

OECD ROUNDTABLE: THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES AND OTHER GLOBAL CORPORATE RESPONSIBILITY INSTRUMENTS

Paris, 19 June 2001

Opening Address by Mr. Seiichi Kondo Deputy Secretary-General, OECD

Ladies and Gentlemen,

1. *I am delighted to address this Roundtable on Global Instruments for Corporate Responsibility and I am grateful to the many businesses, unions, NGOs and international organisations that have joined us today to discuss how the contribution of the Guidelines can be enhanced and overlaps with other global instruments avoided. My remarks will focus on the OECD Guidelines as we have other speakers today who will discuss important initiatives such as the United Nations Global Compact, the Global Reporting Initiative and the Global Sullivan Principles.*

2. *The Roundtable comes on the occasion of the first anniversary of the OECD Ministerial's agreement to establish renewed guidelines that include strengthened measures to ensure that the Guidelines are actively promoted and implemented. National Contact Points have been established -- usually government entities -- to work to ensure that the Guidelines are taken seriously by companies in their operations both at home and abroad, and by other parties concerned.*

3. *These National Contact Points held their first annual meeting yesterday in order to exchange experiences and work to promote greater awareness and use of the Guidelines.*

4. *But we recognise that it is not National Contact Points alone that will spur companies to follow these voluntary guidelines. The people and organisations represented in this room today also have a vital role to play.*

5. *So I would like to talk to you about why, in this age of globalisation, it is indeed in the interests of businesses, trade unions, governments, international organisations and civil society to work constructively to ensure that we all gain from global economic trends. The Guidelines for*

Multinational Enterprises, like the other global instruments that you will discuss today, provide a tool for such co-operation.

6. In establishing a kind of internationally applicable benchmark for business conduct, they have relevance not only for multinationals, but for **any company** that is operating in a market with competitors, who may be applying such a benchmark.

7. But before going into detail about the OECD's Guidelines, I would first like to talk about the broader global context in which these guidelines were agreed, and how the OECD is attempting to respond to concerns that globalisation raises.

What is the international climate in which the Guidelines have emerged?

8. I believe that we have entered a new age since the end of the Cold War, an age where we have seen an unprecedented proliferation of the market economy and private capital, a power shift from states to markets, and a rise in the power of civil society. In such an environment, international order and prosperity is no longer achieved through a traditional balance of power among states, nor through the hegemony of a superpower. In this new age of globalisation, co-operation among four key actors -- states, international organisations, civil society, and markets - has become more essential than ever.

9. None of the four actors can be a dominant power. Each is interdependent upon the others, and therefore must co-operate with the others. The notion that if someone fails, you will fail too, serves as a powerful incentive for co-operation. For example, when the economic crisis hit Asia a few years ago, the ramifications affected all in the region, and many beyond it -- our economies, our governments, and our social cohesion. To avoid such difficulties, it is clearly in our interests to achieve a kind of interdependent co-operation that some political scientists have called "global governance."

10. But global governance cannot be achieved with rigid, one-size-fits-all solutions. It requires constant dialogue among interested parties, backed by a spirit of co-operation and flexibility. The OECD has used such an approach to establish "soft law" Recommendations and Guidelines for its Member governments. These are often also adhered to by non-Member governments, and provide co-ordinated responses to the challenges of globalisation. They generally allow some room for interpretation, but nevertheless establish a kind of best practice model which countries can look to in seeking to address global concerns on such issues as corporate governance, investment, tax policy, competition policy, and, on today's main subject, guidelines for multinational enterprises.

11. Without such models, and without adherence to such models, we risk the sort of backlash that we've seen in Seattle or Davos, which could prompt governments to adopt more rigid regulations that are not as adaptable to the rapidly changing conditions we all face in this age of globalisation.

12. This era of globalisation has also involved the rapid growth of international investment, bringing immense benefits to the world economy -- rising incomes for many, greater consumer choice, and faster dissemination of technological and managerial innovations.

13. However, globalisation has raised legitimate public concerns. While globalisation has lifted incomes for many, others have been left behind, both within the OECD area and beyond. Also, OECD-based multinationals are perceived as being party, sometimes inadvertently, to

serious problems -- corruption of public officials, human rights abuses and marketing of unsafe products. In managing these problems, businesses must deal with a patchwork of regulatory, legal and cultural environments.

14. Ensuring that globalisation works for all is, naturally, not the sole responsibility of multinational enterprises. The home and host countries also have a part to play, as do multilateral institutions.

15. It is in this context that the adhering countries decided to launch and last year completed a thorough Review of the Guidelines, which I will now talk about more specifically.

What are the Guidelines?

16. The OECD Guidelines are recommendations to MNEs to help them to face these ethical and management challenges and to make a positive contribution to the societies in which they operate.

17. The Guidelines are **voluntary**, but help define a level of appropriate practice for international business.

18. The Guidelines cover ten areas including labour relations, environment, combating bribery and consumer protection.

How are the Guidelines implemented in participating countries?

19. The implementation of the Guidelines relies on **National Contact Points**. These are often government offices, but many countries use a tripartite structure involving government, business and labour. The National Contact Point is responsible for encouraging observance of the Guidelines by companies operating in or from the national territory. When issues arise concerning implementation of the Guidelines in relation to specific instances of business conduct, the National Contact Point is expected to help resolve them. Any person or organisation may approach a National Contact Point to enquire about a matter related to the Guidelines.

20. As I mentioned in my introduction, the National Contact Points held yesterday their first annual meeting since the Review of the Guidelines was completed in 2000.

What is the added value of instruments on corporate responsibility in general and of the Guidelines in particular?

21. Adherence to corporate responsibility standards is seen as being not only a way towards more sustainable development for the host countries of the multinational enterprises concerned, but, increasingly, as being in the self interest of the enterprises themselves. Adoption of standards such as those in the OECD Guidelines responds to consumer demands, to legal and regulatory incentives and to the expectations of shareholders and of representatives of civil society. Thus, corporate responsibility and profit-maximisation are often complementary objectives.

22. The Guidelines have distinctive contributions to make that are complementary to other global instruments for corporate responsibility. While an instrument for corporate responsibility

such as the UN Global Compact seeks to create co-operative relations with business via endorsements and follow-up at company level, the OECD Guidelines are based on intergovernmental and national processes informed by extensive consultations with business, labour and civil society. This process and the system of National Contact Points gives them a broad base of legitimacy and a strong capacity for implementation.

23. The Guidelines have several other distinctive features.

- First, they are **part of the OECD Declaration on International Investment**, which provides a balanced framework for international investment by defining the rights and responsibilities of the business community and of adhering governments.
- Second, the development of the Guidelines was very much the fruit of an inter-governmental process -- they express the **shared expectations for business conduct of thirty governments**. It has also reflected extensive consultation with countries outside the OECD, business and civil society.
- Third, although observance by firms is **voluntary**, the adhering **governments have committed to promote** the Guidelines and to see to it that they are a meaningful instrument.
- Finally, as stated in the Guidelines text, the Guidelines reflect good practice for all: multinational and domestic enterprises are subject to the same expectations in respect to their conduct wherever the Guidelines provisions are relevant to both.

What has been, thus far, the reaction of enterprises to such initiatives?

24. The OECD's research indicates that many multinational enterprises have taken steps to respond to the issues addressed in the Guidelines. They have improved the management controls and practices they use to achieve appropriate standards of business conduct in their day-to-day operations. Businesses are working with other actors -- especially with unions and NGOs -- to improve their policies and management and reporting practices in the economic, social and environmental fields.

25. An OECD study shows that **many firms are actively participating in this management trend**. For example, it shows that over 95 per cent of the largest 100 multinational enterprises have issued codes of conduct dealing with labour relations, environment or occupational health and safety.

26. **The Guidelines seek to reinforce and to complement these private efforts.**

In conclusion,

27. I would like to reiterate why I believe it is in all of our interests to try to make the MNE Guidelines work. First, they are a good reference, based on review of best practices across all 30 OECD Member countries. Second, governments, businesses and other stakeholders have all had and will continue to have the opportunity to influence the development of the guidelines, as participants in both past and future OECD consultation processes, giving the guidelines a broad-based legitimacy. Third, given this broad legitimacy, businesses that publicly commit to following the guidelines can benefit from a kind of "seal of approval" -- and at the same time be held

accountable -- as they respond to questions from shareholders, stakeholders and journalists about corporate responsibility issues.

28. As I mentioned at the outset of my remarks, I believe that this voluntary and co-operative approach reflects a broader trend towards a **new paradigm of governance** that seems to be emerging among all four major actors. This system of governance relies upon increasingly sophisticated management efforts, internationally accepted non-binding guidelines, and domestic legal requirements. In a country such as my own, Japan, where government intervention has long been a driving force behind corporate behaviour, this is a new development. *Building a global system of governance will require that we develop new attitudes, new skills and new ways of doing things. It is now up to all of us to work together to ensure that this new paradigm of governance can succeed in bringing benefits to us all.*

Ladies and Gentlemen, I thank you for your attention.