

OECD FORUM 2007
Innovation, Growth and Equity
14-15 May 2007, Paris

Open Markets for Investment

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What do we want to obtain by open markets for investment?

It should be said already at the outset that trade unions see investment as a means to create growth and employment. Our focus is therefore on socially responsible investment, not just any investment, but investment that creates decent jobs. We want a development that offers a future for the workers and their children; an environment in which there is a growing prosperity for all and not just for a few people at the top of the income scale.

The challenge is not to further liberalise markets, but how to avoid or put an end to the “race to the bottom”, in which governments are competing for investment offering as advantageous and lax conditions to investors as possible.

The key question is how investment can contribute to sustainable development, not only in the OECD area, but in the South as well. This:

- requires awareness of the importance of socially responsible investment (also in China),
- requires adequate social regulation and
- requires that governments set a floor in labour markets by ensuring the respect of core labour rights as defined by the ILO. The respect for CLS is the corner stone of decent work and thus of a sustainable development.

Corporate social responsibility can help contributing to this.

However, the positive impact of corporate social responsibility cannot be taken for granted. Its impact depends, among other things, on whether or not governments effectively protect labour standards in their home countries. In countries with well functioning labour laws, which are properly enforced, enterprises will naturally behave responsibly and abide by the law.

In many other countries, governments do not encourage companies to behave responsibly, but do not prevent them from doing so, either. A typical example is the United States. The American laws do not force companies to fully respect the rights of workers to organise and bargain collectively, but they allow companies to do so.

While some enterprises prefer to develop their own corporate social responsibility strategies (sometimes used more as an exercise in PR (public relation)), we consider the OECD guidelines for Multinational Enterprises as the most important tool :

- Firstly, it is the result of negotiations between governments, business, trade unions and NGOs and supported by the said groups (with perhaps the exception of NGOs – it’s not clear whether they support them or not).

- Secondly, although the guidelines are not legally binding, they are not voluntary either, in the sense that companies are not free to pick and choose among the provisions of the guidelines, nor subject them to their own interpretations.
- Thirdly, the guidelines apply to all multinational enterprises operating in or from an adhering country including their activities worldwide. The application of the guidelines does not depend on the endorsement by companies itself.
- Fourthly, the guidelines even extend the responsibility of contractors across the supply chain.
- And most importantly, if the guidelines are properly implemented, they offer a monitoring mechanism that brings business operations under government scrutiny via the setting up of National Contact Points (NCP). Via those NCPs trade unions and NGOs can raise their concerns regarding the conduct of global operations of corporations.

So, the Guidelines offer an enormous opportunity for governments to be relevant to the social needs of the global economy if they implement 'effectively operating National Contact Points'. This implies contact points in which trade unions and other engaged parties are involved.

What do we see in practice?

Unfortunately, seven years after the revision of the Guidelines in 2000, a significant number of NCPs only exist on paper. Too few National Contact Points do their job properly. Of the 80 cases raised under the Guidelines since 2000 only twenty of them have led to a positive outcome. So, many operational problems do limit the effectiveness of the OECD Guidelines for Multinational Enterprises. The NCP in Belgium (the country where I come from), has a tripartite composition and because of that, functions quite well.

But in general we have to say that:

- OECD governments should ensure that government policy is always in accordance with the Guidelines whether it concerns public procurement, export credits, trade policy, investment policy or other issues.
- But above all, they must ensure that alleged violations of the Guidelines are properly investigated by NCPs.

The global scope of the Guidelines and the fact that non-OECD countries are asking to adopt them, reinforces the applicability of the Guidelines as an international tool for all companies.

Our interest in corporate social responsibility is related to the extent that it tries to provide an enabling environment for organising. But the effectiveness of corporate social responsibility is limited. And this, for as long as comparative advantages can come from vicious exploitation of workers including the violation of the core labour rights.

And that 's why the respect for core labour standards as defined by the ILO – freedom of association and of collective bargaining, to be free from discrimination, forced labour, prison labour and child labour - is so crucial. And that is why the core workers' rights must become an international benchmark applied through different international

institutions, such as the IMF, the World Bank, the World Trade Organisation and the OECD. This is the only way to assure that those human rights of workers are recognised as being at least as important as protecting intellectual property rights or rights to open markets for investment.

I finish by saying that a better enforcement of the OECD guidelines on Multinational Enterprises and the respect for CLS need to be backed up by more binding rules on investors, particularly on some of “the new investors” such as hedge funds and private equity groups.

The impact of those alternative investors on the real economy and sustainable development needs to be carefully studied. But, current experiences with employment and working conditions linked to some private equity groups are alarming.

Under the rules of the new capitalism, we have to ask “who are our partners?”. The answer is: “Only those who support social responsible investment and not those who are only interested in short term profit regardless of the human cost.”