

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Corporate Social Responsibility

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Globalisation is all about challenges. Today, I will seize this important opportunity to challenge you to reflect upon how we as governments and other stakeholders can contribute to ensuring that globalization is a positive force with opportunities for all. It will need intensified inter-governmental cooperation and dialogue to come about. To this end, I propose the following;

- (i) *Firstly*, we need to make sure that efforts to promote Corporate Social Responsibility actually deliver the right result in terms of impact on people and the environment. Why do I say this? Because there is a risk that CSR is seen as a way to protect the OECD market from competition from low-income countries. CSR is not about protectionism, nor is it about philanthropy; CSR is about establishing a floor for human decency in business by aligning business practices with universal norms and principles. At the same time, behaving responsibly and setting good example will help boost the competitiveness of companies.
- (ii) *Secondly*, future work on CSR should focus on substantive outcomes and improvements in performance rather than refinement of definitions and abstract analysis of concepts. Why do I say this?: because we need to go from words to action and be better at bringing CSR to the field in developing countries and in economies in transition where the debate today is characterized very much by “ - Yes, business acting responsibly is very important!” – But how do we do it?”
- (iii) *Thirdly*, we need to strengthen the implementation of the OECD Guidelines for multinational enterprises by making them more responsive and efficient as tools for ensuring responsible business practices. The OECD National Contact Points are a vital part of this. Why do I say this?: because there is a need for increased peer pressure to make sure performance in the field matches rhetorical subscription to international norms and principles.

Allow me first to put CSR into context before I dwell further on my concrete proposals for your consideration.

The notion of CSR as a crucial complementary component to open global trade, international investment, economic growth and sustainable development is increasing by the day. There is thus a widespread recognition today that corporate activity is not just about narrow measures of economic progress and financial performance. It also has wider impacts on society and the environment.

At the same time - the issue of corporate social responsibility is far from new. Most corporations have long been close to their communities and have sought to be good citizens, without calling this “corporate social responsibility”. Today there is a widespread recognition that there is a clear business case for behaving responsibly and setting good examples. Many companies see the implementation of business codes and practices not a short-term cost, but a long-term investment.

In recent years, new challenges for responsible behaviour have appeared with the globalisation of economies. As the opportunities for the business sector to assume an

international role have continued to expand, the demands on companies have grown. The response to this challenge has been mixed. More than ever before, companies are expected to take responsibility for social and environmental impact of their activities – as well as being profitable. Failing to act responsibly makes it harder to attract skilled staff and sell products and services.

Coming from a small, trade-oriented country like Sweden, it is easy to conclude that isolation is no alternative for most of us. Sweden believes in free trade and global integration. We are confident that increased exchange across borders, done on the right terms, brings economic growth and development – for all countries.. Therefore, I can defend globalisation and the rapid changes to our economy.

But not at any price. With greater opportunities come increased expectations. Economic actors have responsibilities for human rights and the environment. This is particularly the case in countries where fundamental norms and principles are not fully respected.

It is because of the impacts and the reach of multinational companies that we find ourselves here today. I highly value this opportunity to have a frank discussion about CSR. What can we do together to make sure the debate about the responsible business behaviour of companies is a realistic and pragmatic one that in the end will deliver practical results such as improved working conditions, greater respect for human rights and the environment?

As I said at the beginning I would like to highlight three areas:

Firstly, we need to make sure that effort to promote CSR deliver the right result on development and not serve as a tool for protectionism. We must make sure that CSR does not squeeze out small producers nor serve as a non-tariff barrier excluding developing countries from global markets.

For Sweden – Corporate Social Responsibility is about establishing a "floor for human decency in business". The starting point is internationally negotiated and universally accepted norms, such as the ILO Core Labour Standards. These have been translated by the international community into business related principles such as the OECD Guidelines for multinational enterprises and the principles of the UN Global Compact.

If this minimum level is not embraced by global business, if they don't make a difference in the real world, I understand why people turn against globalisation.

CSR is not about applying the same standards in other countries as we have in Sweden, Austria, France or in Italy. Rules and wages have to be adapted to local conditions in order to allow developing countries to grow and adapt into the world economy.

BUT, this does not mean that lowering labour standards is acceptable as a tool to attract foreign trade and investment. Quite the opposite. The right to organise, freedom of speech and the abolition of the worst forms of child labour have nothing to do with the level of development. They are universal rights that must be universally respected also by businesses.

Secondly, we ***need to go from words to actions*** and to make sure that CSR delivers real change in the real world.

Much has happened in the last couple of years and I welcome this. There has been a huge proliferation in the number of principles, norms, codes and standards relating to what is good behaviour. The OECD Guidelines, for example, were drawn up collectively in 1976 and have been renegotiated four times, most recently in 2000. I will come back to these and the functioning of the National Contact Points.

The mere existence of these instruments does not help. Let's not fool ourselves. In some respect very little progress has been made during recent years. Now, we have to find ways to increase awareness and enhance implementation. To move from words to action on issues like labour rights, anti-corruption and sustainable development is one of the most important challenges ahead of us.

And we need to work together.

CSR raises complex issues and is still very much about learning. There are no one size fits all solutions. In Sweden we can at least see a shift from "yes – *this is important!*" to "*but how do we do it ?*" and many companies are now exploring how to put principles and guidelines into practice.

In recognition of the need for all of us: government, companies, trade unions and civil society to jointly ensure responsible business practices, the Swedish Prime Minister launched in 2002 the Swedish Partnership for Global Responsibility. It is a new and an innovative platform and a way for the Government to work with companies and other organizations. As there are no easy answers when it comes to implementation of guidelines and principles the focus of the work of the Partnership has been on the exchange of experiences and learning.

If we as governments are to succeed in engaging civil society in responding to the challenge of sustainable development, we will need to use a mix of measures. This is why governments need to take a more active interest in the evolution of CSR. We need to know what works, why it works, and how to encourage more voluntary involvement by companies that optimises good behaviour.

At an international level, Governments have come a long way in encouraging and facilitating companies' responsible business practices. The OECD Guidelines are one example of this. At the same time, there is a need to strengthen the dialogue on the role of governments in relation to the plethora of national and international activities promoting CSR. Therefore, Sweden believes that it is high time for the OECD governments to step up inter-governmental cooperation and dialogue on how we can create an enabling environment for responsible business practices.

This is a tall order. We have to coordinate our efforts both at local and international level. And we need to effectively engage the business and non-for profit sectors in collaborative, creative and concerted action. We need to encourage and facilitate information sharing and educational activities at home and with the public at large, including engaging with trade unions, academia, civil society and NGOs. We, representing governments, need to have a more structured dialogue based on openness and a constructive spirit.

Thirdly, we need to make better use of already existing instruments. I welcome the growing interest and use of the OECD Guidelines in the last couple of years. The Guidelines contains joint recommendations to companies from a total of 39 governments. They are unique as they are the only CSR-instrument that has been negotiated in cooperation with representatives of trade unions, employer organisations and NGO:s. By the 2000 revision the Guidelines were extended to cover OECD-corporate activities throughout the world as well as to include companies environmental and anti-corruption efforts. This brought new potentials for the implementation of the Guidelines and the functioning of the National Contact Points.

I we wishes to give the Guidelines credibility and stability as a global applicable instrument it is important that the Guidelines enjoy the active support of all relevant players, not least the developing countries as hosts to multinational corporations.

I believe that we face an ongoing challenge to ensure that the Guidelines live up to their potential as a vital instrument for both the international business community and for home and host countries. To make sure that the recommendations in the OECD Guidelines translate into practical action and responsible business practices all over the world, we need to strengthen the functioning of the NCP:s. One way could be to improve the peer pressure on the NCP:s of their implementation of the Guidelines. At the end of the day this is a matter of credibility for the international system.

I know that in the rather complex world of Corporate Social Responsibility there are no ready-made answers or recipes. But we have to jointly set ourselves the task of at least trying as hard as we can in order to give globalization a human face with opportunities for all.