

OECD Roundtable on Global Instruments for Corporate Responsibility

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U.S. Business View of Corporate Responsibility

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The U.S. Council for International Business welcomes the opportunity to speak at this roundtable as the issue of corporate responsibility has gained increased attention from U.S. companies, governments, and a range of interest groups over the past few years. The number of corporate responsibility initiatives being developed, the groups engaged in their development, and the issue areas they address have all grown significantly.

Much of the current debate surrounding corporate responsibility is driven by concerns among non-governmental organizations, environmental groups, consumer groups and trade unions that multinational corporations have somehow become too big and are supplanting government authority through the process of globalization. Alternatively, multinationals are seen by some as a way to circumvent ineffective and inefficient governments in providing basic services to the communities in which they operate, including education and health care.

Concern's about the pace of globalization is being used to drive broad national and international debates about a range of social and environmental issues. Non-governmental organizations, environmental groups, consumer groups, trade unions and their supporters argue that multinational corporations, by their global reach, are eluding national regulatory controls and influence. Alleging that globalization results in lower environmental and labor standards, commonly mischaracterized as "a race to the bottom," these groups assert the right to impose restrictions on corporate actions, as well as a right to monitor and judge corporate behavior.

In these often emotional and misleading debates, the many positive contributions multinational corporations make are overlooked or purposely ignored. The evidence is clear that multinational corporations have helped raise living standards around the world and have acted as engines of development and growth through the economic activity they generate, their transfer of technology and skills, and improved labor, health, safety and environmental conditions. In

general, multinational corporations apply higher environmental and labor standards than those required by the host government or followed by local companies.

Multinational corporations, themselves, must become better at telling the good stories about the impact of their overseas operations in raising standards and generating growth. This will help to combat the misperceptions about multinationals and slow the calls for corporate accountability.

Moreover, the focus on foreign investors, multinationals in particular, and the use of corporate responsibility initiatives has diverted attention from the primary determining factor for environmental and labor protections, something which has also been mentioned today by several speakers, the implementation and enforcement of national laws and regulations.

U.S. multinational corporations can and do play an important role in improving the social, environmental, and labor conditions in the communities in which they operate. The decision to adopt a corporate code of conduct or one of the many corporate responsibility initiatives we have discussed today will depend on the objectives of the individual company and the relative value added each code or initiative provides the company. The primary audience for many codes remains the company itself, namely its business units, managers, employees, and shareholders. Some companies may adopt a code to signal its sound business practices to current or potential host governments, thereby maintaining or enhancing the company's license to operate. Additionally, corporate responsibility initiatives may be used to communicate a company's involvement with the communities in which it operates, in which case local or national frameworks may be best suited. Finally, corporate responsibility initiatives are targeted to a company's customers or suppliers, enhancing brand image and protecting the supply chain, respectively.

Given the growing number of corporate responsibility initiatives and the range of issue areas they address, a more recent factor in a company's decision-making is the desire to prevent or at least minimize redundancies among the codes that a company has adopted. Many codes, particularly those developed by governments, are framed as a dedicated program within each supporting company to implement the code, employing unique input mechanisms and/or reporting obligations that could easily drain resources where multiple codes are implemented.

Today, we have discussed the plethora of corporate responsibility initiatives or proliferation of initiatives. I would agree that many companies are confused by the plethora of initiatives to which they are being asked to subscribe, and they are calling for an end to the proliferation. Yet this does not mean they want a standardized code for all business. As we have discussed today and as I have just stated, the differences between companies and the audiences, to which the

corporate responsibility initiatives are addressed, make it clear that a “one-size-fits-all” approach to corporate responsibility will not be effective.

The way to guarantee a greater business contribution to environmental and social progress is not through more – and more prescriptive – codes and regulations. Everyone benefits from a cooperative, flexible and open working environment with sound policies and practices consistent with the framework and guiding instruments described above. Business will continue to lead by example and communicate what companies stand for, their employment and environmental practices in home and host countries, and their contributions to economic growth and social well being.

Lastly, it is the behavior of the company that counts—not the existence of a formal set of business principles. So, whether or not a company decides to adopt and publish business principles, this should not be seen as the only indicator of its commitment to good corporate practices.