about looking at how an organization is impacting its employees, customers, and society in general. Openness in recruitment, diversity, and human rights compliance are key pointers.
- **Governance Practices**: ESG also examines how firms are governed—everything from the character of their boards and leadership to their stick to ethical business practices and transparent decision-making.

By monitoring these regions closely, investors and analysts can better for long-term success and ensure that the entities they invest in are adhering to ethical as well as environmentally friendly standards.

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International Legal Framework

More recent treaties tend to include provisions for sustainable development, human rights, and corporate social responsibility (CSR).

Investment Court System (ICS): With the growing concerns regarding investor-state arbitration (e.g., the backlash against ISDS mechanisms), some states are moving towards a redesigned dispute process in the shape of international investment courts.

OECD Guidelines-The OECD helps governments to attract more and better investment, with a focus on security and sustainability. The OECD wants to equip governments with the tools to attract more funds to productive sectors and to have positive social and environmental impacts. This approach helps to build strong, inclusive, and prosperous economies worldwide. The OECD (Organisation for Economic Co-operation and Development) emphasizes the significance of linking human rights with sustainable development and responsible business practices. The following are some important points:

- **Human Rights in Business**: The OECD Guidelines for Multinational Enterprises invite business to respect globally accepted human rights, do no harm, and mitigate any negative effects they cause.
- **Development and Human Rights**: The OECD suggests that taking human rights into account in development planning can increase responsibility, transparency, and the effectiveness of aid programs.
- **Due Diligence**: Organizations should conduct human rights screening to make sure their operations do not violate anyone's rights and that they are taking steps to reduce risks.
- **Community Involvement**: Meaningful involvement with the affected communities is essential, with their participation being heard and their rights being respected.

OHCHR- it is a part of United Nations which aim is to ensure everyone basic rights such as equality, freedom, dignity and justice. It monitors and report any kind of violation of human rights. Keeping trade and investment part human rights-oriented trade and investment policy should consider:

How the obligations of States under investment/trade law treaties could affect their capacity to implement their human rights obligations;

What should other parties and States do in a bid to achieve good consequences while shunning bad consequences?

Action consideration that is needed to counteract any adverse effects that do materialize. In order to achieve this, existing international investment and trade arrangements must transform from being tools of economic growth to a tool of fostering people-centered, full development.

Conclusion

To conclude that foreign investors have a responsibility for human rights protections. International investment agreements increasingly contain provisions that require investors to respect human rights. Companies are urged to refrain from being involved in human rights abuses and promoting fair labor practices. Corporate Social Responsibility (CSR) More and more investors are adopting CSR practices beyond compliance into their operations to encompass ethical practices, equitable work conditions, host community involvement, and non-discrimination in operations. UN Guiding Principles on Business and Human Rights; The guidelines urge companies not to harm human rights and to respond to the negative impacts on human rights associated with their business. Briefly, companies these days need to focus not only on profits. Through Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) practices, they promise to treat workers justly, respect the environment, and contribute to their communities. International norms from institutions like the OECD offer clear standards to lead companies to behave responsibly worldwide.

These practices assist in the development of effective human resource policies that ensure workers receive fair treatment, protection, and opportunities for development—resulting in effective work culture and higher overall productivity. Furthermore, transparent and accountable business practices establish trust with stakeholders and local communities.

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