



TWELFTH ITEM ON THE AGENDA

**Report of the Subcommittee
on Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 19 March 2004. Ms. Robinson (Government, Canada) chaired the meeting, replacing Ms. Niven (Government, United Kingdom) who could not attend. Ms. Hornung-Draus (Employer, Germany) and Ms. Burrow (Worker, Australia) were Vice-Chairpersons.

**Promotion of the Tripartite Declaration of
Principles concerning Multinational Enterprises
and Social Policy: Activities report for 2003**

2. The representative of the Director-General (Mr. Hofmeijer, Director a.i. of the Multinational Enterprises Programme), introducing the paper¹ before the Subcommittee, indicated that the paper was short and self-explanatory. He would therefore rather provide a brief update on recent developments and plans for the immediate future. With regard to the Symposium on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and related multilateral initiatives held in November 2003, the Office had been following up by maintaining contacts with the organizations that had attended the Symposium. Moreover, he would shortly attend a meeting in Sweden on corporate social responsibility (CSR) and development where the OECD, the United Nations Global Compact Office, the UNDP, UNIDO and the World Bank would all be present, along with most donor agencies. The meeting would provide a good opportunity to promote the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and discuss further coordination of activities, particularly at the country level.
3. The Office was in the process of sending out the Eighth Survey on the Effect Given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and would try to ensure a higher response rate by mobilizing its field structure. The deadline for replies was 31 December 2004. Preparatory work on the subregional symposia on the MNE Declaration had started and the Office was in the process of identifying themes to be highlighted in consultation with constituents and the field structure.

¹ GB.289/MNE/1.

4. The Office was actively participating in the ongoing Global Compact impact assessment exercise in preparation for the Global Compact Summit in June. Research on small and medium-sized multinational enterprises (MNEs) had started with the selection of three countries: Germany, Italy and Japan. Concerning the mainstreaming of the MNE Declaration within the Office and the field structure, in 2003 substantial briefing sessions had been held in the subregional offices in New Delhi, Lima, San José and Santiago. In 2004, agreement had been reached with the Sectoral Activities Programme to cooperate in a number of the sectoral action programmes for the current biennium while, with the InFocus Programme for Social Dialogue, cooperation continued and was being intensified through meetings and projects in Azerbaijan, the SADC countries and possibly the United Republic of Tanzania.
5. The Worker Vice-Chairperson regretted that the report did not adequately reflect the fact that at its previous sitting the Subcommittee had reaffirmed its role, established a substantial work programme and renewed its determination to position the MNE Declaration as fundamental to much of the Office work – in particular with regard to sectoral activities and CSR, where MNEs played a critical role. The paper did not seem to reflect the two objectives established for the Multinational Enterprises Programme by the Subcommittee a year earlier but rather the framework agreed upon in 2001. These objectives were: to position the MNE Declaration as a key instrument in the broader debate on CSR and to mainstream it increasingly in the work of other Office programmes. She felt that the paper did not reflect progress towards the work programme endorsed in 2001 nor did it do full justice to the Office's work and the substantial activities accomplished.
6. The Symposium had marked an important step forward in the process that had started with the Tripartite Forum on Promoting the MNE Declaration in March 2002. It was important to note the consensus reached at the November Symposium on the significance of the fundamental principles and rights at work in the context of CSR. This had provided the Office and the Subcommittee with an opportunity to use the MNE Declaration as a basis for cooperation with other organizations, particularly in terms of developing a common understanding and approach. She looked forward to the November session which would provide another opportunity for the Subcommittee to meet with this group and further position the MNE Declaration as a key instrument in the broader debate on CSR.
7. She was disappointed to have no details of the plans for agreed symposia nor a time line or plan for promotion of the Eighth Survey included in the report. She welcomed the active participation by the Office in meetings organized by other organizations since it provided an important promotional opportunity but called for future papers to include details on the outcome and follow-up to participation in such meetings.
8. The working papers on Costa Rica and Uganda made interesting reading. Her group was particularly satisfied with the paper on Uganda but was worried that the one on Costa Rica did not include workers' organizations nor reflect that workers' rights were frequently violated in that country. She suggested that the Office work with the Officers to establish a broad framework for its research papers. The paper on Uganda could perhaps serve as a model in this respect. Further, there should be a research programme submitted to the Subcommittee including possible joint activities with other intergovernmental initiatives concerning CSR, or other matters relevant to the MNE Declaration.
9. She congratulated the Office on the Business and Social Initiatives database and wondered whether it could not be used to promote more actively the MNE Declaration and attract interest for possible follow-up. She also appreciated the efforts the Office was making to mobilize extra-budgetary resources for the work of the Multinational Enterprises Programme.

10. She suggested that, at a future session, the Subcommittee might wish to discuss the importance of the joint ICFTU/IOE agreement along with the interest of the Global Fund regarding workplace education on prevention and treatment of HIV/AIDS.
11. The Worker Vice-Chairperson called upon the Multinational Enterprises Programme to step up its efforts to involve the field structure more actively in its work and also requested a report about the progress being made in terms of cooperation with other programmes in the Office, particularly in the areas of management, sectoral activities, technical assistance and labour standards in export processing zones. Further, she requested a report on the activities of MCC. She reiterated the call for a clear focus that the activities to be undertaken by the employers' and workers' bureaux concerning the Global Compact should also highlight the importance of the MNE Declaration. In particular she urged the Office to work to solve the serious concerns of Italian unions about the Global Compact project funded by the Italian Government.
12. The Employer Vice-Chairperson congratulated the Office on the paper which reflected the progress made. She felt that the framework agreed upon in 2001 was adequate but agreed with the Worker Vice-Chairperson that future papers could be richer in content with greater detail, on the contributions made by the Office to the various external meetings in which it had participated being provided in appendices. Future reports should not only reflect progress made during the previous year but also be forward-looking and provide information on exactly how the Office was promoting the MNE Declaration.
13. Her group would like to be closely involved in the preparations for the subregional symposia. She agreed with the Worker Vice-Chairperson that it would be important for the Subcommittee at its next session to exchange views with other international organizations to arrive at a common understanding and agreement on the role of each organization in the context of CSR. It was important for the Office to try to ensure that, when other organizations made reference to ILO instruments in their CSR initiatives, it was done in a coherent and correct fashion. This effort should not be diluted by trying to tackle issues that did not clearly fall within the Office's mandate.
14. The representative of the Government of Italy described the project funded by her Government to promote the Global Compact and the MNE Declaration. The project had been approved in 2003 with the ILO as executing agency. It targeted small and medium-sized enterprises – given their importance in the Italian economy – and would try to establish links between these enterprises and their counterparts in developing countries with substantial Italian investment and technical cooperation. It had three main objectives: to raise awareness of, and interest in, universal CSR principles as reflected in the Global Compact, the MNE Declaration and the OECD Guidelines for Multinational Enterprises; to promote business practices based on those principles; and to develop and support public-private partnerships that contributed to sustainable development. Thanks to the tripartite nature of the ILO, the project was being carried out in close cooperation with the Government, employers' organizations and trade unions.
15. The representative of the Government of Belgium was glad to note that the paper reflected the Office's attempts to catch up rapidly in its work on CSR, which was an increasingly significant phenomenon in the world. The Office was now clearly present in the debate and should take advantage of that fact to promote the MNE Declaration. He wondered whether it would be useful to cooperate with the National Contact Points for the OECD Guidelines to reflect the complementarity of both instruments and promote greater tripartite participation. The Director-General's Report to the International Labour Conference on the follow-up to the report of the World Commission on the Social Dimension of Globalization would no doubt provide a good opportunity to highlight the importance of the MNE Declaration and strengthen the Office's work to promote it.

16. The representative of the Government of Kenya reminded the Subcommittee of the need to ensure greater host country participation in its work. He wondered why the work of the Multinational Enterprises Programme had not been reflected in the 2002-03 Programme Implementation Report. He further expressed the hope that other African countries would be able to attend the subregional symposium planned for the SADC countries and that the planned sectoral action programmes would pay due attention to the MNE Declaration.
17. The representative of the Government of Japan thanked the Office for a succinct and concise report. He informed the Subcommittee that the ILO Office in Japan had now posted the Japanese translation of the MNE Declaration on its web site.
18. The representative of the Government of the United States suggested that the Office use indicators to track the progress being made. He supported the recommendation by the World Commission on the Social Dimension of Globalization that the Office help increase the effectiveness of the Global Compact. He wondered about the progress the Office had made in mobilizing resources for the work of the Multinational Enterprises Programme.
19. Ms. Brighi (Worker, Italy) expressed serious concern about the project mentioned by the representative of the Government of Italy. She felt that the agreement that had been reached between the Government, the Office and the Italian trade union confederations concerning the project was not being respected. She was also disappointed about the way the project was presented in a paper before the Committee on Technical Cooperation as it did not reflect the role of the trade unions in the project. She further considered that more transparent information was required on the budgetary aspects of the project. If these concerns were not met, the Italian trade unions would have to reconsider their participation in the project.
20. In reply to the observations made, the representative of the Director-General explained that the Office had submitted a rather brief, and perhaps too modest, paper in view of the Governing Body's wish for shorter papers, which had led to serious restrictions in the number of words allowed. The Office would attempt, at the next session, to provide more substantial information. He would also look into the possibility of posting more information on the Internet.
21. Regarding the remarks by the Worker Vice-Chairperson on the working paper on Costa Rica, he pointed out that it covered only the information technology and tourism sectors, where, as far as he was aware, violations of workers' rights were less frequent than in the agricultural sector. If necessary, however, the Office could issue a corrigendum to the paper.
22. He was afraid that, given existing resource constraints, it would be difficult to use the Business and Social Initiatives database to analyse how the different initiatives in the database related to the MNE Declaration.
23. He welcomed the wish expressed by both Vice-Chairpersons for their groups to be actively involved in the preparations for the subregional symposia – and the Office would definitely consult with them on a regular basis. The Office would also explore the possibility of countries other than those from the subregions concerned attending the symposia as observers at their own expense.
24. He informed the Subcommittee that the planned Global Compact training course for employers' specialists in subregional offices would also highlight the importance of the MNE Declaration. It was perhaps difficult to measure the impact of the Office's participation in external meetings precisely but he was convinced that it led to increased interest in the Office's work, as evidenced by the increasing number of requests for

information. Similarly, the efforts to mainstream the MNE Declaration in the work of the field structure had already led to requests for further support from the subregional offices in San José and Santiago.

25. Replying to Ms. Brighi's words, he reminded the Subcommittee that the project to which she had referred had a fully tripartite steering committee. It would therefore be more appropriate for that committee to deal with her concerns.
26. With respect to the suggestion made for closer cooperation with the OECD National Contact Points he informed the Subcommittee that consultations were under way with the OECD on closer cooperation between the Office and the OECD in general and he would raise the issue in this context. The issue of broader membership of the Subcommittee was still under consideration by the Governing Body and further consultations would take place.

Developments in other organizations

27. Introducing the second paper² before the Subcommittee, the representative of the Director-General indicated that it reflected the growing importance of CSR initiatives. There was clearly a need to position ILO instruments and standards – particularly the MNE Declaration – more prominently in this context. It was the Office's role to ensure a proper understanding of these instruments and standards as well as to remind those concerned of the need to comply with existing national legislation, which should be the starting point for any CSR initiative.
28. The report by the World Commission on the Social Dimension of Globalization made a number of recommendations on CSR which could help guide future Office work in this area.
29. The Worker Vice-Chairperson felt that the Subcommittee should more clearly analyse and report on the opportunities offered by developments in other organizations. Its next sitting would be a good occasion to do so since it would have the benefit of the presence of some of the organizations concerned. She agreed with an earlier remark by the Employer Vice-Chairperson that the Office should ensure that fundamental principles and rights at work were properly reflected in the initiatives of other organizations.
30. The Global Compact Summit would also be a good opportunity to promote and highlight the MNE Declaration as a key CSR instrument. She was looking forward to the introduction of so-called integrity measures in the Global Compact and suggested that they offered opportunities for the ILO to play a role. Concerning the draft *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights*, it was important for the Office to ensure that any document adopted was fully in line with ILO instruments and procedures. She was glad to note that the International Finance Corporation was considering adding provisions on freedom of association and collective bargaining as well as discrimination to its exclusion list.
31. Having carefully listened to the remarks of the Worker Vice-Chairperson, the Employer Vice-Chairperson felt that the debate was going somewhat beyond the mandate of the Subcommittee. The focus of the debate should remain on the MNE Declaration and its role in the CSR debate. Other programmes in the Office also dealt with CSR issues and the Subcommittee could not possibly cover everything. For instance, both the Global Compact

² GB.289/MNE/2.

and the OECD Guidelines covered areas not covered by the MNE Declaration. She repeated her call for the Office to concentrate its efforts on making sure that international labour standards and instruments were presented in a correct and coherent fashion when referred to in initiatives by other organizations.

32. She commended the Office for communicating with the Office of the High Commissioner for Human Rights to ensure that the Commission on Human Rights received all relevant information to enable it to decide on what action to take in respect of the draft *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights*. She expressed concern at the apparent intention of UNCTAD to develop harmonized reporting standards, since her group felt strongly that CSR should remain voluntary and that, given the diversity of company initiatives encompassed under CSR, it should be left to the individual employer to decide whether and how to report.
33. The representative of the Government of Kenya was concerned that some organizations seemed to use international labour standards to introduce conditionalities rather than focusing on promoting respect for such standards.
34. Acknowledging that perhaps her earlier statement had created some confusion because of her choice of words, the Worker Vice-Chairperson felt that there was broad overall agreement between her and the Employer Vice-Chairperson as to what needed to be done. Clearly, the Subcommittee and the Office should focus on the opportunities different CSR initiatives offered to promote the MNE Declaration and to achieve an enhanced understanding of international labour standards, particularly fundamental principles and rights at work.
35. Expressing the hope that future debates in the Subcommittee would clearly distinguish between the different issues involved in CSR and broader governance and accountability questions, the Employer Vice-Chairperson confirmed that there was broad agreement between her and the Worker Vice-Chairperson on what the Subcommittee should focus on.
36. ***The Subcommittee recommends that the Governing Body authorize the Office to invite to its next sitting, as observers, the international organizations represented at the Symposium on the MNE Declaration and related multilateral initiatives held in November 2003.***
37. ***The Subcommittee recommends that the Governing Body request the Office to prepare an annual substantial report reflecting both the workplan endorsed by the Subcommittee and the activities undertaken to promote the MNE Declaration in the previous calendar year and the strategy and activities proposed for the immediate future.***
38. ***The Subcommittee expresses its desire to be consulted and its interest in participating in the outcomes of the recommendations and decisions by the Governing Body on the follow-up by the Office on the report of the World Commission on the Social Dimension of Globalization, in so far as these relate to the area of corporate social responsibility.***

Geneva, 22 March 2004.

Points for decision: Paragraph 36;
Paragraph 37;
Paragraph 38.