

“Corporate Social Responsibility & the Doha Round:
Are there Win-Win Opportunities for the Private Sector & Developing Countries?”

Abstract:

The Geneva Social Observatory and the Quaker United Nations Office were pleased to host a roundtable on “Corporate Social Responsibility and the Doha Round: Are There Win-Win Opportunities for the Private Sector and Developing Countries?” at the WTO Public Forum in Geneva on 25 September 2006. The following questions were raised:

- Are the trading interests of multinational enterprises and developing country governments diametrically opposed or is it possible to discern a positive relationship leading to economic growth and development?
- In looking for a win-win scenario, what are the circumstances that need to be met for a positive relationship to be achieved?

The roundtable brought representatives from multinationals and trade associations together with trade negotiators from developing and least developed countries to debate these issues. We were pleased to include the following members on the panel: Auret van Heerden, President and CEO of the Fair Labor Association; Bernard Luten, Head of Occupational Health at Unilever; Christopher Roberts, Chair of the Policy Committee of the European Services Forum; Joy Kategekwa Project Officer responsible for Trade in Services from the South Centre; Peter Neidecker, Manager, Global Warranty Services from Hewlett Packard; Rabson Wanjala, First Secretary (Commercial Affairs) from the Permanent Mission of Kenya to the UN; Stefanie Meredith, Director of Public Health Partnerships, IFPMA; and Shaista Sohail, Economic Counsellor, Pakistan Mission to the WTO.

Participants expressed different views about the complementarity of private sector interests with developing countries. Some observed that there was a tension between increasing profits and developing home industries. Others also observed a general absence of trust in public/private partnerships. On the other hand, it was also noted that the private sector is the avenue for technology transfer, which was seen as essential for increasing productivity. The private sector also brings wealth creation and employment, builds skills and responds to consumer demand. Several participants noted that business has a very specific common interest with many developing countries in promoting the freer movement of people, especially as it is being addressed in Mode 4 of the General Agreement on Trade in Services (GATS).

Business should also be encouraged to participate in supporting free trade at the national level and to identify specific ways to remove trade barriers, promote trade facilitation and implement the kinds of rules and regulations that would do the most for economic growth. Sometimes, the private sector is put in the situation of taking on the government’s role, as in AIDS and health care or in ensuring compliance with national labour and environmental laws. There is a growing involvement of diverse monitoring

groups and other actors in civil society that raise the question of new forms of governance.

In conclusion, the roundtable was intended to promote dialogue on the interaction between private sector interests in the liberalization of trade and developing country interests in economic growth and development including the perspective of civil society. The objectives of the dialogue were to facilitate a better understanding of the particular needs of developing countries for sustainable growth, as well as an enhanced awareness of the value of a development perspective in the private sector. Even as these needs and this enhanced awareness were being addressed, the discussion showed that there are some companies that act responsibly but that there needs to be a higher level of coherence with regard to policy on the interactions between the private sector and developing countries. This was especially the case regarding technology transfer, health, Mode 4 under the GATS, agreements on policy coherence and legal workers, etc. There is a need for further cross-cutting dialogue and for all parties to find ways to speak the same language, and further steps should be taken to encourage a mutually beneficial outcome for the Doha Round through linkages between CSR and development.

What follows is a more detailed report of the dialogue:

Part I:

Katherine Hagen, Executive Director of the Geneva Social Observatory and joint moderator of the roundtable, opened the meeting and introduced the panelists. She informed participants that the roundtable, hosted by the Geneva Social Observatory (GSO) and the Quaker United Nations Office (QUNO), had been organized to bring together representatives from multinationals and trade associations with trade negotiators from developing and least developed countries to debate the interaction between private sector interests in the liberalization of trade and developing country interests in economic growth and development. One of the main questions that would be addressed was to determine whether there can be a mutually beneficial outcome by emphasizing the linkages between corporate social responsibility (CSR) and development. She made reference to the opening session of the Public Forum and the stress that had been made on the importance of trade and the opening up of trade as a means of promoting development. This involved tackling adjustment and capacity building issues in such a way as to lead to a win-win outcome. She was looking to the panelists, starting with the representatives of developing country missions, then those from the business community and NGOs, to provide specific responses with a focus on the macro level.

Shaista Sohail, Economic Counsellor from the Permanent Mission of Pakistan to the WTO, made reference to the background paper on CSR, Development and Trade (see Appendix 2). She remarked that there is a question around how to define CSR though all agree that it has to do with improving the lives of workers and of society in general. The Millennium Development Goals and the UN Secretary-General's Commission on the private sector and development have identified areas for private sector action. She

observed that the downside of export led growth includes resource depletion and inequalities though the aid for trade initiative will resolve such problems.

In general, the business world is far removed from the WTO negotiations. Ms. Sohail wanted to make two points in the context of corporate social responsibility and the Doha round. It is well known that to increase productivity it is necessary to introduce new technology. She has been attending the meetings of the WTO working group on trade and the transfer of technology. The Working Group examines trade and its relationship with transfer of technology. The responses to the issues raised there can be worked out on the pattern of the OECD guidelines for multinational enterprises which has stipulations on technology transfer. Similarly with regard to Mode 4 businesses can play a major role in convincing their governments to make commitments at the WTO. Mode 4 has the capacity to provide businesses labour at competitive rates and to check illegal migration by regulating the movement of temporary workers. The businesses can step in and be responsible for assured return by temporary service providers to countries of origin on completion of the contract.

Joy Katekegwa, Project Officer on trade in services at the South Centre, started by saying that on the outside the interests of the private sector and of developing countries seem to clash. Multinationals by definition are in the business of increasing their profits, whereas developing countries want to enhance and develop their home industries. Having said that there are ways in which the two can work together. Mode 4 under the GATS can be a showcase for how such a relationship could work.

The freer movement of workers within companies and within countries and across borders is a point of agreement. This is especially the case with regard to the movement of semi-skilled workers. The least developed countries (LDCs) of the WTO have expressed in the negotiations that they have ready- to- export capacity. Many of the multinational companies utilize semi-skilled work at various levels of their production processes. Commitments on Mode 4 in the WTO would provide a legal regime under which such workers can be better managed. MNCs should lobby their governments to make meaningful Mode 4 commitments in the WTO. It makes business sense, and contributes to the reduction of poverty in sending countries.

Developing the links through CSR and the principles enshrined therein results in the improvement of livelihoods. The private sector can instigate a new dynamic to technical assistance and capacity building as they are best placed to improve productivity including through on the job training.

Rabson Wanjala from the Permanent Mission of Kenya was concerned about looking at the process of development. For him development can only be achieved when there is partnership and when there is shared responsibility between developed and developing countries. In the WTO there is a process striving to create an environment for business to grow and create more wealth, not only for themselves but for all. Shared responsibility between governments and the private sector is crucial. From the perspective of developing countries a framework for consultation at the national level is necessary.

However to what extent are stakeholders willing to come forward? Active engagement on behalf of the private sector with governments and LDCs is needed.

In the current round of negotiations the private sector in developing countries has a role to play. What are the areas where win-win outcomes can be achieved? The private sector can assist governments in various ways for mutual benefit, for example in the identification of trade barriers, the definition of positions and priorities and the promotion of trade at the national level. Their role is to complement the efforts of governments at the national level and to assist in trade negotiations. The private sector also has a role to play in the implementation of the outcomes of trade negotiations, by assisting with enforcement of rules and regulations that affect foreign trade and result in a win-win outcome. The issue of transparency is to be promoted along with ways of integrating market access. Improving market access though is not enough for LDCs. Also to be taken into consideration are supply constraints and the building of supply capacity. There is a lot of room for movement and for improvement. The Aid4Trade taskforce has also identified the role of the private sector in development.

Christopher Roberts, Chair of the Policy Committee of the European Services Forum, gave some thoughts from the perspective of the business community. He started by stating that the job of businesses is to make a profit. Having said that, there are objectives and interests that businesses have in common with governments. Amongst these interests are wealth creation, employment, satisfying consumer demand. He reminded participants that consumers are as important as producers.

Corporations are used to regulation and want the rules to be clear. They are also interested in the free movement of persons and it is business that is pushing for a greater level of mobility. The problem is with government concerns over security and immigration issues. Businesses need to talk to governments in all of the countries where they operate.

In terms of openness it is not up to business to resist the opening up of markets at home, for example the discussions over textiles during the Uruguay round. Business needs to use the opportunities of opening up of markets and they can help with the adjustment process across the various industries.

Peter Neidecker, Manager of Global Warranty Services at Hewlett Packard, made four points: 1) CSR needs to be part of the fiber of a company with very clearly stated measures; 2) businesses are interested in growth and profit and achieve this by delivering value to consumers in terms of goods and services; 3) the challenge to the public sector is to understand value that businesses deliver and to ensure the development and provision of skills in that the marketplace requires. He gave the example of HP's investment in Bangalore by creating thousands of jobs for engineers who provide remote technical support at a level that would not be cost effective in developed countries. There may be a question over whether this is CSR but what is certain is that this creates opportunities for economic development in the developing world. . 4) What are needed are catalysts for change. The work of catalyzing organizations such as the GSO is critical to help the

private sector to understand the language of the public sector. Engagement frameworks are needed to help the public and private sector coincide.

Lastly, Mr. Neidecker stated that ownership, commitment and accountability all have to be present with the key players once decisions have been taken at a high level in order to ensure success.

Stefanie Meredith, Director of Public Health Partnerships at IFPMA, having said that her background had more to do with the development of public-private partnerships for health than in trade negotiations, recommended that the common ground be identified between the public and private sector, that the focus be on the similarities rather than the differences. There are suspicions harboured on both sides which once addressed can enable more effective work together. All companies state that they are interested in CSR because they are interested in doing good. She has seen the positive impact of effective public-private partnerships on the ground. The challenge is to involve country level offices in the transfer of technology and capacity building for example in the carrying out of ethical clinical trials. Now there is an opportunity to move the agenda forward.

Bernard Luten, Head of Occupational Health at Unilever, spoke about the commitment that Unilever has made to their employees and dependants living with HIV and AIDS to provide medication and health care. He gave the example of a tea plantation that employs 20,000 workers and the responsibility that the company has in the community as a whole. Their interest is to maintain a healthy and contented workforce despite the cost involved in an effort that goes beyond CSR. Treatment of HIV and AIDS is not the core business of Unilever though they recognize that they do have a responsibility.

Auret van Heerden, President and CEO of the Fair Labor Association (FLA), spoke of the work that they carry out. The FLA conducts company audits in 60 countries. On average 18 violations of core labour standards are discovered in each company. Most companies do accept that they need to look at supply chain issues where most of the violations occur. At the same time there are very few countries in which the labour inspectorate works in a clear and transparent way. There is a high level of corruption and bribery that companies inherit once they begin trading. Within companies deductions from salaries for pensions and healthcare are made but misappropriated and never recovered. Some companies want to improve the framework in which they operate though in some countries the enforcement of labour standards would mean that they would no longer be competitive so a trade off is necessary. In this climate what does social responsibility mean and how can sustainable development work there?

The FLA are interested in creating virtuous circles in which employees can be sure of job security, on the job training in transferable skills, social security benefits and adequate pay to enable them to provide for their families, stay healthy and to be employed for the duration of their working lives. This could happen when the private sector works together with the public sector through effective partnerships to address and resolve such key issues as social security provision.

Part II:

Shaista Sohail, in responding to the first round of interventions from panelists asked what solutions were available at the WTO level. Regarding the movement of persons and Mode 4, she gave the example of South Korean firms recruiting labour from Pakistan, teaching them Korean and basic skills and later being responsible for their temporary stay in Korea during the period of contract and their return home after the contract ends. The private sector can be proactive and be instrumental in helping the labour to acquire a higher standard of living on their return home with the money earned during their temporary work assignment. Concerning the transfer of technology she referred to Article 10 of the Montreal protocol as an example of a loose non-binding agreement that serves as a useful guideline, rather like the OECD guidelines in transferring technology to developing countries.

Joy Kategekwa did not exclude the possibility of a win-win situation under GATS Mode 4. She also mentioned technology transfer, capacity building and the question of harmonizing access as other potentially successful areas of collaboration. The private sector is strong on lobbying. It would be useful for the private sector to continue lobbying governments to liberalize markets for movement of natural persons in the sectors and skill levels they utilize, which have also been expressed as constituting export interest to LDCs.

Rabson Wanjala reiterated that the business community should not resist the opening up of the domestic market. Private sector players in agriculture resist but it is crucial that they don't.

Christopher Roberts remarked that if we are looking to business to take responsibility for building up the skills of staff it is something that governments can encourage but they can't force. A good manager sees that a well-trained, content workforce is a company's best asset though legal reform may not be the best way forward.

Peter Neidecker, identified the challenge of learning to speak the same language, for example he was not sure of the viability of being able to move workers around more easily. The private sector will behave in the interests of growth and of profit. The challenge is how to engage the public and private sectors. The power of the WTO could be used as leverage by choosing effective models that work and ensure value.

Stefanie Meredith saw that, given the diverse opinions around the table, there was a need for cross-cutting dialogue to work on issues such as the movement of populations through Mode 4 and the high incidence of HIV and AIDS amongst migrant workers.

Bernard Luten spoke of the scale of the incidence of HIV and AIDS in Sub-Saharan Africa, numbers that are unimaginable in Europe, e.g. 50% of pregnant women in South Africa are HIV positive. In these situations it is often the private sector that takes the lead though in the end it is the responsibility of governments to provide an adequate health care system. He also mentioned the increase in HIV and AIDS in Eastern Europe and in India.

Auret van Heerden remarked that there are vital voices that were not at the table. The stress has to be on the ‘S’ in CSR and on a new form of governance with civil society at the heart of it. He finished by asking Bernard Luten what would happen to workers and to the community when Unilever pulls out of their plantations and how sustainable business initiatives can be.

Bernard Luten responded that by actively contributing to the health and productivity of the workforce and of the community they are helping to increase the possibility that other companies would be interested in coming in and taking over.

Katherine Hagen thanked all the panelists and participants and welcomed the beginning of the dialogue on CSR and the Doha Round.

Conclusion:

The objectives of this roundtable were met and the questions regarding CSR were discussed in length by the roundtable members. In terms of the ongoing dialogue and the future role of the WTO, the GSO sees that there are ways for developing countries and private sectors to work together successfully. The challenge before us is to identify what it will take to create the kinds of “win-win” opportunities that can effectively harness the power of the market with the ideals of sustainable and equitable development for all. In regards to this challenge, the WTO could work closely with the governments of developing nations, the private sectors and civil society in order to streamline each of their objectives and interests. The WTO has worked with public and private sectors and civil society in the past on an ad hoc basis, therefore a more institutionalized system would benefit a stronger agenda for CSR. The WTO could support a framework at a national level to enhance transparency and define rules and regulations in order to increase the level of coherence between developing nations and private sectors.