



FIRST ITEM ON THE AGENDA

**Follow-up on and promotion of the
Tripartite Declaration of Principles
concerning Multinational Enterprises
and Social Policy**

**Operational prospectus for promotional
activities and research, including a
tripartite forum**

I. Introduction and context

1. At the 279th Session of the Governing Body, the Subcommittee on Multinational Enterprises requested the Office to prepare, for discussion at the 280th Session, a prospectus on possible future research and promotional activities, with a view to advancing the effective application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).¹ It also asked the Office to prepare a proposal for a tripartite forum, which would include multinational enterprises, to further the application of the Declaration, and an indication of budgetary implications as appropriate.²
2. The following proposals are informed by the discussions of the Subcommittee in its recent sessions³ and by consultations with the Officers of the Subcommittee and appropriate units of the Office at headquarters and in the field. They are also based on a review of some 20 years of past work of the Office in the area. This review showed a wide range of activities based on research programmes, educational seminars and advocacy projects across different headquarters and field units.

¹ GB.279/12, para. 22(b).

² *ibid.*, para. 22(a).

³ *ibid.*, and GB.277/12.

3. In the more than 20 years since the adoption of the Declaration, foreign direct investment (FDI) has grown at a phenomenal pace and countries now compete to attract MNEs as hosts, and even home bases, for their operations.⁴ The use of newer forms of investment, such as cross-border franchising, joint ventures, acquisitions and linkages with local enterprises, has fundamentally altered the traditional image of MNEs conducting business operations through wholly-owned or controlled affiliates.
4. Today the MNE Declaration is as relevant – and perhaps more relevant in some ways – than when it was first adopted. It stands as the ILO’s primary benchmarking tool for good social practice in the context of international investment. Its benchmarks invoke global guidelines on rights at work: employment promotion, security, and training; conditions of work; industrial relations; and dispute resolution. As possibilities for social and economic progress become increasingly influenced by a global market, governments are seeking ways to maximize the positive contributions which MNEs can bring, and minimize the difficulties to which their operations can give rise. The MNE Declaration also offers employers’ and workers’ organizations and MNEs support and expertise in key areas involving use of the referenced ILO Conventions as benchmarks for companies’ labour policies and implementation, and application of consultations and a dispute mechanism to resolve divergent interpretations in actual situations. As a tool for private/public sector relations, the MNE Declaration recommends and informs good social practice, enabling enterprises, workers and communities of the operation to reap the rewards of socially responsible investment behaviour.

II. Framework for objectives and activities

5. This section proposes a framework for action that would seek to implement the MNE Declaration in today’s context of MNE operations and to leverage MNE contributions through FDI and intra-industry trade for the pursuit of social progress. This framework would provide relevant information, advice and accompaniment to constituents in their own operating contexts in order to create an environment in which the aims of the MNE Declaration can be achieved at the local, national and regional levels. At the same time, it would build a strong framework of international cooperation to advocate the goals of the MNE Declaration in global and multilateral venues and ensure that foreign direct investment contributes to the social development agenda agreed at the World Summit in Copenhagen and its follow-up, as well as the Millennium Assembly of the United Nations.
6. A primary question for discussion involves affirmation of the objectives sought in pursuing promotion of the MNE Declaration. One or more of the objectives below, or others, could serve as guidelines to set the course for promotion of the MNE Declaration in coming years. Examples of possible ways for the Office to proceed are presented to facilitate discussion, but are only illustrations of steps that could be taken in accordance with policy and programme guidance.
7. In contemplating forward directions, the Subcommittee will want to keep in mind several principles which could further strengthen the coherence of the Office’s contributions in this area. First, the Office’s work would be conducted in consultation with the constituents, including the convening of a forum on the MNE Declaration (elaborated below). Second, promotion of the MNE Declaration would draw on existing programmes in relevant Office units and services at headquarters and in the field in areas where common goals may be effectively reached together. Third, with existing programmes and in any new projects,

⁴ See, e.g., GB.280/MNE/1/1, paras. 18-29 (FDI flows).

activities to promote the MNE Declaration would build on and strengthen linkages between, on the one hand, research and, on the other hand, advisory services, advocacy efforts and technical cooperation.

8. **Objective 1: To enhance awareness of the principles of the MNE Declaration and how to apply them.** A focused communications strategy could seek to advance awareness of the MNE Declaration among those responsible for its implementation. The strategy would be based on the ILO's most fundamental channel of communication – communication with its constituents. As a primary element of the strategy, the Organization would seek to inform and inspire an ongoing process of dialogue among governments, employers and workers, and including MNEs, on the aims of the MNE Declaration and the means for its effective promotion. A forum to promote the MNE Declaration would advance this process (see Part III below).
9. A second element of a communications strategy might seek to target information and advocacy to specific audiences. Tools to reach broader yet specific audiences could be developed. These would necessarily include reproduction and translation of the third edition of the MNE Declaration reflecting the revisions adopted by the Governing Body at its recent sessions.⁵ Versions of the third edition of the MNE Declaration prepared in English, French and Spanish are available on the ILO website and are forthcoming in print format. The second edition of the Declaration is available in 30 languages.⁶ Translation of the Declaration into other languages could proceed, depending on availability of resources (see Part IV below).
10. A user's guide, or information kit, to the MNE Declaration has been proposed.⁷ This could advance understanding of the aims of the MNE Declaration across the ILO and externally. The guide could include an executive summary of the MNE Declaration, information on the MNE Declaration's follow-up procedures and on relevant ILO research publications and promotional activities. Renovation of the ILO's website on the MNE Declaration, and its translation into French and Spanish, could expand outreach in many countries with relevant operations.
11. A third element of a communications strategy might assume a proactive approach. In this regard, proposals have been made to use promotional information briefs showcasing good social practice in line with principles of the MNE Declaration, and editorial articles.⁸
12. **Objective 2: To mainstream implementation of the MNE Declaration within existing programmes at ILO headquarters and in the regions.** A concerted effort to integrate the MNE Declaration within existing activities at headquarters and in the field could focus on the extent to which MNE contributions to FDI influence or could influence aims relevant in the context of the broader ILO programme. The principles of the MNE Declaration, which cut across the ILO's strategic objectives, could be applied as priorities emerge in consultation with constituents, headquarters' units and regional offices.

⁵ GB.277/12 and GB.279/12.

⁶ GB.277/12.

⁷ GB.279/12.

⁸ See, e.g., GB.279/12. Previously, cassettes featuring research on MNE operations were broadcast on the programme "ILO in the world" (see GB.231/MNE/1/1 (1985)).

13. In consultations with relevant Office units and programmes at headquarters and in the field, special attention could be given to ensuring the cross-cutting priority of gender equality, ILO services supporting workers' and employers' organizations, and those addressing public sector strategies concerning decent work, normative standards and social protection. The identification of specific means for highlighting the role of the MNE Declaration in ongoing educational and research activities might include, in particular, participation in programmes of the International Training Centre of the ILO in Turin and the International Institute for Labour Studies.
14. Areas of possible synchronization of research and/or programme activity, or in some cases participation in an ongoing initiative, could be explored with a variety of existing programmes. The framework of country-specific information relevant to the aims of the programme which has been made available through the Seventh Survey on the effect given to the MNE Declaration may provide useful information in this regard.⁹
15. Past work of the Office in this area adopted a mainstreaming approach that built on synergies between the MNE Declaration and existing programmes. The MNE Declaration was featured, for example, in numerous activities itemized in an appendix, many of which were conducted in cooperation with the International Institute for Labour Studies (IILS), the International Training Centre of the ILO in Turin, the International Labour Standards Department, the Bureau for Employers' Activities, the ILO Regional Office for Asia and the Pacific and International Trade Secretariats.¹⁰ Joint arrangements with the Jobs and Skills Programme for Africa were made to conduct case studies in selected French-speaking African countries.¹¹ Participation in workers' or employers' initiatives in the field included events in China, Czech Republic, Indonesia, Japan and Malaysia.¹² A significant number of sectoral studies were conducted, beginning in the 1980s, in such sectors as: food, drink and tobacco; textiles, clothing, leather and footwear; transport equipment manufacture; and commerce, postal and other communication services.¹³
16. **Objective 3: To facilitate effective application of the MNE Declaration at national and regional levels.** A strategy for realizing the principles of the MNE Declaration in practice could continue to employ geographic and thematic elements in complementary ways, as the Office has done in the past. In addition to current work, possible activities at the national and regional levels could be defined based on the consultations held across headquarters and the field. An essential principle in this regard would be a balanced regional approach, in particular ensuring that countries in Latin America and Africa, and those with transition economies, are covered effectively. Another guiding principle could be flexibility in adopting the most appropriate focus and modality for such activity, in cooperation with relevant Office and/or field units. This principle would enable the pursuit of applications at the sectoral, community and enterprise levels, as well as within national

⁹ See GB.280/MNE/1/1 and GB.280/MNE/1/2.

¹⁰ See GB.231/MNE/1/1, appendix (1985). See also GB.264/MNE/1 (Institute meeting on "Labour in a changing world economy" in Thailand, 1995); GB.231/MNE/1/1 (symposium with a contribution from the ILO regional advisers on employers' organizations in Pakistan, 1985).

¹¹ GB.228/MNE/2/2 (1984).

¹² GB.231/MNE/1/1 (China, 1985); GB.268/MNE/1/3 (Czech Republic, 1995); GB.271/MNE/1 (Indonesia, 1997); GB.268/MNE/1/3 (Malaysia, 1996).

¹³ See publications concerning MNE operations by sector of operation, listed at <http://www.ilo.org/public/english/employment/multi/publ/index.htm#sector>

or regional perspectives. In addition, attention could be paid to specific thematic issues in the application of the MNE Declaration, informed by consultations and by knowledge gained from research, and inter alia, the periodic surveys of effect given to the MNE Declaration. This approach could help tailor and prioritize Office activities to assist those responsible for implementing the MNE Declaration to address the key challenges facing them in specific contexts.

- 17.** While operational plans would necessarily await further consultations, particularly with constituents and ILO staff, follow-up coordination with other units or field offices, as appropriate, could seek to build on areas of current or recent activity, subject to available resources. Various models seeking to strengthen the interface between research and other activities could invoke past methods used successfully. Past activities have included the convening of tripartite meetings at the national level that lead to various concrete results: in one case, a national memorandum of social understanding among the partners committed to the aims of the MNE Declaration, with sectoral or other follow-up;¹⁴ and in another, the creation of a tripartite consultative mechanism to include social issues involving MNEs, with follow-up research and other activities.¹⁵ Past activities have also focused on countries in transition from non-market economies or those which have suffered recent financial crises.¹⁶ Subject to available resources, the Office's ongoing or recent research on MNEs might serve as a springboard for follow-up activities at the national (for example, Argentina, Kenya, Poland¹⁷) or regional levels in cooperation with ILO staff in the field.¹⁸
- 18.** Thematic work could build on past activities, in close consultation with the constituents and relevant ILO units and regions, and based on knowledge of current trends. In the past, Office activities have sought to apply the MNE Declaration to specific aims, such as employment promotion or job skills,¹⁹ or in specific contexts, such as EPZs or special economic zones,²⁰ home country concerns for MNEs operating abroad or home country workers,²¹ women's employment in MNEs operating in developing countries²² or labour

¹⁴ See Philippines Memorandum of Social Understanding, GB.271/MNE/1, appendix.

¹⁵ For example, Poland, GB.277/MNE/1.

¹⁶ For example, Viet Nam, GB.279/MNE/1; Malaysia and Thailand, GB.277/MNE/1; Indonesia, GB.271/MNE/1.

¹⁷ See GB.279/MNE/1, para. 12, and note 15 *supra*.

¹⁸ This work might include a focus on MNEs in labour relations in regional economic contexts, such as MERCOSUR, NAFTA, the Andean Community, and the South African Development Community (SADC). See, for example, GB.280/PFA/7, paras. 205-206. Similar exploration of the relevance of the MNE Declaration to the strengthening of social dialogue in the Central and Eastern European countries, as well as the CIS, could be pursued. See, for example, GB.280/PFA/7, paras. 245-247.

¹⁹ See, for example, GB.224/MNE/2/2 and GB.228/MNE/2/2.

²⁰ Past activities on EPZs/SEZs have included a workshop in China, GB.244/MNE/1/4; participation in regional meetings on the subject in Addis Ababa, GB.268/MNE/1/3; and in Dubai, GB.264/MNE/1; and discussions on joint studies with UN regional commissions on effects of MNEs in EPZs, GB.254/MNE/1/1.

²¹ Past activities in this area have included round tables and symposia on home country concerns for enterprises operating abroad (Japan and Republic of Korea). See GB.248/MNE/1/3.

relations in FDI legislation.²³ Further linkages with relevant research programmes and/or innovative practices reported to occur at national or regional level could be explored as appropriate.²⁴

- 19. Objective 4: To advocate the aims of the MNE Declaration in cooperation with international organizations and with constituents.** A plan to advocate the aims of the MNE Declaration could utilize and strengthen existing networks of international cooperation and engage, as appropriate, in advocacy activities initiated by constituents. As in the past, these activities would build on the Organization's constitutional relationships with, and representation in, relevant meetings and sessions of intergovernmental organizations. Past activities on the MNE Declaration in this regard have involved representational advocacy in United Nations forums, the OECD, the OAU and the European Union,²⁵ as well as participating in promotional activities. The benefits of integrating the MNE Declaration in Office representations within other international and regional forums could be examined in consultation with constituents and relevant ILO units and, in particular, the International Policy Group. In addition, relevant information on the effect given to the MNE Declaration²⁶ could continue to inform Office reports to various United Nations and other bodies.

III. Proposed tripartite forum

- 20.** As requested by the Governing Body, the Office has prepared, in consultation with the constituents, proposals for a tripartite forum to further the application of the MNE Declaration. The forum's objective would be to stimulate a process of dialogue among governments, workers and employers, including their MNE representatives, on the aims of the MNE Declaration and means for its effective promotion. The intention would be to spur an innovative discussion among senior-level participants with insight and knowledge of issues involving MNEs, not necessarily to find answers but to create a basis for ongoing dialogue. The ultimate output of the forum could be a written synopsis of views reflecting the major insights presented, without necessarily requiring consensus to be reached. The synopsis could serve to inform further discussions of the Governing Body, as well as the activities of the Office.
- 21.** Approximately 30 participants could be invited (ten drawn from each group), in addition to Office and group secretariat representatives; governments, workers and employers could draw upon their MNE-related resource bases in nominating participants. The forum could adopt a round-table format, informed by a short discussion paper to be distributed in advance. The paper could take an illustrative and discursive approach, highlighting several case studies of effective applications of the aims of the MNE Declaration. Issues would

²² See, for example, GB.228/MNE/2/2.

²³ See, for example, GB.248/MNE/1/3.

²⁴ See, for example, reports in GB.280/MNE/1/2, and the joint regional studies cited in note 19 *supra*.

²⁵ For example, United Nations Commission on Transnational Corporations (GB.254/MNE/1/1); UNCTAD (GB.261/MNE/1/3); United Nations Sub-Commission on the Promotion and Protection of Human Rights (GB.279/12, para. 20); OECD (GB.277/12 and GB.254/MNE/1/1); OAU (GB.258/MNE/1/2); EU (GB.254/MNE/1/1).

²⁶ See GB.280/MNE/1/2 and GB.280/MNE/1/1.

depend on available studies, and could include employment promotion, skills training, industrial relations, consultations or policy tools that demonstrate the achievement of social and economic progress in international investment contexts. The examples chosen might be cast within situations currently affecting constituents and local economies, such as mergers and acquisitions, privatization, EPZs and linkages between MNEs and domestic enterprises.

22. A format lasting approximately one-and-a-half days could comprise a plenary launching session, working group sessions and a wrap-up plenary session. At the first session, well-known panellists from the public or private sectors might be chosen to enhance the knowledge base of the forum and attract significant participation. Some participants, perhaps in bipartite or tripartite presentations, could be asked to highlight successful experiences in promoting the aims of the MNE Declaration. At the second session, working groups could focus on sets of issues such as employment, wages, working conditions, health and safety, industrial relations and workers' rights. Resource persons could be present during the working groups to contribute as appropriate: this might involve two employers' and workers' representatives assigned to each of the working groups, and/or individuals with experience of successful promotional activities, such as the adoption of a national memorandum of social understanding or similar models of tripartite consultation on MNE/FDI-related matters. The third session could seek to identify similarities and divergences of experience and insight on the key issues of discussion and pinpoint areas for further inquiry or recommendations for action.
23. The forum's timing is subject to further consultation and could occur, at the earliest, late in 2001 or in the biennium 2002-03. Its likely venue would be Geneva. The cost of such a forum is estimated at approximately US\$100,000.

IV. Resource implications

24. The above examples are given to illustrate the various possibilities that exist. The Subcommittee is invited to express its views on appropriate ILO action to promote the MNE Declaration in accordance with its mandate, while keeping in mind that the Governing Body may take no decision regarding any proposal involving expenditure until that proposal has first been referred to the Programme, Financial and Administrative Committee.²⁷ It should be emphasized, in this context, that the resources for the current biennium have been expended or are committed to ongoing Office activities relating to the MNE Declaration. In line with the Director-General's zero growth Programme and Budget proposals for 2002-03 (GB.280/PFA/7), the resources proposed for the Bureau for Multinational Enterprises Activities would be insufficient to cover activities beyond those envisioned already and do not take account of significant new areas of activity.²⁸ In addition, the forum, if approved for either this year or the next biennium, would require financing from other than already budgeted allocations.
25. *The Subcommittee may wish to express its views on future research and promotional activities, and specifically on the proposals concerning the tripartite forum on promoting the MNE Declaration, including its timing. In the event that the Subcommittee's recommendations involve cost implications, the Subcommittee would wish to request the Governing Body, in line with its*

²⁷ Article 22(3) of the Standing Orders of the Governing Body.

²⁸ GB.280/PFA/7, Information Annex 1, table A1-4 (Operational budget: Employment).

Standing Orders, to refer any financial questions arising from those recommendations to the Programme, Financial and Administrative Committee.

Geneva, 20 February 2001.

Point for decision: Paragraph 25.