



Foreign Trade Association

Social standards in developing countries – European trade makes a commitment

Discussions on the working conditions under which consumer goods are produced in developing and newly industrialised countries remain topical in the context of the debate on human rights. Non-governmental organisations and consumer groups have been looking into this issue for some time and have already brought the question of social standards to the headlines on frequent occasions. Reports on child labour or unacceptable working conditions in the countries concerned, even though most of them have signed the conventions of the International Labour Organisation, the ILO, have also prompted the European retail trade to develop code of conduct systems to improve the social conditions in production plants in the supplier countries. Suppliers need to achieve better social results above all from a social point of view, but this also contributes towards improved competitiveness.

The discussion about social standards is an international issue

The issue of social standards is of concern to a series of stakeholders worldwide. The core labour standards laid down by the International Labour Organisation, the ILO form the benchmark for many solutions designed to counter the outrages in production plants. Some people accord the ILO the competence to look into a worldwide solution to the issue, particularly since governments, employers and trade unions are represented in the ILO but also because an arrangement put forward through the WTO could be misused by the industrialised countries as a protectionist instrument. The developing countries in particular fear such misuse. UN General Secretary Kofi Annan also took the initiative with the establishment of the UN Global Compact, which sees itself as an institutionalised forum for the UN, the economy, employees and civilian society. The OECD also took action, renewing and extending its Guidelines for multinational companies in respect of minimum social standards.

Social standards in the European Union

In July 2001 the European Commission had already put forward a green paper on the issue of social standards and called for a closer link between economic, social and ecological aspects. In this green paper, the Commission emphasises, among other things, the need to create framework conditions for cooperation among the main players in this area. A Commission communication to the Council and the Parliament on this matter was published in July 2002, the main thrust of which involved establishing a multi-stakeholder forum for Corporate Social Responsibility (CSR), which in turn is organised into working groups. This forum, in which European institutions, employers, employees and non-governmental organisations are represented, began work in October 2002. It is to present the results of its work and put forward practical proposals in 2003. Until then, the Commission intends to refrain from taking any legislative measures in the field of CSR.

At national level, on the other hand, legal regulations have already been drawn up in a number of European countries. For instance, a Social Label Act has come into force in Belgium.

Codes of conduct for European companies and associations

A number of companies and associations in numerous European countries have already taken action and adopted codes of conduct. This resulted on the one hand from the activities of non-governmental organisations (NGOs), which in some cases led to boycotts and falls in turnover, but on the other hand from companies' own understanding of the social conditions under which the traded goods are produced, shaped by their respective corporate philosophies. These codes are in turn regularly based on the ILO's core labour standards. FTA members have also been involved in such activities. The 'Außenhandelsvereinigung des deutschen Einzelhandels' (AVE – the foreign trade association of the German retail trade) and the 'Fédération des Entreprises du Commerce et de la Distribution' (FCD – Federation of Trade and Distribution Companies) have drawn up monitoring systems in addition to the Codes of Conduct, which have recently come into force.

The FTA initiative for European monitoring

The FTA has also put the issue of CSR and social standards on its agenda. On the one hand, this is because of the actions taken by the European Union, in particular the possibility of legislative measures as of mid-2004. A further reason is the wide range of systems, all of which have the same aim, that is to improve the social performance of suppliers in production plants in the developing and newly industrialised countries.

There is a need to make it clear that it is in the interests of European trade to act in a socially responsible manner and state regulations in this area – whether imposed through the EU or through national governments – are neither required nor desirable. In view of the wide range of corresponding private initiatives, the FTA has held talks with numerous European trade associations and companies aimed at combining these existing actions to form a pan-European system. This represents a particular challenge, which the FTA has taken up and which it is resolutely following through. The FTA's venture is widely approved of by trading companies and associations. Since July 2002, the FTA has been organising 'European Business Workshops on Social Standards' in Brussels, the aim of which is to work out the elements for a European model for monitoring social standards in order to create synergies.

During the third workshop held at the end of March 2003, the basis for such a model was discussed and this is now going through the voting process. The individual elements of this system are to be discussed over the coming months. Alongside this, the FTA is continuing to hold consultations with associations and companies. The model to be established is not to be confined solely to trade established in the EU. It is also to embrace trade in other European countries and in North America.