

The supply chain: a key link for better governance

One of the OECD's main roles is to bring stakeholders together to discuss key global challenges. Few gatherings exemplify this more than the roundtables held to discuss progress on implementation of the OECD Guidelines for Multinational Enterprises. The most recent one was held over the summer.*



Globalisation has given rise to a kind of economic “culture shock” and international business is one of the principal sufferers. Tens of thousands of companies are trying to conduct business in a global mosaic of legal, regulatory, business and social environments. Operating in all of these environments and responding to their diverse expectations of corporate behaviour is a formidable challenge, in particular as public (and market) pressure becomes more

intense. Many companies have taken positive steps by introducing corporate codes, embracing multilateral principles and so on, yet, according to participants at a recent roundtable on the OECD Guidelines for Multinational Enterprises there is much more to do.

Take a recent study of the results of audits of 300 supplier establishments operating in poorer countries that was financed and

published by a group of leading French retailers. In the view of Neil Kearney of International Textile, Garment and Leather Workers' Federation “the details make grim reading” – children under 13 hard at work, non-compliance with minimum wage laws, working weeks of “86 hours or more”, “inadequate” occupational health and safety conditions, “endemic” abuse of workers' rights, including suppliers using physical force to prevent workers

from exercising their right to organise. Other documents highlighted obstacles to organising labour unions and the presence of children in the supply chains of major agrifood companies. These are probably exceptional cases and most good corporations would not tolerate them, but where they exist, all would agree they must be taken seriously.

The OECD roundtable's theme was supply chain management. It showed the advantages and difficulties of multistakeholder cooperation. For while all participants, whether government, business, labour or civil society

and rules that matched those of many OECD countries, but their enforcement was lacking. International declarations on labour and human rights, and standards and principles such as those from the OECD help to fill that vacuum, as do corporate codes of conduct and other private standards issued by labour unions and NGOs.

Business representatives stressed their view that corporate responsibility in the supply chain could not extend to "taking on" other companies' problems – in particular, their legal or regulatory responsibilities. Companies exist as discrete units for

people as possible know about them. The MNE Guidelines are now quite well known by business, unions and civil society in some countries and are featured on many websites. But as reports from the NCPs show, they are hardly known at all in other countries.

Yet, if the MNE Guidelines succeed in winning the confidence of business, trade unions and NGOs, they could become one of the most important global initiatives for global corporate responsibility there is, bolstering such instruments as the UN Global Compact. The OECD, as home to most of the world's multinationals, can and must win that confidence.

Companies exist as discrete units for reasons of economic efficiency and legal accountability, business representatives said. It is not economically or logistically feasible for all enterprises to monitor and audit all their suppliers. This position sparked a reaction

groups, clearly cared about the problem, they had different views on how best to tackle it. Business generally argues that the key lies in better supply chain management to alleviate poverty and improve respect of human rights, others see tighter regulation and surveillance as the only way to achieve progress. Deborah White of Proctor and Gamble said the business community was committed to finding answers, and while André Driessen from the Confederation of Netherlands Industries and Employers underscored the business sector's willingness to co-operate with unions, NGOs and governments to search for solutions, Stephen Canner of the US Council for International Business noted that governments have to act too as "there are limits to what companies can and cannot do". Others countered that while governments clearly had an important job to do, lack of government responsibility "is not an excuse for lack of corporate responsibility".

Can domestic law help? Yes, but it is not enough. Some countries like China, as Serena Lillywhite from Brotherhood of Saint Laurence, an NGO that inherited a small business, noted, set certain labour standards

reasons of economic efficiency and legal accountability, they said. In any case, it is not economically or logistically feasible for all enterprises to monitor and audit all their suppliers.

This position sparked a reaction. Carol Pier of Human Rights Watch argued that when companies fail to use their influence over their suppliers' regarding respect of labour rights, these companies are complicit in those human rights violations. Ineke Zeldenrust of the Clean Clothes Campaign was pragmatic in stressing responsible supply chain management and the need to "break it down ... and look at how it (supply chain management) can be operationalised."

Monitoring the guidelines

Roundtables like this one on MNE supply chains are held annually at the OECD in conjunction with meetings of the National Contact Points (NCPs). These have been set up in 37 countries to monitor the implementation and efficacy of the MNE Guidelines and to promote awareness of them. Promoting the Guidelines is important, since standards and principles, however eloquent or tough to negotiate they may be, are quite powerless unless as many

The NCPs have already begun to bring material on specific cases for investigation, of which there are now over 20. These involve consideration by adhering governments of issues that go to the core of the debate on globalisation, whether it be behaviour of French companies (there were two) in Burma, a Canadian company's "resettlement" problems in the Zambian copper belt, occupational health and safety and accident indemnities for Indonesian and Philippine sailors working for OECD based maritime transport companies, a Korean-run production site in Guatemala or even a UK retailer's behaviour elsewhere in the OECD.

No one has a monopoly on the answers, but it is only by knowing and understanding the problems face on, and working together to deal with them that corporate responsibility will improve. After all, whether the goal be sustainable development, poverty reduction, equitable rights or just plain decent ethics, better business behaviour is in everyone's interest. ■

The OECD Guidelines for Multinational Enterprises can be consulted at www.oecd.org/daf/investment. Detailed accounts of the proceedings of this roundtable are available on request at daf.contact@oecd.org or at observer@oecd.org.

** Views expressed by participants at the roundtable are not necessarily shared by the OECD or its member governments.*