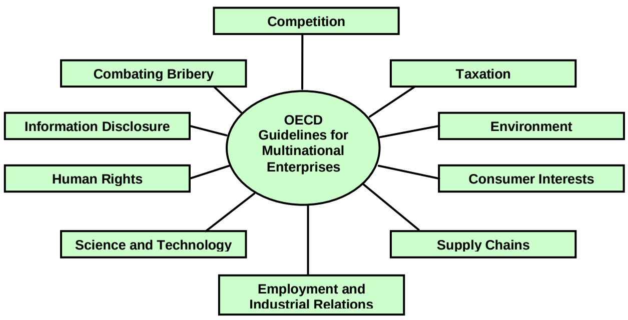
THE CONTRIBUTION OF THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES TO MANAGING GLOBALISATION

The *OECD Guidelines for Multinational Enterprises* are the only multilaterally endorsed and the most comprehensive instrument for corporate responsibility in existence today. Their implementation mechanism has enhanced the positive contribution which multinational enterprises can make to economic, social and environmental progress.

The unique features of the Guidelines

Through the *Guidelines,* 39 adhering governments offer recommendations to companies in all major areas of business ethics. The *Guidelines* are supported by a unique implementation mechanism: through their "specific instances" facility, National Contact Points (NCP), government agencies responsible for the *Guidelines,* offer their good offices to help parties resolve disputes. The business communities and trade unions officially support the *Guidelines;* NGOs have also formed a coalition to advise their stakeholders on the use of the *Guidelines*.



Strong social provisions

The *Guidelines* cover all internationally recognised core labour standards. They promote the effective abolition of child and forced labour, non-discrimination, the right to employee representation, and the protection of health and safety of workers.

In the case of the closure of an entity involving collective lay-offs or dismissals, the *Guidelines* provide that enterprises should give reasonable notice to representatives of their employees and co-operate with the employee representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. And in the context of bona fide negotiations with representatives of employees on conditions of employment, companies should not threaten to transfer activities from the country concerned to other countries in order to influence those negotiations unfairly. Companies are also asked to refrain from seeking or accepting exemptions to labour and other regulatory standards, and to encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct.

A solid track record

Seven years after the 2000 Revision, the *Guidelines* have established a solid track record. Corporate managers use the *Guidelines*. For instance, forty-one per cent of the respondents to a 2006 survey of the Fortune Global 500 companies indicated that their companies use the Guidelines as a reference.

Some 130 "specific instances" have been brought to the NCPs' attention since the 2000 Review. Most of them concern the Employment and Industrial Relations chapter of the *Guidelines*. Through mediation and conciliation of these cases, the *Guidelines* have contributed to reducing social tensions and to building trust between international business and host societies. The majority of the cases have related to business operations in developing countries. The *Guidelines* have thus given a voice to developing country actors. NCPs engage in regular peer reviews to enhance their performance.

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A variety of government agencies are now using the *Guidelines* as a tool for communicating expectations to business, including on labour and social issues. For example, 24 of the 39 adhering governments make use of the Guidelines in the context of export credits or investment guarantees or in trade and investment promotion campaigns. A majority of countries are using their embassy networks to promote and implement the *Guidelines*.

Non-members are engaged

Brazil and eight other non-OECD countries have adhered to the *Guidelines*. Egypt is in the process of adherence, and five more applications have recently been received.

China, Russia and other emerging markets now look to the OECD Guidelines as an important benchmark. A major co-operative project based on the *Guidelines* has been launched to encourage responsible business conduct in China and by Chinese enterprises operating abroad. More responsible business conduct on their part can contribute to the improvement of the employment conditions of Chinese workers, reduce labour cost advantages derived from practices that are not socially responsible and create a level playing field for investment.

The OECD has responded to the UN Security Council's call for responsible investment in African fragile states by adopting in 2006 the *OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*. Based on the *Guidelines*, this instrument provides the only multilaterally-endorsed comprehensive guidance for companies operating in countries where governments are unable or unwilling to assume their responsibilities. In these countries, companies confront high risks of corruption, and labour and other human rights abuses. The *Risk Awareness Tool* is designed to help companies identify these risks and consider how best to respond to them.

Partnership with ILO and UN

In co-operation with the ILO, the OECD Investment Committee is undertaking jointly with the Employment, Labour and Social Affairs Committee a new project intended to inform and support private sector efforts in the area of employment and industrial relations. It would culminate in a high-level meeting in 2008, including major non-OECD economies and social partners.

The OECD has also stepped up efforts to develop the synergies between the *Guidelines* and other corporate responsibility initiatives such as the United Nations' Global Compact and Principles on Responsible Investment. An example of promising development in this regard is the recent agreement between the German NCP and the local Global Compact network under which the NCP agrees to consider alleged problems of observance of the Global Compact Principles as a "specific instance" under the OECD *Guidelines*. The 2007 OECD Corporate Responsibility Roundtable will be devoted to the role that the *Guidelines* could play in supporting corporate responsibility initiatives in the financial sector.

Find out more about the

OECD Guidelines for Multinational Enterprises

www.oecd.org/daf/investment/guidelines

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