

Human rights a blind spot in the dredging sector

The Dutch government should initiate a change of course

Summary | March 2016

Two Dutch dredging companies and the Dutch government played a major role in the recent effort to widen and deepen the Suez Canal. SOMO and Both ENDS analysed whether the Dutch companies and government abided by international standards for responsible business conduct during their involvement in the Suez project. The conclusion is clear: the Dutch dredgers and the government prioritised commercial interests over human rights and failed to uphold international social and environmental standards.

*This is a summary of the report **Dredging in the Dark**, published in March 2016.*

In recent years, the Dutch government has left no stone unturned in its attempts to gain the Egyptian government's attention and promote Dutch water management expertise.¹ The result: Two Dutch dredging companies, Boskalis and Van Oord, were awarded a major role in the expansion of the Suez Canal. In a consortium with two other dredgers, the Dutch dredging companies excavated 200 million m³ of sand from the canal in record-breaking time – dredging literally day and night, in light and in dark – for nine months. While the industry and their government backers celebrated what they consider to be a great achievement, there is another side to this coin. In order to make way for the

expanded canal, thousands of Egyptians were forced by the Egyptian authorities to vacate their homes without adequate compensation.

The Suez Canal expansion project

On 5 August 2014, Egyptian president el-Sisi announced that the Suez Canal was going to be expanded and deepened. This, according to him, was necessary in order to accommodate larger ships. And it needed to be done quickly as well: el-Sisi wanted the canal project to be finished within a year. No time was set aside to study the possible adverse social and environmental impacts of this project. Two months later, dredging operations were awarded to a powerful consortium of four leading corporate players in the global dredging industry, led by Dutch dredgers Boskalis and Van Oord. Work began almost immediately. Dredging ships from around the world were engaged, including 21 cutter suction dredgers. On 6 August 2015, precisely one year later, Egypt celebrated the opening of the widened and deepened canal.

¹ For example, the Dutch Minister of Infrastructure and Environment traveled to Egypt several times, multiple trade missions took place, and Egypt and the Netherlands signed an MoU for five-year cooperation on water resource management.

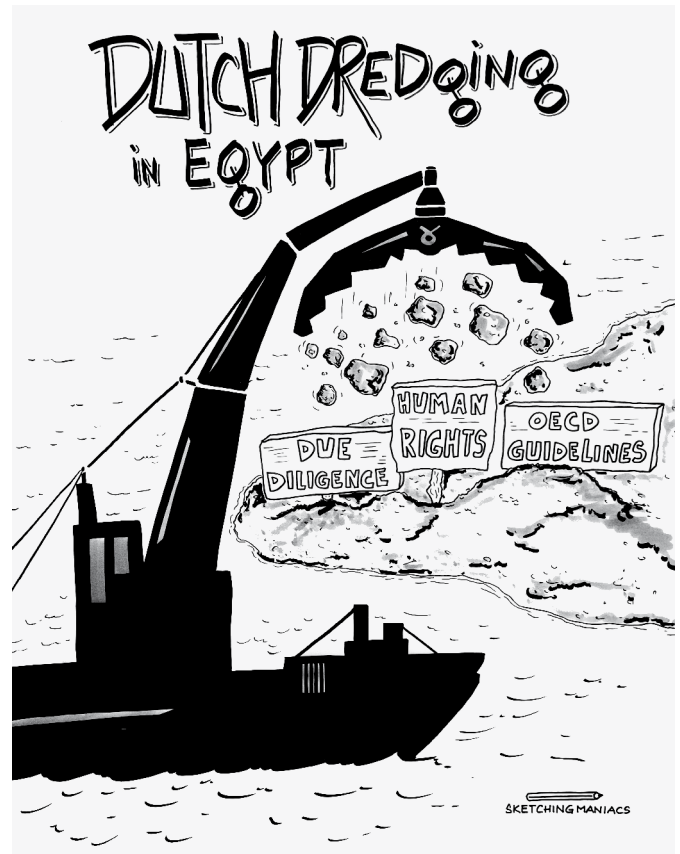
Dubious conditions

Egypt is a country full of risks. Human rights are threatened, corruption is common and the security situation is unpredictable. The Egyptian army has a significant influence on the government and the domestic economy, and it directly controls many industrial and infrastructure projects. Companies doing business in Egypt are therefore expected to take extra precautions to avoid causing or contributing to adverse human rights and environmental impacts. But in Suez, the Dutch dredgers never bothered to adequately assess the social and environmental impacts of the project. Before the work had even begun, international media sources had revealed that two towns with a total of 1,500 homes had been destroyed and 500 families had been ordered to leave by the Egyptian army to make way for the expanded canal. Fishermen, farmers and indigenous peoples who are still living near the canal have seen their livelihoods negatively impacted as a result of the limited access to fishing waters and farmland.

Dredging companies linked to violations

According to internationally accepted standards for responsible business conduct such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs), the Dutch dredging companies should have identified and sought to avoid or mitigate the risks of adverse social and environmental impacts. This is the case for adverse impacts caused by the companies themselves, such as environmental impacts from the dredging, as well as adverse impacts not caused by the companies but nevertheless linked to their operations, such as the forced evictions conducted by the Egyptian military.

Risk-based due diligence as referred to in the OECD Guidelines and UNGPs the continuous process of identifying, avoiding and mitigating the risk of actual and potential adverse social and environmental impacts associated with a company's activities, remediate impacts that have occurred, and account for how those risks and impacts were addressed. It involves the continuous evaluation of and reaction to (potential) risks and impacts – in their own business operations as well as those of their business partners, including both other companies as well as government agencies. The governments of both the Netherlands and Egypt have signed a binding commitment to the OECD Guidelines, meaning all companies operating or headquartered in either of those countries is expected to conduct due diligence for its operations worldwide.



What should the companies have done?

In the case of the Suez project, some of the adverse human rights impacts – such as the forced evictions – were not directly caused by the dredging companies themselves,

but they are nevertheless linked to the companies' activities. The dredging companies should thus have undertaken efforts to encourage their business partner – the Suez Canal Authority – to mitigate and remediate the adverse impacts that had already occurred. According to the OECD Guidelines, the dredging companies should have meaningfully consulted and engaged relevant stakeholders, such as the families who were forced to move, to listen to their views and inform them of their rights. There is, however, no evidence that any of these steps were taken by the Dutch companies. The dredging industry is characterized by tight deadlines and high pressure to win contracts and keep the capital-intensive dredging fleets occupied, but this does not excuse dredging companies from their responsibility to respect human rights.

Collectively more influence

That the Dutch companies are important players in the global dredging sector is clear. Together with two Belgian competitors, Van Oord and Boskalis dominate the global market. A large Chinese company has recently begun competing for these jobs, but can't compete when the Dutch and Belgians join forces. This strong market position means that the four Dutch-Belgian companies collectively

have considerable influence when they bid on jobs. The dredging companies should use this influence to encourage the business partners – corporate and government alike – with whom they work to respect human rights and environmental standards.

Dutch government sends the wrong signals

The dredging companies were not the only ones that failed in the Suez project. The Dutch government also violated international standards in providing export credit insurance to the Dutch dredgers to cover their financial risks in the expansion of the Suez Canal. The government is supposed to ensure that all Dutch companies abide by the OECD Guidelines. It has named the construction sector, including the dredging, as one of the 13 “largest risk sectors” in the Dutch economy. Yet it is clear that attention to responsible business conduct and respect for human rights remained an afterthought during trade missions and diplomatic meetings that are instead almost purely focused on promoting the interests of Dutch companies in Egypt.

By providing export credit insurance without conducting an adequate social and environmental impact assessment, the government was acting contrary to international standards and its own policies. Normally, this type of study would reveal the risks to the people and the environment, allowing the government to make a more informed decision. The absence of an adequate impact assessment meant that the government-backed insurer, Atradius DSB, had a number of options: reject the dredging companies’ application because the social and environmental conditions had not been met, hire a consultant to do the assessment (which

would slow down the process) or simply grant the insurance without the standard social and environmental assessment process. Because Belgium had already approved the Belgian dredgers’ request for insurance, the Dutch Ministry of Finance chose the latter option: the application was approved without any further assessment of the possible impact. The interests of the Dutch companies were ultimately considered more important than any local social, environmental or human rights concerns.

Recommendations for the Dutch government

The Suez Canal project reveals the dilemma in which the Dutch government finds itself when it comes to commercial interests on the one hand and human rights on the other. Too often it seems that human rights issues are of secondary concern, and this must change:

- The government should ensure that all of the dredging companies and Atradius DSB respect human rights and perform due diligence as well as report on it as prescribed in the OECD Guidelines for Multinational Enterprises and UN Guiding Principles.
- When granting export credit insurance, compliance with the OECD Guidelines should be compulsory – with verification of adequate due diligence verified prior to granting the insurance – and compensation for potential victims must be guaranteed.
- The government should sign binding agreements with the dredging sector (water management sector) regarding an effective approach to preventing, avoiding and mitigating environmental and human rights risks. (Local) stakeholders should be involved in determining these risks.

Colophon

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Authors: Niels Hazekamp, Gisela ten Kate,
Wiert Wiertsema and Joseph Wilde-Ramsing
With contributions from: Karlijn Kuijpers and
Tim Steinweg

Layout: Frans Schupp

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Both ENDS

Nieuwe Keizersgracht 45

1018 VC Amsterdam

The Netherlands

T: +31 (0)20 530 66 00

F: +31 (0)20 620 80 49

info@bothends.org

www.bothends.org

Together with environmental justice groups from poor and developing countries, Both ENDS works towards a sustainable, fair and inclusive world. We gather and share information about policy and investment decisions that have a direct impact on people and their livelihood, we engage in joint advocacy, we facilitate multi-stakeholder dialogues and we promote and support sustainable local alternatives.



Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations

Sarphatistraat 30

1018 GL Amsterdam

The Netherlands

T: +31 (0)20 639 12 91

F: +31 (0)20 639 13 21

info@somo.nl

www.somo.nl

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