

**3<sup>rd</sup> ITUC Asia Pacific Conference  
Resolution No.5**

**MULTINATIONALS**

The Conference recognises that social inequities and inequalities in the world today brought about by unfettered globalisation have resulted in instances of social and political upheavals, disrupting development efforts. Although global wealth has increased in unprecedented terms, world poverty has not been alleviated significantly.

Multinational corporations are a key driver of globalisation, through foreign direct investments (FDIs), through the worldwide integration of population involving complex business relationships and through the pressure they exert on policy-makers for liberalisation, deregulation, and privatisation. A major beneficiary of the globalisation process has been the multinational corporations. There has been tremendous surge in the spread and strength of multinational corporations in recent times. They are the economic force behind globalisation. There are over 63,000 multinational corporations in the world with 700,000 foreign affiliates, and between them they are responsible for two thirds of global trade and 80% investment. Multinational corporations are estimated to engage more than 80 million workers. When you add the supply chains, the number becomes much more.

Among the 100 largest economies in the world, 51 are national economies, the remaining are multinational companies. While the bulk of international investment flows originate in OECD countries, non-OECD countries are increasingly important sources of investment flows. In 2010, global FDIs flows rose to US\$1.24 trillion. 50% of FDIs goes to developing and transition economies. Investments from OECD countries account for 90%. From Asia, Japan is the major investor. An important non-OECD country – China – is emerging as a large investor.

When MNCs invest in the host countries, they also contribute to the increase in the trading activities of these countries through their imports of materials for their production activities as well as export of their manufactured products. However, inflow of FDIs is not the panacea for all the ills of developing countries. Practices such as transfer pricing are resorted to by MNCs as against re-investment in host countries. Repatriation of profits could even adversely affect the balance of payments of the host countries when large amount of funds in terms of profits flows out of the country and places the host in an unstable position in balance of international payment.

Apart from the above activities, MNCs, after the initial bringing in of funds, resort to borrowings from the local financial institutions, thus diverting away local funds which could have been used by local investors or others to meet local needs. Capital flight is another risk involved in having MNCs investing in the host countries. This may take the form of closures and moving out to invest in other countries. The capital market is the most vulnerable to the speculative investment activities of MNCs. This was frighteningly illustrated in the financial crisis of 1997.

MNCs are not just a growing economic force, but the political force that MNCs wield with the back of their economic might is also increasing. Corporate sales of major MNCs actually exceeded the GDPs of many receiving countries. MNCs also exert considerable pressure or influence the governments to keep unions out in their areas of operations, as seen in EPZs in certain industries concerned such as information technology. Instances are many where the governments even suspended the coverage of labour laws in areas such as EPZs as incentives to attract investors. In many places where unions cannot be avoided, they encourage formation of company unions.

One of the arguments trotted out in favour of MNCs is that they contribute to the increase in employment opportunities in the host countries. While there is employment creation, employment security is questionable where employment in MNCs is concerned. This is because of the ease in which MNCs can shift from one host country to another. "Exit Policy" enacted in some countries facilitate such fleeing. These activities of MNCs where workers are laid-off or retrenched en masse are posing great challenges to trade unions. Again, MNCs resort to more non-permanent employment such as contract work, part-time, temporary work and home-based work.

Occupational health and safety of workers in factories invested by MNCs in this region is another area of concern to trade unions. Frequent reports of factory fires and building collapses have accounted for thousands of lives of innocent workers. The Rana Plaza disaster in Bangladesh alone claimed nearly 1,200 lives. Exposure to harmful chemicals or mishandling of chemicals is common because there is no proper training or instructions given to workers.

There is no dearth of international instruments for protecting the rights of workers in the MNCs. OECD Guidelines for Multinational Enterprises is one of the important global instruments among them, as well as the UN Global Compact and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises. The Global Union Federations (GUFs) have signed several framework agreements with MNCs on issues such as workers' rights as embodied in the ILO Core Conventions. The implementation is tardy and the benefits have been minimal.

The application of these international instruments, as well as enterprises' own codes of conduct, in reining MNCs have not been promoted. Very few unions apply these instruments in organising or bargaining with MNCs. Capacity building and monitored engagement in this area are expected to give substantial value added to trade union organising of MNCs.

The Conference commits the ITUC-AP, working with affiliates and GUFs to:

- Intensive campaign for coverage of labour laws in the MNCs;
- Organising workers in MNCs to be given priority. There is no greater strategy to tackle MNCs than building strong, independent, free trade unions;
- Launch regional / international organising campaigns where the companies / supply chains have wider geographical coverage;
- Campaign for implementation of OECD Guidelines for Multinational Enterprises, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and other global instruments for protecting workers' rights. The unions need to give wider publicity to the existence of these tools as there is lack of awareness among unions in these enterprises; and
- Unions should make the best use of global framework agreements.