

WTO AND ILO: CAN SOCIAL RESPONSIBILITY BE MAINTAINED IN INTERNATIONAL TRADE?

Josef Falke

Center for European Law and Politics at the University of Bremen

1. LABOUR STANDARDS IN THE HAVANA CHARTER FOR AN INTERNATIONAL TRADE ORGANISATION

Although the Havana Charter for an International Trade Organisation (ITO) could not been realized, Article 7 on fair labour standards can be seen as an ambitious attempt to integrate social aspects into a Trade Agreement. The members should recognise that measures relating to employment must take the rights of workers under inter-governmental declarations, conventions and agreements fully into account. The achievement and maintenance of fair labour standards were seen as a common interest of countries, irrespective of their different degree of industrialisation. In a very open manner, it was recognised that unfair labour conditions, particularly in production for export, may create difficulties in international trade. This understanding of the relations between trade and labour standards corresponded with the Preamble to the Constitution of the International Labour Organisation (ILO). The Havana Charter for an International Trade Organization, 24 March 1948¹ acknowledged the prominent standing of the ILO and its labour standards.

Article 7: Fair Labour Standards

1. The Members recognize that measures relating to employment must take fully into account the rights of workers under inter-governmental declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labour standards related to productivity, and thus in the improvement of wages and working conditions as productivity permit. The Members recognize that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.

2. Members which are also members of the International Labour Organisation shall co-operate with that organization in giving effect to this undertaking.

¹ Source: United Nations, United Nations Conference on Trade and Employment, held at Havana, Cuba, from 21 November 1947, to 24 March 1948: Final Act and Related Documents, Lake Success, New York: Interim Commission for the International Trade Organisation April 1948, p. 7.

3. In all matters relating to labour standards that may be referred to the Organisation in accordance with the provisions of Articles 94 or 95, it shall consult and co-operate with the International Labour Organisation.

2. LABOUR STANDARDS – NOT WELCOME AS ISSUE ON THE AGENDA OF THE WTO

Labour standards are not subject to any WTO rules or disciplines at present. Some WTO member governments in Europe and North America have argued that the issue must be taken up by the WTO if public confidence in the WTO and the global trading system is to be strengthened. Without any success, they have argued that a narrower set of internationally recognised “core” labour standards – such as freedom of association and collective bargaining, prohibition of forced labour and of the worst forms of child labour, elimination of discrimination in the workplace (including gender discrimination) – should be put on the WTO’s agenda of future work. There is no other “trade and”-issue which inspires more intense debate among WTO members than the issue of trade and core labour standards.

At the 1996 Singapore Ministerial Conference, members defined the WTO’s role on this issue, identifying the International Labour Organisation (ILO) as the competent International Organisation to negotiate International Labour Standards in the form of Conventions and Recommendations, and to supervise their implementation. There is no work on this subject in the WTO’s Councils and Committees. In the past, some member governments did suggest that a WTO working party be established to examine the link between trade and core labour standards, in other words, the social issues that are affected by more and more globalised markets for goods and services. Such a working group could link the WTO to the relevant activities of other International Organisations and associations of workers and employers in this field. But there are deeply-rooted differences between some developed and the most developing countries on this topic. Member governments from the developing world believe attempts to introduce this issue into the WTO represent a thinly-veiled form of protectionism which is designed to undermine the comparative advantage of lower wages in many developing countries. They argue that workplace conditions will improve through economic growth and development, which would be hindered should industrialised countries apply trade sanctions to their exports for reasons relating to labour standards. The application of such sanctions, so the arguments go, would perpetuate poverty and delay developmental efforts including those aimed at improving conditions in the workplace.

Because the core labour standards are, at the same time, basic social human rights, this controversy is very closely connected with the debate on the respect of human rights in the world trading system.

The highly controversial issue of trade and labour standards has been with the WTO since its foundation. In April 1994, when trade ministers gathered in Marrakesh to sign the Final Act of the Uruguay Round, nearly all the ministers expressed their very controversial views on this issue. The Preamble of the WTO Agreement states that “relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living (and) ensuring full employment”.

At the First WTO Ministerial Conference in Singapore in December 1996, the issue was taken up again and addressed in Paragraph 4 of the Ministerial Declaration, 13 December 1996²:

“We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organisation (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contributed to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.”

This Declaration was supplemented with some very pointed comments made by the Chairman of the Conference as follows:³

“In the first place, with regard to paragraph 4 – core labour standards – we have agreed on a text which sets out a balanced framework of how this matter should be dealt with. The text embodies the following important elements: First, it recognizes that the ILO is the competent body to set and deal with labour standards. Second, it rejects the use of labour standards for protectionist purposes. This is a very important safeguard for the multilateral trading system, and in particular for developing countries. Third, it agrees that the comparative advantages of countries, particularly low-wage developing countries, must in no way be put into question. Fourth, it does not inscribe the relationship between trade and core labour standards on the WTO agenda. Fifth, there is no authorization in the text for any new work on this issue. Six, we note that the WTO and the ILO Secretariats will continue their existing collaboration, as with many other intergovernmental organizations. The collaboration respects fully the respect and separate mandates of the two organizations. Some delegations had expressed the concerns that this text may leave the WTO to acquire a competence to undertake further work in the relationship between trade and core

² WT/MIN 96/DEC/W.

³ Concluding remarks by H.E. Mr Yeo Cheow Tong, Chairman of the Ministerial Conference, Minister for Trade and Industry of Singapore.

labour standards. I want to assure these delegations that this text will not permit such development.”

In June 1994, the Governing Body of the ILO decided to set up a Working Party to discuss all relevant aspects of the social dimensions of the liberalisation of international trade, which would be open to all members of the Governing Body. In June 1999, the Governing Body decided to reconstitute this Working Party with a new mandate and to give it the new title “Working Party on the Social Dimension of Globalization”.

At the 3rd Ministerial Meeting in Seattle in December 1999, the issue of core labour standards was perhaps the most divisive issue on the agenda. Both the United States and the EC put forward proposals for addressing the issue of labour standards inside the WTO. Although trade sanctions as reactions to violations of labour standards are not envisaged, the proposals were fiercely opposed by developing country governments. Debates in a working group showed strong disagreement among the members; consensus on any role for the WTO on the question of labour standards could not be attained.

Since the Seattle Ministerial Conference, governments from around the world have turned their attention to the ILO as the forum for addressing questions on the relationship between trade, globalisation and labour standards. During the June 2001 meeting of the ILO Governing Body, the Working Party on the Social Dimension of Globalization reached several agreements on how it might proceed with its work. It was agreed that trade liberalisation and employment and investment, with a special emphasis on poverty reduction, should be issues that are taken up by the Working Party. There was also a general agreement that a permanent forum for exchange of views should be established. Members also generally agreed that the ILO contribution to the international policy framework on the question of globalisation needed to be enhanced and that a report on the social dimension of globalisation should be written. One idea was that a global commission of eminent personalities could be formed to examine the social aspects of globalisation and to write a report on the social dimension of globalisation in order to launch – in a very prominent way – ideas for a coherent political framework as an answer to the challenges of the globalisation. Meanwhile, Paragraph 8 of the Doha Ministerial Declaration in November 2001⁴ had re-affirmed the declaration made at the Singapore Ministerial Conference with regard to internationally recognised core labour standards:

⁴ WT/MIN(01)/DEC/1.

“We re-affirm our declaration made at the Singapore Ministerial Conference regarding internationally recognized core labour standards. We take note of work under way in the International Labour Organization (ILO) on the social dimension of globalization.”

In February 2001, Arthur Dunkel, Peter Sutherland and Renato Ruggiero had published a joint statement on the future on the multilateral trading system.⁵ They underlined that labour standards should not be put on the agenda of the WTO:

“Labour rights and environment are often linked as issues to be dealt with by the WTO. They should not be linked. The GATT and, especially, the WTO have been able to consider, if not always resolve, questions related to the intersection between environmental and trade policies; no doubt that will continue. It is not the case for labour rights.

We accept that many of those who call for recognition of a link between international labour standards and trade do so out of genuine concern for the welfare of foreign workers. It is clear, however, that there is no basis for agreement on such a link being examined and acted upon within any delegate body of the WTO. That is the case for certain other areas where social development or human rights objectives are said to intersect with trade policy.

The real problem is much wider. We accept that there is some genuine public disquiet, sometimes a sense of insecurity, about the nature and the speed of globalisation. There is some truth in the view that there is a lack of balance in the management by the international community of the social and developmental elements of global change.

Indeed, there are many issues for which a complete and valid understanding requires the co-ordinated and focused attention of a number of international agencies. We therefore propose that a new commission be established, which brings together the heads of all relevant trade, financial and development institutions, to assist governments in understanding and managing the balance between the social and developmental aspects of global economic change.”

The collaboration between the WTO and ILO secretariats, both located in Geneva, seems to be of a very formalistic nature. It includes the participation of the WTO in the meetings of ILO bodies, the exchange of documentation and informal co-operation between the two secretariats. In March 2007, the Secretariats of the WTO and of the ILO presented the study “Trade and Employment Challenges for Policy Research” as the first result of collaborative research. With the relationship between trade and employment, it addresses an issue that is of important concern to both organisations. The foreword to this study demonstrates as clearly as possible, that the WTO and the ILO are – ten years after the Singapore Declaration – at the very beginning of their co-operation:

⁵ Arthur Dunkel, Peter Sutherland, Renato Ruggiero, Joint statement on the multilateral trading system, 1 February 2001, http://www.wto.org/english/news_e/news01_e/jointstatdavos_jan01_1e.htm.

“The multilateral trading system has the potential to contribute to increasing global welfare and to promote better employment outcomes. The challenge all our Members face is to find ways of realizing this potential as fully as possible. A first step in that direction is to improve our understanding of how trade and labour markets interact and affect the lives of millions around the world.

We consider this joint study undertaken by the ILO and the Secretariat of the WTO a useful and timely initiative that will promote greater understanding and assist governments in making decisions in an increasingly complex and fast-changing environment. In joining the expertise of the two Secretariats, this technical study aims to provide a broad and impartial view of what can be said – and with what degree of confidence – about the relationship between trade and employment, and the way in which trade policies and labour market policies affect this relationship. The study also identifies questions that are not always well understood in the literature, and on which more research would be useful.

We are therefore pleased to present this study as an encouraging illustration of how useful collaboration can be developed between the two Secretariats on issues of common interest.”

The study is finished with a statement between hope and lack of knowledge and far from a perspective for common actions:

“The main conclusion that emerges from this study is that trade policies and labour and social policies do interact and that greater policy coherence in the two domains can have significantly positive impacts on the growth effects of trade reforms and thus ultimately on their potential to improve the quality of jobs around the world. From this perspective, research directed at supporting the formulation of more effective and coherent policies would clearly have a high pay-off to the international community.”

3. WORLD COMMISSION ON THE SOCIAL DIMENSION OF GLOBALISATION – WCSDG

Globalisation is one of the most divisive issues of our time. Some view globalisation as a positive force that spreads wealth; others blame it for the world’s numerous problems. What is absent from much of this discussion, however, is the impact of globalisation on ordinary people throughout the world.

This question was at the heart of the work of the independent World Commission on the Social Dimension of Globalisation (WCDSG) which was created by decision of the ILO Governing Body in November 2001. The Commission was to prepare a major authoritative report on the social dimension of globalisation, including the interaction between the global economy and the world of work.⁶ The ILO’s Director-General was invited to consult widely in order to appoint Commissioners with recognised eminence and authority, with due regard

⁶ See ILO Governing Body documents. “Enhancing the action of the Working Party on the Social Dimension of Globalization: Next Steps” (GB.282/WP/SDG/1), Geneva, November 2001; and “Report of the Working Party on the Social Dimension of Globalization” (GB.282/12), Geneva, November 2001.

to gender, regional balance, tripartite perspectives, and reflecting the principal views and policy concerns in globalisation debates. Under the co-chairs of Tarja Halonen, the President of the Republic of Finland, and of Benjamin Mkaspa, the President of the United Republic of Tanzania, nineteen other members were appointed from across the world's regions, with diverse backgrounds and expertise. Five *ex-officio* members, including the Director-General and the Officers of the Governing Body, provided linkage between the Commission and the ILO. The Commission has functioned as an independent body and takes full and independent responsibility for its Report and its methods of work.

The Commission's report, "A Fair Globalisation – Creating Opportunities for All", was published in February 2004.⁷ It was commented world-wide by heads of State and Government, ministers, international organisations, parliamentarians, representatives of business and trade unions, national Economic and Social Councils, civil society organisations and the press, mainly in a favourable way.⁸ One cannot find any reaction on the part of the WTO, be it its Secretary-General, the General Council or its other bodies.

The report's main conclusion is that globalisation has enormous potential for goods, but urgently needs to become fairer, with its benefits extending to many more people and countries. This means changing the path of globalisation. In the words of the report: "There are deep-seated and persistent imbalances in the current workings of the global economy, which are ethically unacceptable and politically unsustainable. (...) Seen through the eyes of the vast majority of men and women, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children." The report recommends changes in attitudes and policies to create a strong social dimension for globalisation. This should be based upon universal values, including respect for human rights and individual dignity, democracy and opportunity for all. While there are no miracle cures, the report puts forward a series of recommendations and proposals to help make globalisation a positive force for all people and countries.

The report outlines a series of co-ordinated actions at national, regional and international levels involving international bodies, governments, workers, employers and civil society. In addition to fairer rules on trade, finance and migration, the report calls for

⁷ The Report and some follow-up materials are available at <http://www.ilo.org/wsdg>.

⁸ A collection of references is available at <http://www.ilo.org/public/english/fairglobalization/report/references.htm>.

policies to promote decent employment, sustainable economic development, social security, education and health care. Decent work, which meets people's aspirations and respects their rights and dignity, should become a global goal.

Globalisation needs a strong social dimension if it is to uphold basic human values and improve the well-being of people. The essential elements of this social dimension include:

- basing globalisation on universally shared values, with economic development founded on the respect for human rights;
- an international commitment to eradicate poverty and meet the basic material and other needs of all people;
- a path of development that provides opportunities for all, expands sustainable livelihoods and employment, promotes gender equality and reduces disparities between countries and people;
- making the system for governing globalisation more democratic and accountable.

As the world becomes more interconnected through globalisation, there is increased need for effective international policies, rules and institutions. The report strongly recommends for the creation of a better international system to overcome the present fragmented and incoherent system which consists of a patchwork of overlapping networks and agencies in the economic, social and environmental fields. It outlines reforms to make multilateral organisations more democratic, accountable, transparent and coherent. It calls on international organisations to help find a better balance between social goals and economic policies, and to shift the focus from the markets to the people. International bodies should systematically examine the implications that their policies have for decent work, gender equality, education, health and social development. Such agencies should also work together to address the social dimension of globalisation through "Policy Coherence Initiatives", which aim to find new solutions to global problems, taking different perspectives into account. The report recommends the setting up of a Globalisation Policy Forum among interested international bodies. This would provide an opportunity for the United Nations and its specialised agencies to work with others to foster a more balanced and fair globalisation.

4. ILO DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

As the report of the WCDSG says, it is essential that respect for core labour standards form part of a broad international agenda for development. The international community

recognises the value of international labour standards in improving employment and labour conditions worldwide. Such standards are contained in the conventions and recommendations of the ILO, which are adopted in the tripartite framework by employers, workers and governments from the ILO's 177 member countries. International labour standards are seen as a central plank of "decent work". Over many years, a consensus has emerged on a series of "core" labour standards as a minimum set of rules for labour in the global economy. One important stage in this process is the Copenhagen Declaration on Social Development, 12 March 1995:

Commitment 3⁹

We commit ourselves to promoting the goal of full employment as a basic priority of our economic and social policies, and to enabling all men and women to attain secure and sustainable livelihoods through freely chosen productive employment and work.

To this end, at the national level we will:

(...)

(i) Pursue the goal of ensuring quality jobs, and safeguard the basic rights and interests of workers and to this end, freely promote respect for relevant International Labour Organization conventions, including those on the prohibition of forced and child labour, the freedom of association, the right to organize and bargain collectively, and the principle of non-discrimination.

The ILO Declaration on Fundamental Principles and Rights at Work aims to ensure that social progress goes hand in hand with economic progress and development. The Declaration is a promotional instrument and a re-affirmation by the ILO's government, employer and worker constituents of the central belief set out in the organisation's Constitution.

Adopted in 1998, the Declaration commits member states to respect and promote principles and rights in four categories, independently of whether or not they have ratified the relevant Conventions. These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour, and the elimination of discrimination in respect of employment and occupation. The Declaration underlines that these rights are universal, and apply to all people in all states – regardless of the level of economic development.

⁹ Reaffirmed by the UN General Assembly Special Session (Copenhagen+5): World Summit for Social Development and Beyond: Achieving Social Development for All in a Globalized World (United Nations, Further initiatives for social development, A/RES/S-24/2, New York 2000: United Nations, pp. 21.23.

This commitment is supported by a follow-up procedure. Member states that have not ratified one or more of the core Conventions are asked each year to report on the status of the relevant rights and principles within their borders, noting impediments to ratification, and areas where assistance may be required. These reports are reviewed by the Committee of Independent Expert Advisers. Their observations are, in turn, considered by the ILO's Governing Body.

The Declaration and its Follow-up provides three ways to help countries, employers and workers achieve the full realisation of the objective of the Declaration:

- An *Annual Review* composed of reports from countries that have not yet ratified one or more of the relevant ILO Conventions. This reporting process provides governments with an opportunity to state what measures they have taken towards achieving respect for the Declaration. It also gives organisations of employers and workers a chance to voice their views on the progress made and the actions taken relating to enduring inactivity.
- The yearly *Global Report* provides a dynamic global picture of the current situation of the principles and rights expressed in the Declaration. It is an objective view of the global and regional trends on the issues relevant to the Declaration and serves to highlight those areas that require greater attention. It serves as a basis for determining priorities for technical co-operation.
- *Technical co-operation projects* are designed to address identifiable needs in relation to the Declaration, and to strengthen local capacities thereby translating principles into practice.

The Fundamental Principles and Rights at Work are gaining wider recognition among organisations, communities and enterprises. They provide benchmarks for responsible business conduct, and are incorporated into the ILO's own Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. The OECD's Guidelines for Multinational Enterprises emphasise them and the UN Global Compact promotes them as universal values to be achieved in business dealings around the world. A growing number of private sector codes of conduct and similar initiatives also refer to the fundamental principles and rights at work.

The Declaration explicitly states that these core labour standards should not be used for protectionist trade purposes, and that nothing in the Declaration and in the follow-up

process shall be invoked or otherwise used for such purposes; the comparative advantage of any country should in no way be called into question.

Table 1 gives an overview of the Fundamental ILO Conventions and the Number of Ratifications in June 1998, the date of the ILO Declaration on Fundamental Principles and Rights at Work, and in January 2009. Additionally, the main content of the several Conventions is summarised.

Table 1: Fundamental ILO Conventions and Number of Ratifications

No.	Title and Aim of Convention	Ratifications	
		6/98	1/09
No. 29	FORCED LABOUR CONVENTION (1930) <ul style="list-style-type: none"> – Ratifying States are under the obligation to suppress all forms of forced or compulsory labour. – Illegal exaction of forced or compulsory labour must be punishable as a criminal offence. 	145	173
No. 87	FREEDOM OF ASSOCIATION AND PROTECTION OF THE RIGHT TO ORGANISE CONVENTION (1948) <ul style="list-style-type: none"> – Workers and employers, without discrimination whatsoever, have the right to establish and join organisations of their own choosing with a view to furthering and defending their respective interests. – These organisations must enjoy full freedom to draw up their rules, designate their representatives and formulate their programmes. 	121	149
No. 98	RIGHT TO ORGANISE AND COLLECTIVE BARGAINING CONVENTION (1949) <ul style="list-style-type: none"> – Workers must enjoy adequate protection against acts of anti-union discrimination. – Workers' and employers' organisations must enjoy protection against acts of interference by each other. – Voluntary collective bargaining to regulate terms and conditions of employment must be promoted. 	137	159
No. 100	EQUAL REMUNERATION CONVENTION (1957) Ratifying States undertake to promote and, where possible, to ensure application to all workers of the principle of equal remuneration for men and women for work of equal value.	136	166
No. 105	ABOLITION OF FORCED LABOUR CONVENTION (1957) Ratifying States undertake to suppress the recourse to any form of forced or compulsory labour: <ul style="list-style-type: none"> – as means of political repression; 	130	171

	<ul style="list-style-type: none"> – as a method of mobilization of labour for economic development; – as a means of labour discipline; – as a punishment for having participated in strikes; – as a means of racial, social, national or religious discrimination. 		
No. 111	DISCRIMINATION (EMPLOYMENT AND OCCUPATION) CONVENTION (1958)	129	168
	<p>Calls for a national policy to eliminate discrimination in access to employment, training and working conditions, on grounds of race, colour, sex, religion, political opinion, national extraction or social origin, and to promote equal opportunity and treatment.</p>		
No. 138	MINIMUM AGE CONVENTION (1973)	64	151
	<ul style="list-style-type: none"> – A general minimum age for admission to employment or work must be set, not lower than the age of completion of compulsory education and not less than 15 years. – Minimum age must not be less than 18 years in employment or work likely to jeopardize the health, safety or morals of young persons. – Light work may be permitted to young persons of 13 to 15 years of age, provided it does not prejudice their education. 		
No. 182	WORST FORM OF CHILD LABOUR CONVENTION (1999)	0	169
	<p>Ratifying States must take immediate and effective measures to prohibit and eliminate the worst forms of child labour, namely, slavery and forced labour, prostitution and pornography, illicit activities, and work likely to harm health, safety or morals.</p>		

5. POSSIBILITIES FOR IMPLEMENTING SOCIAL STANDARDS

Flexible forms of transnational production and processes of economic globalisation are increasingly challenging the traditional capacity of domestic labour law to promote justice in the world of work. Three international and transnational modes of regulation are forming beyond the state: First, the International Labour Organisation is promoting a set of labour rights with which all states ought to comply as a matter of international law. Secondly, numerous institutions and actors are linking international labour rights with trade liberalisation initiatives. Thirdly, corporations are increasingly relying on codes of conduct to govern their employment relations.

These developments are establishing relatively firm footholds in international law, and operate in tandem to provide international legal authority for innovative domestic regulation of transnational corporate activity. Together with more general principles of international human rights law, they authorise a state to require all corporations operating

within its jurisdiction and all corporations operating outside its jurisdiction seeking domestic market access to comply with a domestically enforceable code of conduct that enshrines international labour rights. This new labour law authorises a hybrid form of domestic labour market regulation, one that combines public and private power, and invests international commitments with domestic legal force. It supplements traditional forms of domestic labour law to enable a state to regulate not only production within its jurisdiction, but also flexible forms of transnational production both at home and abroad.¹⁰

Table 2 gives an overview of these implementing social standards. It differentiates between governments and privates as actors. Regulations and actions for implementing social standards with the participation of governments can be found at multilateral or bilateral level as well as in the UN human rights area, in the trade policy area and in the development policy. Reports and sanctions are mainly used as common instruments. Private actors use international, branch-related or firm-related levels as a playing field; codes of conduct and quality seals as well as other forms of social labelling play a prominent role.

¹⁰ For more details see Macklem, Patrick, Labour Law Beyond Borders, *Journal of International Economic Law* 5 (2002), 595-645.

Table 2: Possibilities for implementing social standards

Actors	Level	Organisations	Instruments
Government-Government	1. Multilateral, UN human rights area: Regional	ILO	– Reports
			– Grievances / complaints
			– Promotional measures
		CESCR	– Reports
		CRC	– Reports
		Trade policy area:	
		WTO	– Sanctions
		NAFTA	– Reports
			– Sanctions
		GSP	– Sanctions (positive, negative)
Government-private	2. Bilateral	Development policy:	
		World Bank et al.	– Preparation of standards
			– Advising governments
Government-private	1. Multilateral, UN Global Compact Regional	OECD EC	– Codes of conduct
			– Codes of conduct
			– EC monitoring agency for behaviour of EC TNCs
			– Monitoring quality of codes
			– Advertising governments etc.
Private-Private	1. International	NGOs / firms	– Quality seals:
			Social accountability 8000
			– Rugmark, Flower Label Programs, etc.
	2. Branches	e.g. Toy industry	– Codes of conduct
	3. Firm-related	Possible combinations:	
		Only firm-internal	
		Firms / NGOs	
		Only NGOs	– In-house of conduct
			– Ethics / business principles

Source: GTZ, Social Standards in Technical Cooperation, Eschborn 2004, p. 32.

Acronyms: CESCR Committee on Economic, Social and cultural Rights
CRC Committee on the Rights of the Child
DC Development Cooperation
GSP General System of Preferences
NAFTA North American Free Trade Agreement
TNC Transnational corporation

6. CORPORATE SOCIAL RESPONSIBILITY – CSR

Corporate Social Responsibility (CSR) is a concept whereby organisations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation, and sees organisations voluntarily taking further steps to improve the quality of life for both their employees and their families as well as for the local community and society at large. The term “corporate social responsibility” came into common use in the early 1970s. Many large companies now issue a corporate social responsibility report along with their annual report.

There is no universally accepted definition of CSR. Selected definitions by CSR organizations and actors include:

“Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”¹¹

“Corporate social responsibility is undertaking the role of “corporate citizenship” and ensuring the business values and behaviour is aligned to balance between improving and developing the wealth of the business, with the intention to improve society, people and the planet.”¹²

“Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development.”¹³

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”¹⁴

It is apparent that, in today’s business practice, CSR is entwined in many multinational organizations strategic planning processes. The reasons or drive behind social responsibility towards human and environmental responsibility is still questionable, and whether they are based upon genuine interests or have underlining ulterior motives still remains a valid question. Critics argue that CSR cherry-picks the good activities that a company is involved in and ignores the others, thus “greenwashing” their image as a socially or environmentally

11 World Business Council for Sustainable Development, Corporate Social Responsibility: Making good business sense, 2000.

12 A brief history of social reporting, Business Respect 2003.

13 International Finance Corporation, <http://www.ifc.org.ifcext/economics.nsf/Content/CDR-IntroPage>.

14 http://ec.europa.eu/enterprise/csr/index_en.htm.

responsible company. There are other people who argue that it inhibits free markets. Some critics believe that CSR programmes are often undertaken in an effort to distract the public from the ethical questions posed by their core operations.

The concept of CSR is closely connected with the idea of ethical consumerism. In many cases, international organisations and governments themselves have set the agenda for social responsibility. In many instances, separate organisational bodies are established to administer the workings of fair-trading at both a local and a global front.

Table 3 gives an overview of benefits and costs of CSR for different stakeholder groups inside and outside the corporations. *Table 4* shows the most well-known initiatives and their main issues. It differentiates between governmental and intergovernmental initiatives, company-led initiatives, NGO-led initiatives and governance initiatives. The last group is only in a very vague manner connected with the CSR concepts and has mainly managerial aims.

Table 3: Corporate Social Responsibility – Benefits and Costs for Different Stakeholder Groups

Stakeholder group	Benefits	Costs
Directors	More independent non-executive directors	More meetings and briefings
Shareholders	Increased investment from ethically based pension funds	Increased reporting costs, more openness
Managers	Better human rights policies lead to increased motivation	Increased training in ethics
	More awareness of ethical issues lead to more confidence about employees	Focus group sessions and reporting
Employees	Better human rights policies lead to increased motivation	Inclusion of ethics training
	Good ethical conduct by superiors lead to increased productivity	More intra-company communications
	Less labour relations disputes, less strikes	More efforts on labour relations
	Better working conditions	
	Easier recruitment of high flyers policies and young people	Will need to implement human rights
	Reduced costs of recruitment	
Customers	Move to ethical consumption captured by company	Costs of goods may increase in the short term
	Less disputes	
	Advertising can cite CSR	
	Enhanced reputation	
	Brand quality recognition	
Subcontractors/	Better quality inputs	Cost of inputs may increase in the short term
Suppliers	Less harmful effect on public image	
Community	More willingness to accept New investments	Requires continual interaction with community
	Improved public image	
Government	More confidence in company	
	Fewer legal battles, no new potentially harmful legislation	Costs of adhering to new regulations will increase
	More favourable trading regime	
	More willingness to accept expansion or downsizing	
Environment	Less legal battles	Investment in environmental damage control
	Improved public image	

Source: Michael Hopkins, Corporate social responsibility: an issues paper, Policy Integration Department Working Paper prepared for the World Commission on the Social Dimension of Globalization, No. 27, May 2004, p. 30.

Table 4: Corporate Social Responsibility – Most well-known initiatives and their specific issues

Initiatives	Date	Main Issues
Governmental and Intergovernmental Initiatives:		
ILO Tripartite Declaration on TNCs	Geneva, 1977, rev. 3/2000	Employment
OECD Guidelines for MNEs	Paris, 1976, rev. 6/2000	Employment, environment, combating bribery, consumer interests, science and technology, competition, taxation
UN Global Compact	New York, 7/2000	Human rights, labour and environment
UNEP Financial Statement	Paris, 1992, rev. 5/1997	Environment
EC Principles	Brussels, 2001, rev. 2002	Multi-stakeholder
Voluntary Principles on Security and Human Rights, US & UK Govt.	Washington, DC and London, 12/2000	Security and human rights for extractive and energy industries
US Model Business Practices	Washington, DC, 1996	Health and safety, labour, environment, corruption, community, law
Ethical Trading Initiative, UK Govt.	London, 9/1998	Labour practices essentially on trade links and NGOs
Company-led Initiatives:		
Caux Principles	Minnesota, 1994	Multi-stakeholder
Fair Labor Association (FLA), US	California, 11/1998	Labour practices
Global Sullivan Principles	USA, 11/1999	Mainly external stakeholders
ICC Business Charter for Sustainable	Brussels, 1991	Environment, health and safety Development
World Economic Forum	Davos/Geneva, 2002	Corporate governance
NGO-led initiatives:		
AccountAbility 1000	London, 1999, rev. 2002	Social and ethical assurance, not environment, Stakeholder model
Amnesty International Human Rights	London, 9/1998	Human rights and security
CERES Principles	USA, 1989	Environmental ethical standards
Global Reporting Initiative (GRI)	Boston 1997, rev. 2002	Multi-stakeholder, triple bottom line indicators
ICFTU Code of Labour Practice	Brussels/Geneva, 1997	Labour and trade union issues
SA 8000	London, 1998, rev. 2002	Says CSR, but is mainly labour
Social Venture Network	Brussels, 1999	CSR multi-stakeholder, corporate
Standards on CSR		Governance mentioned, social audits
Sigma Sustainable Principles	London, 1999	Multi-stakeholder, bias towards environment, no management shareholders
Q-Res Codes of Ethics	Italy, 1999	Multi-stakeholder
Governance Initiatives:		
General Motors Board Guidelines	Detroit	Management
OECD Principles /	Paris	Management
Millstein Report International		
Bosch Report, Australia	Australia	Management
Merged Code Recommendations	Brussels	Management
Turnbull Report, UK	London	Management
King Report, South Africa	Johannesburg, 2002	Management and ethics
King Report, Commonwealth	London, 2001	Management and ethics
World Bank Corporate	Washington DC, 2000	Management and finance Governance Forum

Source: Michael Hopkins, Corporate social responsibility: an issues paper, Policy Integration Department Working Paper prepared for the World Commission on the Social Dimension of Globalisation, No. 27, May 2004, p. 30.

7. GUIDELINES FOR MULTINATIONAL ENTERPRISES

The first versions of Guidelines for Multinational Enterprises (MNEs) can be seen as predecessors for the recent debate on the linkages between trade and core labour standards.

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to MNEs operating in or from adhering countries (the 30 OECD member countries plus ten non-member countries¹⁵). They provide voluntary principles and standards for responsible business conduct, in a variety of areas including employment and industrial relations, human rights, the environment, information disclosure, competition, taxation, and science and technology. The OECD Guidelines are the only multilaterally endorsed and comprehensive code that governments are committed to promote. The Guidelines' recommendations express the shared values of the governments of countries that are the source of most of the world's direct investment flows and home to most MNEs. They aim to promote the positive contributions that MNEs can make to economic, environmental and social progress. They are an annex to the OECD Declaration on International Investment and Multinational Enterprises, and were adopted by the OECD in 1976, and were revised in 1979, 1982, 1984, 1991 and 2000.

OECD Guidelines for Multinational Enterprises, revised version 2000

Selected outline

Preface:

1. The *Guidelines for Multinational Enterprises* (the *Guidelines*) are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. They aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by MNEs.

I. Concepts and Principles:

1. The *Guidelines* are recommendations jointly addressed by governments to multinational enterprises. They provide principles and standards of good practice consistent with applicable laws. Observance of *Guidelines* by enterprises is voluntary and not legally enforceable.
6. Governments adhering to the *Guidelines* should not use them for protectionist purposes nor use them in a way that calls into question the

¹⁵ Argentina, Brazil, Chile, Egypt, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia.

comparative advantage of any country where multinational enterprises invest.

7. Governments have the right to prescribe the conditions under which MNEs operate within their jurisdictions, subject to international law.
10. Governments adhering to the *Guidelines* will promote them and encourage their use. They will establish National Contact Points that promote the *Guidelines* and act as a forum for discussion of all matters relating to the *Guidelines*. The adhering Governments will also participate in appropriate review and consultation procedures to address issues concerning interpretation of the *Guidelines* in a changing world.

IV. Employment and Industrial Relations:

Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices:

1. a) Respect the right of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations with such representatives with a view to reaching agreements on employment conditions.
b) Contribute to the effective abolition of child labour.
c) Contribute to the elimination of all forms of forced or compulsory labour.
d) Not discriminate against their employees with respect to employment or occupation on such grounds as race, sex, religion, political opinion, national extraction or social origin, unless selectivity concerning employee characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job.
2. a) Provide facilities to employee representatives as may be necessary to assist in the development or effective collective agreements.
b) Provide information to employee representatives which is needed for meaningful negotiations on conditions of employment.
c) Promote consultation and co-operation between employees and employers and their representatives on matters of mutual concern.
3. Provide information to employees and their representatives which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole.
4. a) Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.
b) Take adequate steps to ensure occupational health and safety in their operations.
5. In their operations, to the greatest extent practicable, employ local personnel and provide training with a view to improving skill levels, in co-operation with employee representatives and, where appropriate, relevant governmental authorities.

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, adopted in 1977, is addressed to both the governments of home and host countries, and to the MNEs themselves. MNEs are, above all, required to respect the national policy objectives of countries in which they operate with regard to employment promotion, job security, non-discrimination, training, wages, and safety at work. They must also comply with national laws to the highest possible standard, and not to treat their employees less favourably than comparable national enterprises would treat them. MNEs, governments, and employers' and workers' organisations should help to implement the ILO Declaration on the Fundamental Principles and Rights at Work. The text of the MNE Declaration is regularly updated to include references to new instruments, adopted by the International Labour Conference and the Governing Body, which are of relevance to the issues it covers. In March 2000, the text was revised to incorporate the Fundamental Principles and Rights at Work. During the last update, which was adopted in March 2006, the list of ILO Conventions that member states are invited to ratify was extended to all the fundamental Conventions.

ILO, Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, Nov. 1977, revised Nov. 2000 and March 2006

Selected outline

Aims:

5. These principles are intended to guide the governments, the employers' and workers' organizations and the multinational enterprises in taking such measures and actions and adopting such social policies, including those based on the principles laid down in the Constitution and the relevant Conventions and Recommendations of the ILO, as would further social progress.
7. This Declaration sets out principles which governments, employers' and workers' organizations and multinational enterprises are recommended to observe on a voluntary basis; its provisions shall not limit or otherwise affect obligations arising out of ratification of any ILO Convention.

Means:

3. This aim will be furthered by appropriate laws and policies, measures and actions adopted by the governments and by cooperation among the governments and the employers' and workers' organizations of all countries.

Addressees:

4. The principles that out in this Declaration are commended to the governments, employers' and workers' organizations of home and host countries and to the multinational enterprises themselves.

General policies:

8. All the parties concerned by this Declaration should respect the sovereign rights of States, obey the national laws and regulations, give due consideration to local practices and respect relevant international standards. They should respect the Universal Declaration of Human Rights and the corresponding International Covenants adopted by the General Assembly of the United Nations as well as the Constitution of the ILO and its principles. They should contribute to the realization of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted in 1998.
10. Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be in harmony with the development priorities and social aims and structure of the country in which they operate.
11. Multinational and national enterprises should be subject to the same expectations in respect of their conduct in general and their social practises in particular.

Employment:*Employment promotion*

16. Multinational enterprises, particularly when operating in developing countries should endeavour to increase employment opportunities and standards.
18. Multinational enterprises should give priority to the employment, occupational development, promotion and advancement of nationals of the host country at all levels.

Equality of opportunity and treatment

22. Multinational enterprises should be guided by this general principle throughout their operations without prejudice to the measures envisaged in par. 19 or to government policies designed to correct historical patterns of discrimination and thereby to extend equality of opportunity and treatment in employment.

Conditions of work and life:*Wages, benefits and conditions of work*

33. Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned.

Minimum age

36. Multinational enterprises, as well as national enterprises, should respect the minimum age for admission to employment or work in order to secure the effective abolition of child labour and should take immediate and effective measures within their own competence to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency.

Safety and health

38. Multinational enterprises should maintain the highest standards of safety and health, in conformity with national requirements, bearing in mind their relevant experience within the enterprise as a whole, including any knowledge of special hazards.

Industrial Relations:

41. Multinational enterprises should observe standards of industrial relations not less favourable than those observed by comparable employers in the country concerned.

Freedom of association and the right to organize

42. Workers employed by multinational enterprises as well as those employed by national enterprises should have the right to establish and to join organizations of their own choosing without previous authorisation. They should also enjoy adequate protection against acts of antiunion discrimination in respect of their employment.

Collective bargaining

49. Workers employed by multinational enterprises should have the right, in accordance with national law and practice, to have representative organizations of their own choosing recognized for the purpose of collective bargaining.
53. Multinational enterprises should not threaten to utilize a capacity to transfer the whole or part of an operating unit from the country concerned in order to influence unfairly those negotiations or to hinder the exercise of the right to organize; nor should they transfer workers from affiliates in foreign countries with a view to undermining bona fide negotiations with the workers' representatives or the workers' exercise of their right to organize.
55. Multinational enterprises should provide workers' representatives with information required for meaningful negotiations with the entity involved and, where this accords with local law and practices, should also provide information to enable them to obtain a true and fair view of the performance of the entity or of the enterprise as whole.

Table 5 gives an overview of the many multilateral sources of the OECD Guidelines for Multinational Enterprises. *Table 6* entails a comparison of the OECD Guidelines for MNEs with the ten principles of the UN Global Compact.

TABLE 5: MULTILATERAL SOURCES OF THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

OECD Guidelines	Established International Framework mentioned in the OECD Guidelines
Preface	1948 Universal Declaration of Human Rights, 1995 Copenhagen Declaration for Social Development, 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1999 OECD Principles of Corporate Governance, 1999 OECD Guidelines for Consumer Protection in the Context of Electronic Commerce, 1995 OECD Transfer Pricing Guidelines for MNEs and Tax Administration
I. Concepts & Principles	
II. General Policies	1948 Universal Declaration of Human Rights, 1999 OECD Principles of Corporate Governance
III. Disclosure	1999 OECD Principles of Corporate Governance
IV. Employment and	1977 ILO Tripartite Declaration of Principles concerning MNEs and Social Policy, Industrial Relations 1998 ILO Declaration of Fundamental Principles and Rights at Work; ILO Conventions: No. 29 of 1930 concerning Forced and Compulsory Labour, No. 105 of 1957 on the Abolition of Forced Labour, No. 111 of 1958 concerning Discrimination with respect to Employment and Occupation, No. 182 of 1999 concerning the Prohibition and Immediate Action for the Elimination of Worst Forms of Child Labour, No. 138 of 1973 concerning Minimum Age for Admission to Employment; ILO Recommendations: No. 94 of 1952 concerning Consultation and Cooperation between Employers and Workers at level of Undertaking, No. 146 of 1973 concerning Minimum Age for Admission to Employment
V. Environment	1992 Rio Declaration on Environment and Development and Agenda 21, 1998 Aarhus Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters
VI. Combating Bribery	1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997 OECD Revised Recommendation on Combating Bribery in International Business Transactions, 1996 OECD Recommendation on the Tax Deductibility of Bribes to Foreign Public Officials
VII. Consumer Interests	1999 Revised UN Guidelines for Consumer Protection, 1999 OECD Guidelines for Consumer Protection in the Context of Electronic Commerce, 1980 OECD Guidelines Governing the Protection of Privacy and Trans-border Flows of Personal Data
VIII. Science & Technology	No OECD or external references
IX. Competition	1998 Recommendation of the OECD Council concerning Effective Sanctions Against Hard Core Cartels, C (98)35/Final, 1995 Recommendation of the Council, concerning Co-operation Between Member Countries on Anticompetitive Practices Affecting International Trade, C(95)130/Final, <i>Making International Markets More Efficient Through Positive Comity in Competition Law Enforcement</i> . Report of the OECD Committee on Competition Law and Policy

X. Taxation 1995 OECD Transfer Pricing Guidelines for MNEs & Tax Administrations,
Recommendation of the OECD Council on the Determination of Transfer
Pricing between Associated Enterprises

Source: Kathryn Gordon / Clelia Mitidieri, Multilateral Influences on the OECD Guidelines for Multinational Enterprises, OECD Working Papers on International Investment No. 2005/2, Paris, Sept. 2005, p. 7.

TABLE 6: COMPARISON OF THE COVERAGE OF THE UN GLOBAL COMPACT PRINCIPLES AND THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

Global Compact Principles	OECD Guidelines' Chapter
Human Rights:	
Principle 1: Business should support and respect the protection of internationally proclaimed human rights.	Chapter II – General Principles Chapter VII – Consumer Interests
Principle 2: Make sure that they are not complicit in human rights abuses.	Chapter II – General Policies
Labour:	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Chapter IV – Employment and Industrial Relations
Principle 4: Elimination of all forms of forced and compulsory labour	Chapter IV – Employment and Industrial Relations
Principle 5: Effective abolition of Child Labour	Chapter IV – Employment and Industrial Relations
Principle 6: Elimination of discrimination in respect of employment and occupation	Chapter IV – Employment and Industrial Relations
Environment:	
Principle 7: Businesses should support a precautionary approach to environmental challenges.	Chapter V – Environment
Principle 8: Undertake initiatives to promote greater environmental responsibility.	Chapter V – Environment
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	Chapter V – Environment
Anti-corruption:	
Principle 10: Business should work against all forms of corruption, including extortion and bribery.	Chapter VI – Combating Bribery
Other issues:	
	Chapter III – Disclosure Chapter VII – Consumer Interests Chapter VIII – Science and Technology Chapter IX - Competition Chapter X – Taxation

Source: OECD Secretariat / UN Global Compact Office, The UN Global Compact and the OECD Guidelines for Multination Enterprises: Complementarities and Distinctive Contributions, Paris, 26 April 2005, p. 5.

8. UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is an initiative to encourage businesses worldwide to adopt sustainable and socially-responsible policies, and to report on them. Under the Compact, companies are brought together with UN agencies, labour groups and civil society representatives.

The UN Global Compact was first announced by UN Secretary-General Kofi Annan in an address to the World Economic Forum on 31 January 1999, and was officially launched at UN Headquarters in New York on 26 July 2000. As of 2006, it included more than 3,300 companies from all regions of the world, as well as around 1,000 labour and civil society organisations, also from all regions of the world. The Global Compact Office is supported by six UN agencies: the United Nations High Commissioner for Refugees (UNHCR), the United Nations Environment Programme (UNEP), the International Labour Organisation (ILO), the United Nations Development Programme (UNDP), the United Nations Industrial Development Organisation (UNIDO), and the United Nations Office on Drugs and Crime (UNODC).

The Global Compact is not a regulatory instrument, but is, instead, a forum for discussion and a network for communication, which includes governments, companies and trade unions, whose actions it seeks to influence, and civil society organisations, which represent its stakeholders. The Compact's goals are intentionally flexible and vague; it distinguishes the following channels through which it provides facilitation and encourages dialogue: policy dialogues, learning, local networks and projects. The ten leading principles in the fields human rights, labour, environment and anti-corruption are included in Table 6.

Global Compact Critics is an informal network of organisations and people with concerns about the Global Compact. Many NGOs, such as Greenpeace ActionAid, CorpWatch and the Berne Declaration, believe that, without any effective monitoring and enforcement provisions, the Global Compact fails to hold corporations accountable. Moreover, these organisations argue that companies can misuse the Global Compact as a public instrument for “blue-washing”, as both an excuse and an argument to oppose any binding international regulation on corporate accountability, and as an entry door to increase corporate influence on the policy discourse and the development strategies of the United Nations.

9. CONDITIONALITY OF GENERAL SYSTEMS OF PREFERENCES AS LINKAGE BETWEEN TRADE AND LABOUR

The purpose of the General Systems of Preferences (GSP), which was initiated by the United States and other industrial countries in the 1970s, is to promote economic growth in developing countries by stimulating their exports. The EC introduces the GSP and its successor programme GSP+ for developing countries to be granted preferential status when exporting into the EC and, among others, applying fundamental human rights, core labour standards and some Multilateral Environment Agreements. This instrument is, therefore, an incentive-based system which should contribute to the implementation of fundamental labour standards in developing countries. The special incentive arrangement for sustainable development and good governance may be granted to a country which has ratified and effectively implemented the relevant conventions. The European Commission is to keep the status of ratification and effective implementation of the conventions under review. The examination must take the findings of the relevant international organisations and agencies into account. The preferential arrangements may be temporarily withdrawn with regard to serious and systematic violations of principles laid down in the relevant conventions.

Conditions referred to in Art. 9 of Council Regulation (EC) No. 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences, OJ L 169, 30.6.2005, 1-43

Annex III, Part A: Core human and labour rights, UN/ILO Conventions

1. International Covenant on Civil and Political Rights
2. International Covenant on Economic, Social and Cultural Rights
3. International Covenant on the Elimination of All Forms of Racial Discrimination (CERD)
4. Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)
5. Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)
6. Convention on the Rights of the Child (CRC)
7. Convention on the Prevention and Punishment of the Crime of Genocide
8. ILO Convention No. 138 concerning Minimum Age for Admission to Employment
9. ILO Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour
10. ILO Convention No. 105 concerning the Abolition of Forced Labour
11. ILO Convention No. 29 Forced or Compulsory Labour

12. ILO Convention No. 100 concerning Equal Remuneration of Men and Women Workers for Work of Equal Value
13. ILO Convention No. 111 concerning Discrimination in Respect of Employment and Occupation
14. ILO Convention No. 87 concerning Freedom of Association and Protection of the Right to Organise
15. ILO Convention No. 98 concerning the Application of the Principles to Organise and to Bargain Collectively
16. International Convention on the Suppression and Punishment of the Crime of Apartheid

Annex III, Part B: Conventions related to the environment and governance principles

17. Montreal Protocol on Substances that Deplete the Ozone Layer
18. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
19. Stockholm Convention on Persistent Organic Pollutants
20. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
21. Convention on Biological Diversity (CBD)
22. Cartagena Protocol on Biological Diversity
23. Kyoto Protocol to the United Nations Framework Convention on Climate Change
24. United Nations Single Convention on Narcotic Drugs (1961)
25. United Nations Convention on Psychotropic Substances (1971)
26. United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)
27. United Nations Convention against Corruption (Mexico)

10. THE TRADE POLICY REVIEW MECHANISM AS A MEANS TO CONSIDER LABOUR STANDARDS INSIDE THE WTO

A possible compromise approach, which, on the one hand, would employ the WTO in considering core labour standards, but which, on the other, would allow time to establish the best way in which they could be enforced, involves using the WTO's Trade Policy Review Mechanism (TPRM).¹⁶ The TPRM was established in 1988 as the very first result of the starting Uruguay Round. Subsequently established as a key component of the WTO, the

¹⁶ For more details, see Turnell, Sean, Core Labour Standards and the WTO, Economics and Labour Relations Review 13,1 (2002).

objective of the TPRM is to review the trade policies and practices of the members and their impact on the functioning of the multilateral trading system.

The reviews are carried out by the WTO Secretariat, whose report is subsequently sent to the WTO General Council. In this way, the TPRM is essentially a kind of peer-group assessment. Although all WTO members are subject to review under TPRM, the regularity is determined by their share of world trade. The top four members are subject to review every two years, the next 16 are reviewed every four years, while the remainder are reviewed every six years. However, the TPRM does not hand out “punishments”, nor can it be used for the enforcement of specific obligations or to settle disputes.

The TPRM provides a constructive and non-confrontational way through which institutional links can be established between social issues and trade.¹⁷ It is also an approach favoured by the International Confederation of Free Trade Unions (ICFTU) which contends that labour standards must be regarded as among the trade-related policies and practices that are central to the TPRM process. As a way of demonstrating the efficacy of the process, the ICFTU has begun producing its own labour standards reports for the countries subject to the periodic Trade Policy Review.¹⁸

Mehmet *et al.* (1999, p. 203) are impressed by the educative possibilities of the use of the TPRM process, noting that “it may be the best way to develop our conceptual and empirical understanding of the linkage that is required to develop further policy in this area, and, in particular, to determine the extent that labour standards can be subsidising trade or investment, whether in a traditional or non-traditional conceptualisation of subsidy”. The TPRM also provides the means, they argue, by which “aggressive unilateralism” could be avoided, while, at the same time, exposing the emerging labour tensions in international economic relations before they are allowed to escalate into trade disputes.

¹⁷ Mehmet *et al.*, 1990, p. 202.

¹⁸ These reports can be found at the website of the ICFTU, <http://www.icftu.org>.

ANNEX: VOLUNTARY INITIATIVES AND TOOLS FOR SOCIAL RESPONSIBILITY

No.	Organization, Initiative or Tool	Organiza- tional go- vernance	Human rights	Core Subjects				Con-Communi- sumerty involve- ment	Practices for integrating							
				Labour practices	Environ- ment	Fair op- erating practices	A		B	C	D	E	F	G	H	
I.	Intergovernmental Initiatives:															
1	UNEP, Climate Neutral Network					X							Y	Y	Y	Y
2	UNEP, Life Cycle Initiative			X	X		X	X					Y	Y		Y
3	UNIDO, Responsible Entrepreneurs Achivement Programme		X	X	X	X			Y	Y		Y	Y	Y		Y
4	United Nations Global Compact		X	X	X	X							Y			
5	UNGC, UNDP, UNITAR, UN Partnership Assessment Tool							X		Y			Y			
II.	Multi-Stakeholder Initiatives:															
6	Accountability, The AA1000 Series	X	X	X	X	X	X	X	Y	Y	Y	Y	Y	Y	Y	Y
7	Amnesty International, Human Rights Principles for Companies		X										Y		Y	
8	Business Social Compliance Initiative (BSCI)		X	X	X	X		X	Y	Y		Y				
9	Centre for Business Ethics, Values Management System	X	X	X	X	X	X	X				Y	Y	Y	Y	Y
10	CSR360, Global Partner Network	X	X	X	X	X	X	X	Y	Y	Y	Y	Y	Y	Y	Y
11	EFQM, Framework for CSR and Excellence Model	X	X	X	X	X	X	X	Y	Y	Y	Y	Y	Y	Y	Y
12	Ethical Trading Initiative		X	X					Y		Y	Y	Y	Y	Y	Y
13	European Business Ethics Network (EBEN)	X	X	X	X	X	X	X	Y			Y			Y	
14	Fair Labour Association (FLA)	X	X	X					Y	Y			Y	Y	Y	Y
15	Global Leadership Network Tool for Implementation		X	X	X	X	X						Y			

No.	Organization, Initiative or Tool	Organiza- tional go- vernance	Core Subjects						Practices for integrating							
			Human rights	Labour practices	Environ- ment	Fair ope- rating practices	Con-Communi- sumerty involve- ment	issues	A	B	C	D	E	F	G	H
16	Global Reporting Initiative (GRI), Sustainability Reporting Guidelines	X	X	X	X	X	X	X				Y		Y		Y
17	IBLF and IFC, A Guide to Human Rights Impact Assessment		X	X	X	X							Y			
18	R-ec, Ethical/Legal Compliance Management System Standard												Y			Y
19	Responsabilidad Social Empresarial, Caja de Herramientas para America Latina		X	X			X		Y	Y			Y			
20	Social Accountability International, SA8000 Standard	X	X	X		X			Y	Y		Y	Y	Y	Y	Y
21	Transparency International, Various tools	X		X					Y						Y	Y
III. Single Stakeholder Initiatives:																
22	Caux Round Table, Principles for Business		X	X	X	X	X	X	Y							
23	Consumers International, Charter for Goba Business				X	X	X						Y	Y		Y
24	CSR Europe	X	X	X	X	X	X		Y	Y	Y	Y	Y	Y	Y	Y
25	Ethos Institute, Ethos indicators of CSR	X	X	X	X	X	X	X	Y		Y	Y	Y			Y
26	International Chamber of Commerce (ICC), Various tools and initiatives	X	X	X	X	X	X	X	Y	Y	Y	Y	Y	Y	Y	Y
27	International Road Transport Union, Charter for Sustainable Development				X	X							Y			

No.	Organization, Initiative or Tool	Core Subjects						Practices for integrating							
		Organiza- tional go- vernance	Human rights	Labour practices	Environ- ment	Fair ope- rating practices	Con-Communi- sumerty involve- ment	A	B	C	D	E	F	G	H
28	World Business Council for Sustainable Development (WBCSD), Various initiatives and tools	X	X	X	X	X	X	X	Y	Y	Y	Y	Y	Y	Y
29	WBCSD and World Resources Institute (WRI), The Grenhouse Gas Protocol				X								Y		
IV. Sectoral Initiatives:															
a) Agriculture															
30	Common Code for the Coffee Community Association, Code of Conduct														
31	International Cocoa Initiative		X	X	X			Y		Y	Y	Y	Y	Y	Y
32	Sustainable Agriculture Network, SAN Standards	X	X	X	X	X	X	X				Y			Y
b) Apparel															
33	Fair Wear Foundation		X	X				Y		Y	Y	Y	Y	Y	Y
34	Fur Free Retailer Program				X		X						Y		
c) Construction															
35	UNEP, and Construction Initiative				Sustainavle X							Y		Buildings Y	Y
d) Consumer Goods / Retail															
36	Busines Social Compliance Initiative (BSCI)	X	X	X	X							Y	Y	Y	Y

No.	Organization, Initiative or Tool	Core Subjects						Practices for integrating							
		Organiza- tional go- vernance	Human rights	Labour practices	Environ- ment	Fair ope- rating practices	Con-Communi- sumerty involve- ment	A	B	C	D	E	F	G	H
e) Electronics															
37	Electronic Industry Citizenship Coalition, The Electronic Industry Code of Conduct		X	X	X	X	X	X	Y				Y	Y	
38	Zentralverband der Deutschen Elektro- und Elektronikindustrie, Code of Conduct on CSR	X	X	X	X	X	X	X	Y				Y		Y
f) Extractive															
39	International Petroleum Industry Environmental Conservation Association (IPIECA), Various tools and initiatives		X	X	X	X		X	Y		Y	Y	Y	Y	Y
40	The Voluntary principles on Security and Human Rights		X	X	X							Y			Y
g) Finance / Investments															
41	Equator Principles											Y	Y	Y	
42	Guidelines for ESG Reporting and Integration into Fncial Analysis	X	X	X	X	X	X		Y		Y		Y	Y	Y
43	Principles for Responsible Invesment (PRI)	X			X			X	Y	Y		Y	Y		Y
44	UNEP Finance Initiative (UNEP FI)	X			X							Y		Y	Y
h) Fisheries															
45	Marine Stewardship Council				X	X	X						Y	Y	Y

No.	Organization, Initiative or Tool	Core Subjects						Practices for integrating							
		Organiza- tional go- vernance	Human rights	Labour practices	Environ- ment	Fair ope- rating practices	Con-Communi- sumerty involve- ment	A	B	C	D	E	F	G	H
i) Information Technologies															
46	UNEP and Internatonal Telecom- munication Union (ITU), Global e-Sustainability Initiative (GeSI)					X		X	Y			Y	Y	Y	Y
j) Public Services															
47	United Nations, Sustainable United Nations (SUN)					X			Y						Y
k) Travel and Tourism															
48	Code of Conduct for the Protec- tion of Children from Sexual Ex- ploitation in Travel and Tourism		X									Y			Y
49	Global Sustainable Tourism Criteria Partnership					X		X	Y			Y			Y

Source: Committee Draft ISO/CD 26000, Guidance on Social Responsibility, Annex A, 2008-12-15.

Practices for integrating social responsibility:

- A Recognizing social responsibility
- B Stakeholder identification and engagement
- C The relationship of the organization's characteristics to social responsibility
- D Understanding the social responsibility of the organization
- E Practices for integrating social responsibility throughout the organization
- F Communication on social responsibility
- G Enhancing credibility regarding social responsibility
- H Reviewing and improving the organization's actions and practices related to social responsibility

Internet resources:

- 1 <http://www.climateneutral.org>
- 2 <http://lcinitiative.unep.fr/>
- 3 <http://www.unido.org/reap>
- 4 <http://www.unglobalcompact.org/>
- 5 <http://www.unglobalcompact.org/Issues/partnerships/pat.html>
- 6 <http://www.aountability21.net>
- 7 <http://www.amnesty.org>
- 8 <http://www.bsci-eu.org>
- 9 <http://www.dnwe.de/wertemanagement.php> (German)
- 10 <http://www.csr360.org>
- 11 <http://www.efqm.org>
- 12 <http://www.ethical.trade.org/>
- 13 <http://www.eben-net.org>
- 14 <http://www.fairlabor.org/>
- 15 <http://www.globalleadershipnetwork.org>
- 16 <http://www.globalreporting.org>
- 17 <http://www.iblf.org/resources/general.jsp?id=123946>
- 18 <http://r-bec.reitaku-u.ac.jp> (Japanese)
- 19 <http://www.produccionmaslimpia-la.net/herramientasd/index.htm> (Spanish)
- 20 <http://www.sa-intl.org>
- 21 <http://www.transparency.org>
- 22 <http://www.cauxroundtable.org>
- 23 <http://www.consumersinternational.org>
- 24 <http://www.csreurope.org>
- 25 <http://www.ethos.org.br> (Portuguese)
- 26 <http://www.icwbo.org>
- 27 http://www.iru.org/index/en_iru_com_cas
- 28 <http://www.wbcsd.org>
- 29 <http://www.ghgprotocol.org>
- 30 <http://www.4c-coffeeassociation.org>

31 <http://www.cocoainitiative.org>
32 <http://www.rainforest-alliance.org/agriculture.cfm?id=standards>
33 <http://www.fairwear.nl>
34 <http://www.information.com/ffr.php>
35 <http://www.unepscbi.org>
36 <http://www.bsci-eu.org>
37 <http://www.eicc.info/index.html>
38 <http://www.zvei.de> (German)
39 <http://www.ipieca.org>
40 <http://www.voluntaryprinciples.org>
41 <http://www.equator-principles.com>
42 http://www.dvfa.de/die_dvfa/kommissionen/non_financialsdok/25683.php (German)
43 <http://www.unpri.org/>
44 <http://www.unepfi.org>
45 <http://www.msc.org>
46 <http://www.gesi.org>
47 <http://www.unep.fr/scp/sun/>
48 <http://www.thecode.org>
49 <http://www.sustainabletourismcriteria.org>