Table 4. Ethical practices of TNCs: failures or success

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### Table 4. Ethical practices of TNCs: failures or success

<table>
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<th>Definition</th>
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<td>According to ILO Working group report, “codes of conduct or codes of ethics adopted unilaterally by those in charge of individual enterprises include a variable number of declarations of principles that define the firm’s ethical standards.”</td>
<td>History of codes of conduct goes back to 1971, when Reverend Leon Sullivan, a Philadelphia clergyman and member of the board of General Motors, developed a set of principles as a guide for corporations that had their business under the apartheid regime in South Africa. So known Sullivan Principles, “included commitments to racially non-discriminatory employment, wages, access to management programs, supportive services, affirmative action, and the use of corporate influence to end apartheid.” Sullivan Principles were based on constructive engagement with foreign investors as preferable to disinvestment. “Constructive engagement, Sullivan thought, would raise the quality of life for black South Africans, help them to obtain education, and eventually overcome the barriers of apartheid, while disinvestment would only put South Africans, especially non-white South Africans, out of work.”</td>
<td>The Principles were accepted and followed by almost all American companies, doing business in South Africa. And though Sullivan himself admitted the Principles a failure, they were a good step forward in developing ethic rules among private enterprises.</td>
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<td><strong>Sullivan Principles</strong></td>
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<td><strong>Government initiatives worldwide</strong></td>
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<td>Other famous codes, such as the MacBride Principles for businesses in Northern Ireland, the Slepak and Miller Codes for businesses in Soviet Union and China, the Maquiladora Standard Code for environmental issues on Mexican border, were first attempts to create modal codes of conduct for multinational corporations. They were developed by different associations (public figures, private foundations, or religious and environmental groups), were usually narrowed down to very specific issues (such as discrimination of workers, hazardous effects) and were geographically oriented (varied depending on countries of business).</td>
<td>Those codes did not have of success, and did not specifically concern child labor rights, but they also substantially contributed to further development of modal codes with more harmonized provisions.</td>
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<td><strong>Government initiatives, with cooperation of NGOs, in the textile, leather and footwear sectors.</strong></td>
<td>The ILO document mentions the code of conduct developed in the framework of the Clean Clothes Campaign (CCC) in Europe; in the United States, on the impetus of the Government, the American</td>
<td>Government initiatives of ethic behavior of private sector rarely have</td>
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Apparel Manufacturers’ Association also developed a code, with a relatively detailed implementation structure; the British Government was participating actively in the development of the Ethical Trading Initiative; the Canadian Government submitted a guide for the elaboration of voluntary codes, which provides an eight-stage model, and which was prepared in conjunction with the social partners; the Governments of Australia and New Zealand have prepared similar guides, following consultations with the main parties concerned. Starting with the code of conduct of Levi Strauss in 1992, the USA is leading in number of enterprises that implement codes of conduct in-house and with subcontractors. However, “Europe has the only code of conduct developed and signed jointly by the employers (European Apparel and Textile Organization – EURATEX) and the trade unions (European Trade Union Federation of Textiles, Clothing and Leather – ETUF:TCL): a Charter by the social partners in the European textile and clothing sector.” In developing countries codes of conduct are very unlikely implemented.

### The Model Business Principles

The Model Business Principles were published in 1995 by the Clinton administration to provide guidance to U.S. multinational corporations in their overseas operations and administered by the Department of Commerce, in cooperation with various nonprofit organizations, to create a clearinghouse to collect and provide information on the codes adopted by U.S. TNCs.

The Model Business Principles do have provisions regarding child labor. However, the downside of that code was lack of recommendations regarding monitoring or sanctions.

### Private initiatives in coffee industry

In early 2000s, Starbucks, the world’s largest coffee retailer, has established a set of guidelines for its coffee suppliers known as CAFÉ (Coffee and Farmer Equity). These cover product quality, financial transparency, social responsibility, and environmental leadership in coffee growing and processing.

In September 2004, Nestlé, Sara Lee, Kraft Foods, and Tchibo, four of the worlds largest coffee companies, announced a plan to improve working conditions and environmental standards throughout these initiatives in coffee industry are quite successful examples of contemporary ethic practices of TNCs, which answer child labor, environmental and other human rights standards, and have monitoring
industry. The program was sponsored by German government and the German coffee industry and was motivated by pressures from Oxfam and European retailers. As a result, producers and trading companies adopted the Common Code for the Coffee Community, according to which they agreed to pay minimum wages, stop using child labor and implement other important international standards. The agreement applies to coffee producers from Brazil, Central America, and Africa, and was also signed by several NGOs, including Oxfam International, Greenpeace, and the International Union of Foodworkers. The enforcement mechanism includes independent auditors and regular evaluations.\textsuperscript{vii}

**Private initiatives in cocoa industry**

In contrast with coffee industry, cocoa productions are more geographically concentrated. One country, Ivory Coast, supply more than 40 percent of the global market. And “Cocoa producers in the Ivory Coals use children extensively, many of whom come from Mali, Burkina Faso, and Togo and were sold as indentured servants to Ivory Coast plantations. According to UNICEF, an estimated 200,000 children are trafficked through West and Central Africa each year, many of whom work in slave-like conditions. The International Institute of Tropical Agriculture reported that approximately 130,000 children were involved in hazardous labor on Ivorian farms. Although more than 625,000 children work in some capacity, the industry claims that many work with their parents on family farms. Threatened by consumer chocolate boycott and the possibility of trade sanctions from the United States, major chocolate companies, including Nestlé, Hershey, Mars, and Cadbury Schweppes, publicly condemned the practice of forced child labor.\textsuperscript{viii} And in 2002 the *Cocoa Protocol* was adopted.

Cocoa industry stays one of the most unsuccessful in eliminating of child labor use. For more details see criticism of Cocoa protocol in the chapter above.

**Rugmark**

According to mentioned above ILO report, \textsuperscript{a}[a] social label informs the

The history of well-known social labeling started with Rugmark, founded by an Indian child labor activist, Kailash Satyarthi with the help of the South Asian Coalition on Child Servitude, the Indo-German Promotion Council, UNICEF, and

The Rugmark movement has been successful in Germany and is gaining popularity in the
other concerned industry and nongovernment groups to combat the widespread problem of child labor in the carpet industry of south Asia. “Carpet retailers and manufacturers agree to abide by the Rugmark code of conduct that provides for the replacement of child labor with adult labor and for the education of the children. Signatories pay a licensing fee and are subject to inspection by Rugmark monitors. Those who pass the inspection may attach the Rugmark label to their products, which signifies that the carpet was not produced with child labor. In Germany, which is an import center for carpets from Asia, carpet wholesalers and retailers who agree to buy only Rugmark-certified products are permitted to publicize the fact and use the label. In 1994, the U.S.-based Child Labor Coalition established the Rugmark Foundation to promote the U.S. Consumer Education Campaign for Rugmark. Rugmark also rescues children from exploitative labor situations and places them in schools.”

FIFA balls labels

Following up with the problem of child labor in manufacturing of soccer balls, in 1996, the Federation Internationale de Football Association (FIFA), a Swiss organization that oversees the sport of soccer, attempted to combat child labor through the new regulations regarding soccer balls. In order to attach the FIFA label to soccer balls, a manufacturer not only had to meet FIFA’s regulations as to the size, weight, and durability of the soccer ball, but also had to certify that the manufacturer was in compliance with ILO conventions, which include a ban on child labor. FIFA’s labeling example was not successful. In 2002 NGOs reported that manufacturers using the FIFA logo were violating the FIFA code on a massive scale, including violations of child labor, and later FIFA itself acknowledges the difficulty of addressing the problem of child labor. Initial FIFA labeling system failed mostly because inappropriate monitoring and lack of good will.

Fairtrade

Fairtrade Labelling was created in the Netherlands in the late 1980s. The Max Havelaar Foundation, United States. It is a good example of combination of good corporate initiatives in very narrow industrial sector. The Fairtrade labeling scheme is productive...
launched the first Fairtrade consumer guarantee label in 1988 on coffee sourced from Mexico. By early 90s the Max Havelaar initiative is replicated in several other markets across Europe and North America “Max Havelaar” (in Belgium, Switzerland, Denmark, Norway and France), “Transfair” (in Germany, Austria, Luxemburg, Italy, the United States, Canada and Japan), “Fairtrade Mark” in the UK and Ireland, “Rättvisemärkt” in Sweden, and “Reilu Kauppa” in Finland. In 1997 the Fairtrade Labelling Organizations International (FLO) was established in Bonn, Germany to unite the labeling initiatives under one umbrella and establish worldwide standards and certification. “Fairtrade is a tool for development that ensures disadvantaged farmers and workers in developing countries get a better deal through the use of the international FAIRTRADE Mark.”

Fairtrade standards, which producers have to meet in order to use the FAIRTRADE mark, comprise both minimum social, economic and environmental requirements plus progress requirements that encourage continuous improvement to develop farmers’ organizations or the situation of estate workers. The Fairtrade Foundation guarantees farmers a long-term fixed price for their crop, notwithstanding the world market. “If the world market price goes above the Fairtrade minimum, farmers with a fair trade agreement must be paid the higher price, plus the agreed Fairtrade premium. Most Fairtrade-certified farmers and producers sell their crops both on the fair trade market and the conventional market.”

Rainforest Alliance Certified

Rainforest Alliance is the US-based conservation charity. It certifies agriculture, forestry, support for truisms programs and carbon services. Rainforest Alliance certification ensures that farms are not using child laborers, farming illegally in ecologically-sensitive preserves or engaging in deforestation. Certification decisions are made by Sustainable Farm Certification, Intl. as a result of its evaluation of audit reports provided by inspection bodies. Once agricultural producers receive certification for their farms, they can apply for farmers, because if their product is certified, they are already paid before the crop is sold. “So sales ensure that they will continue to find a market for what they grow. They are also in a better position to invest in improving farms. More than 7.5 million people - farmers, workers and their families - across 59 developing countries benefit from the international Fairtrade system.” With the benefit to the farmers the Fairtrade insures that all the certified crop productions are made according to all the requirements, including non-use of child labor. However, the biggest criticism of Fairtrade is interfering with free trade and causing of overproduction.
to use the Rainforest Alliance Certified seal on their products.\textsuperscript{vii} Over 100 crops, including coffee, cocoa, fruits, tea, ferns and cut flowers, can be certified. \textsuperscript{iv} “As of 2009, 33,492 small and large farms and cooperatives with a combined total area of about 540,449 hectares (1,335,478 acres) had been certified in Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Ethiopia, Guatemala, Honduras, Indonesia, Ivory Coast, Jamaica, Kenya, Mexico, Nicaragua, Panama, Peru, Philippines and Tanzania.”\textsuperscript{viii}


\textsuperscript{3} See Labour Practices in the Footwear, Leather, Textiles and Clothing Industries, supra.

\textsuperscript{4} Using ethical codes only with subcontractors without implementing them in-house is quiet common in textile industry. TNCs make sure to mention that materials and other supplies for their products come from “child labor free” businesses.


\textsuperscript{6} See ibid.


\textsuperscript{8} See ibid.

\textsuperscript{9} Labour Practices in the Footwear, Leather, Textiles and Clothing Industries, supra.


\textsuperscript{xi} Ibid., at 39-40.


xv Ibid.

xvi See http://www.rainforest-alliance.org/certification.cfm?id=main (last visited July 31, 2009).
