

# How to Implement CSR and Raise Labor Standards in East Asia

Civil Society Forum between South Korea and EU  
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Dr Kiu Sik Bae  
(Senior Research Fellow, Korean Labor Institute)

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# Basic Questions to be Asked for This Forum

## - **For what purpose this forum is run?**

- To increase the awareness of social dimensions(labor and environmental issues) to balance economic liberalization after the FTA
- To build and strengthen the social activities such as OECD MNCs guidelines, CSR and SRI to enhance basic rights/living standards and well-being of workers and society in general

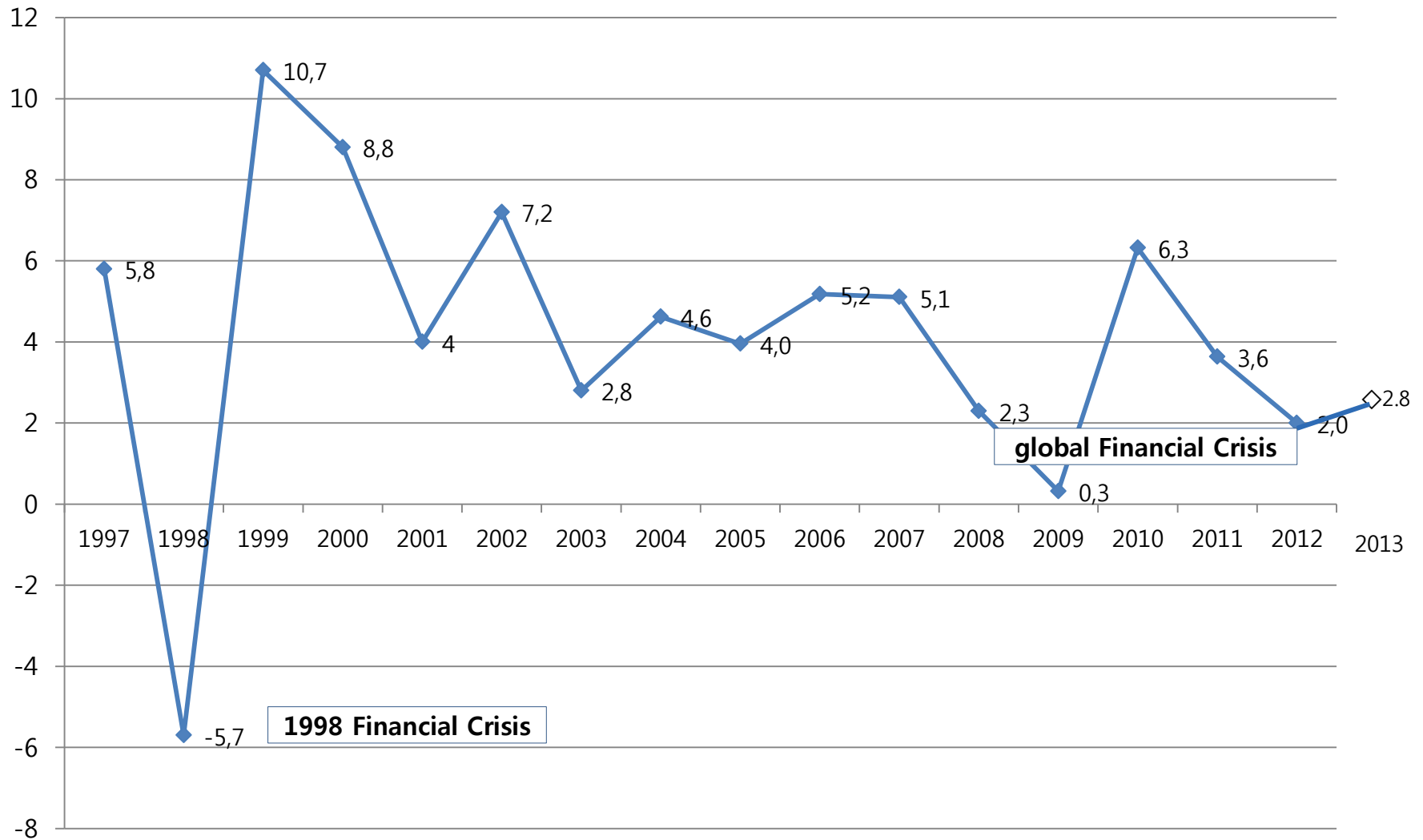
## - **How to achieve this?**

- To cooperate each other in these activities between South Korea and EU at the level of civil society(Domestic Advisory Group)
- To ask MNCs of South Korea and Europe to implement OECD guidelines, 10 principles of UN Global Compact, CSR and other related norms
- To help rapidly industrializing East Asian countries keep minimum labor standards and increase their awareness of social issues
- Through helping them develop union or social movement as well as various activities such as audits, CSR, and campaigns

## - **How to Approach this?**

# Economic Growth of Korea

## Real GDP growth rates of Korea(%)



# Annual Working Hours and Real Annual Average Wages

	Annual working hours/worker			Annual Average Wages (PPPs in US Dollars)			
	2000	2010	2013	2000	2009	2010	2013
<b>Australia</b>	1,780	1,686	1,676	38,258	41,856	42,550	50,499
<b>Belgium</b>	1,545	1,551	1,570	41,585	43,561	43,023	48,082
<b>Canada</b>	1,775	1,702	1,706	35,698	41,517	41,961	46,911
<b>Denmark</b>	1,581	1,542	1,411	37,010	42,904	43,190	48,347
<b>France</b>	1,591	1,562	1,489	34,194	37,807	38,124	40,242
<b>Germany</b>	1,473	1,419	1,388	37,695	38,251	38,325	43,682
<b>Italy</b>	1,861	1,778	1,752	31,920	32,406	32,657	34,561
<b>Japan</b>	1,821	1,733	1,735	33,133	33,219	33,900	35,405
<b>Korea</b>	<b>2,512</b>	<b>2,193</b>	2,163(2012)	<b>26,870</b>	<b>31,733</b>	<b>33,221</b>	<b>36,354</b>
<b>Netherlands</b>	1,435	1,377	1,380	41,541	45,832	45,671	47,590
<b>Spain</b>	1,731	1,663	1,665	31,720	33,908	33,656	34,824
<b>Sweden</b>	1,642	1,624	1,607	31,828	36,766	36,826	40,818
<b>Switzerland</b>	1,688	1,632	1,585	45,276	50,155	49,810	54,236
<b>UK</b>	1,700	1,647	1,669	40,541	44,899	44,008	41,192
<b>USA</b>	1,836	1,778	1,788	49,981	52,256	52,607	56,340
<b>OECD</b>	1,818	1,749	1,770	..	..	43,933	43,772

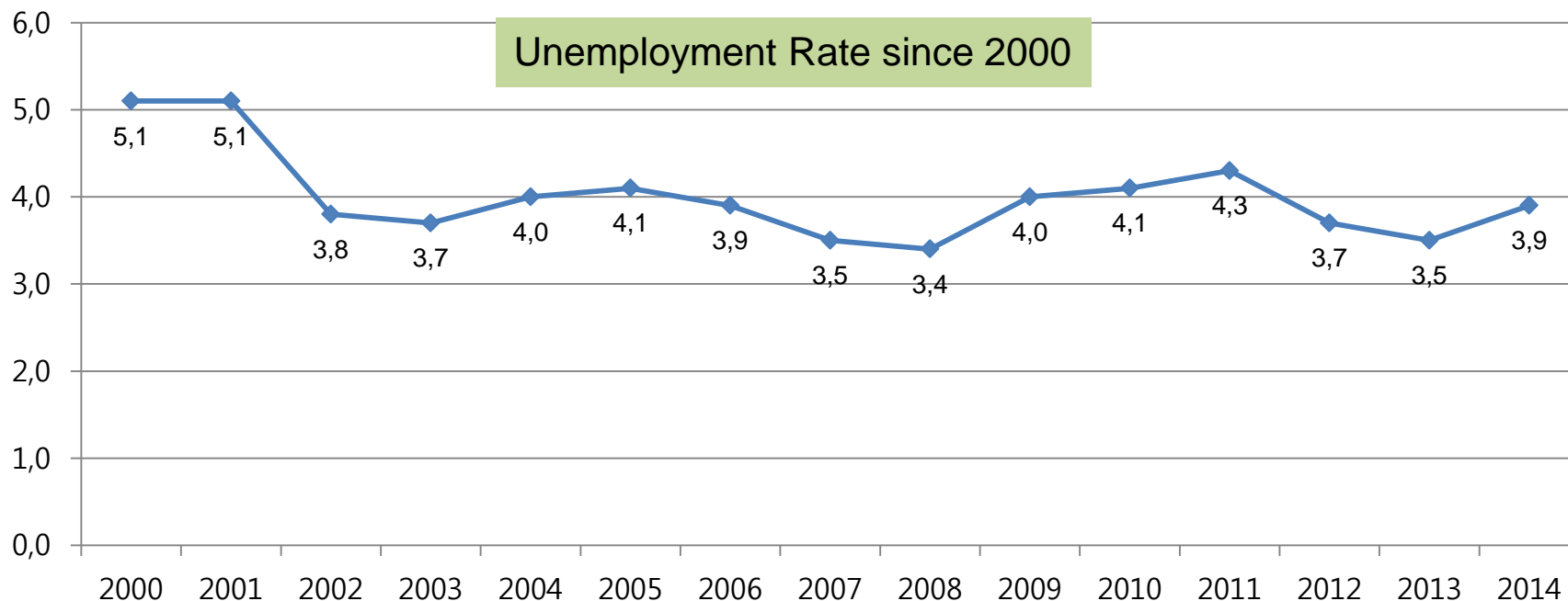
Note: OECD weighted average.

Source: Statistics in year 2000, 2010 from OECD database, Statistics in year 2013 from [OECD Employment Outlook 2014](#) -

# Economic Crisis and Employment in Korea

- Relatively small shock of 2008 financial crisis
- Previous experience of the financial crisis in 1997
  - 1) tight financial regulation and lending
  - 2) companies having undergone drastic restructuring in late 1990 to be prepared for the rainy days
  - 3) firms already slim down
- **China Effects** – fast growing economy – relocation of industry to China + industrial upgrading at the same time
- **Deepened international division of labor/close trade relations** among East Asia/production value chains with China
- **The special status of Korean economy with China** arising from many Korean invested firms in China and trade with China
- Korean economy highly dependent on export
- A small no of prosperous competitive big firms versus majority of struggling SMEs
- Jobless growth especially among big firms

# Unemployment Rates and Youth Unemployment Rates in Korea

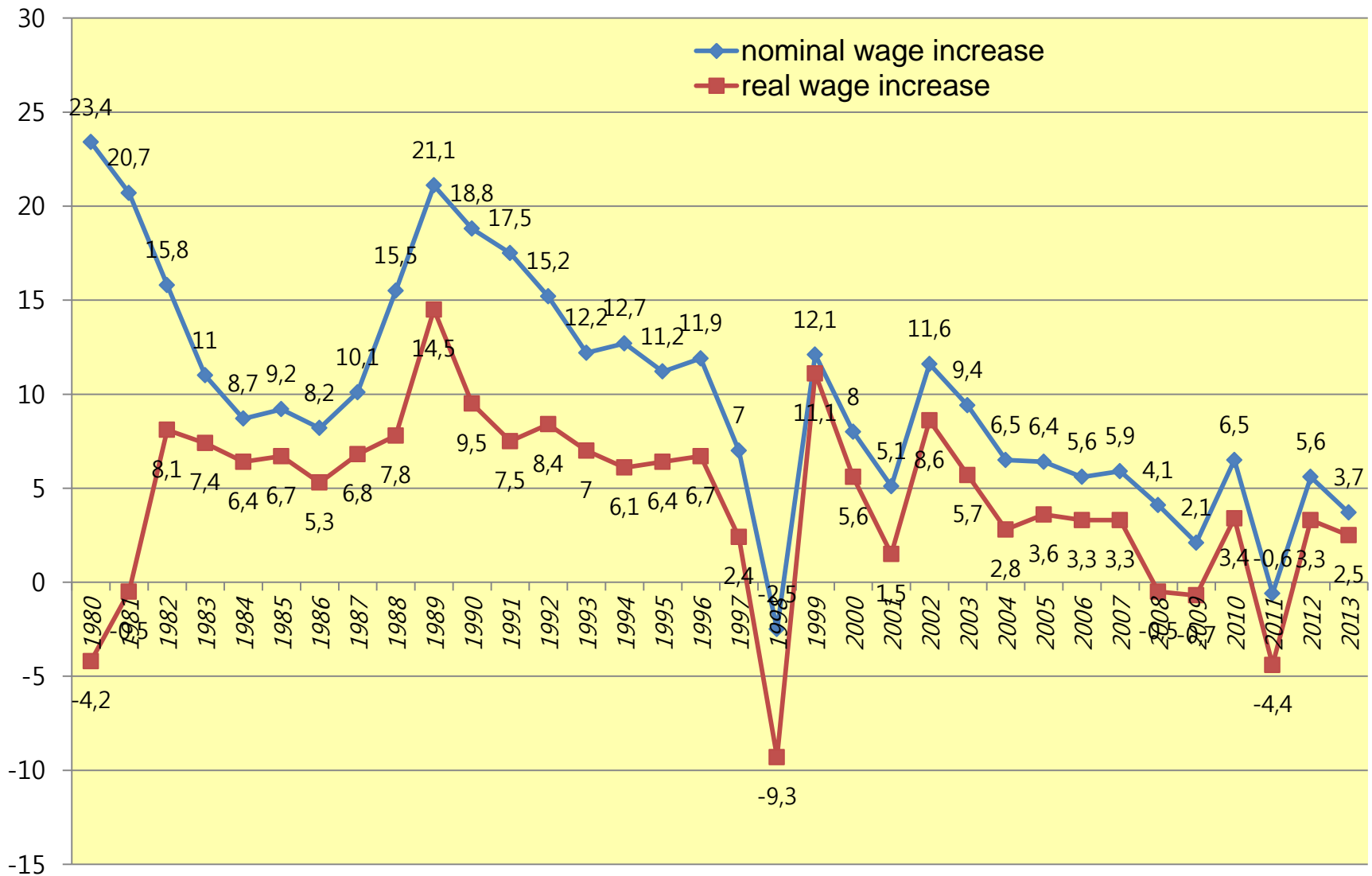


Source: National Statistical Office. Economically Active Population Survey, each year.

20~24 years old	Korea	USA	Japan	Germany	France	UK	Sweden
Unemployment rates	3.1	8.0	4.3	5.3	10.1	7.5	7.8
Youth unemployment rates	8.5	14.7	7.1	7.4	23.7	17.9	22.3

Source: OECD. 2014. OECD Employment Outlook 2013, Table D. p 247

# The Rates of Wage Increase since 1980



Source: The Ministry of Employment and Labor, Establishment Workforce Survey Report, each year.



## **Employment and labor markets in Korea**

- Very low rate of unemployment
- Relatively high rate of youth unemployment because of high rate of college registration – mismatch between jobs available and the young seeking jobs
- Low rate of employment especially women
- Increasing participation of women in labor markets
- The tertiarization of the employment following the expansion of the service sector

## **Dualization/Polarization of labor markets in Korea**

- Major challenges to Korean labor markets
- Few quality jobs at large firms and public sector vs. many low quality jobs at SMEs/service sector
- Big gaps in wages/welfare/conditions between large and SMEs
- High proportion of non-standard employment
- Big differences in wages, working conditions and social insurance coverage between permanent and nonstandard employment

## Export from Korea

Unit : MM dollars, %

	2008	2010		2012	
	Amount	Amount	ratio	Amount	ratio
<b>Asia</b>	<b>214,051</b>	247,650	53.1	318,235	58.1
<b>Japan</b>	<b>28,252</b>	28,176	6.0	38,796	7.1
<b>China</b>	<b>91,389</b>	116,838	25.1	134,323	24.5
<b>Hong Kong</b>	<b>19,772</b>	25,294	5.4	32,606	6.0
Taiwan	11,462	14,830	3.2	14,815	2.7
Viet Nam	7,805	9,652	2.4	15,946	2.9
ASEAN	49,283	53,200	10.9	79,145	14.4
India	8,977	11,435	2.5	11,922	2.2
<b>USA</b>	<b>46,377</b>	49,816	10.4	58,525	10.7
<b>Europe</b>	<b>76,697</b>	67,215	14.4	68,300	12.5
Germany	10,523	10,702	2.3	7,510	1.37
Middle East	26,647	28,369	6.1	36,616	6.7
L. America	33,267	36,187	7.8	36,747	6.7
Total(FOB)	422,007	466,384	100.0	547,870	100.0

## Import to Korea

Unit : MM dollars, %

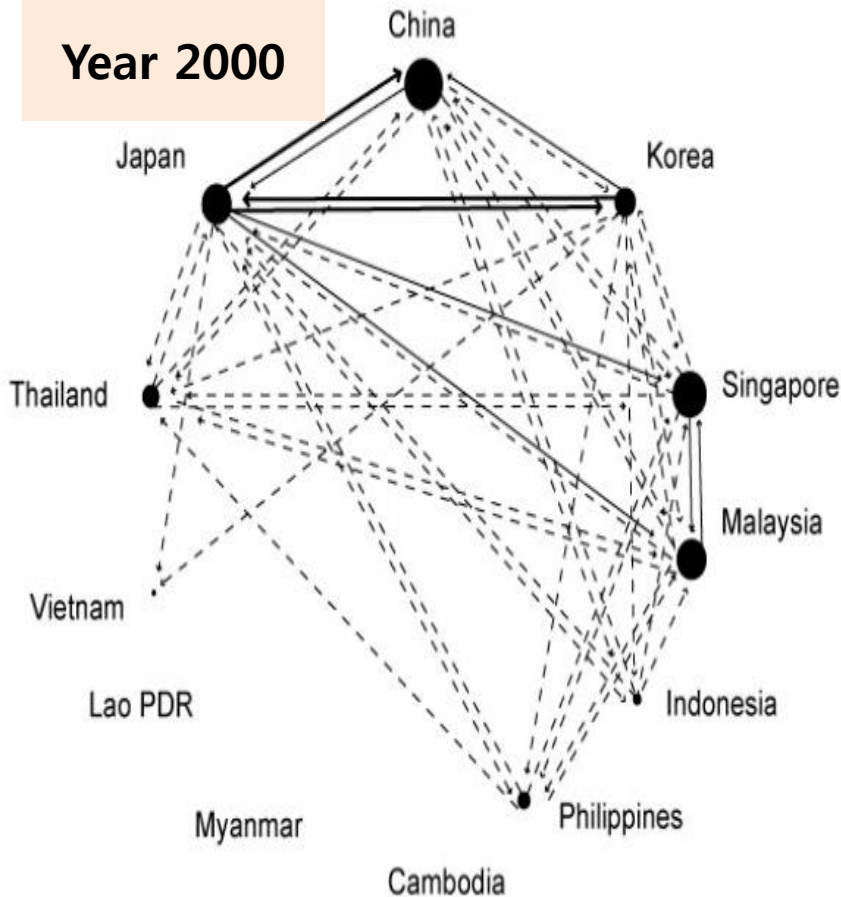
	2008	2010		2012	
	Amount	Amount	ratio	Amount	ratio
<b>Asia</b>	<b>199,784</b>		45.8	221,793	42.7
<b>Japan</b>	<b>60,956</b>	64,296	15.1	64,363	12.4
<b>China</b>	<b>76,930</b>	71,574	<b>16.8</b>	80,785	<b>15.5</b>
<b>Hong Kong</b>	<b>2,223</b>	1,946	0.5	2,058	0.4
Taiwan	10,643	13,647	3.0	14,012	2.7
Australia	17,846	20,410	4.8	22,988	4.4
Viet Nam	2,037	3,331	1.0	5,719	1.1
ASEAN	40,917	44,099	10.1	51,977	10.0
<b>USA</b>	<b>38,365</b>	40,403	<b>9.5</b>	<b>43,341</b>	<b>8.3</b>
<b>Europe</b>	<b>53,697</b>	55,760	13.1	71,323	13.7
Germany	14,769	14,305	3.36	17,645	3.40
Middle East	<b>101,645</b>	80,815	<b>19.0</b>	127,768	24.6
L. America	13,756	14,645	3.4	19,723	3.8
Total(CIF)	435,275	425,212	100.0	519,584	100.0

Source: Korea Trade Association. 2013

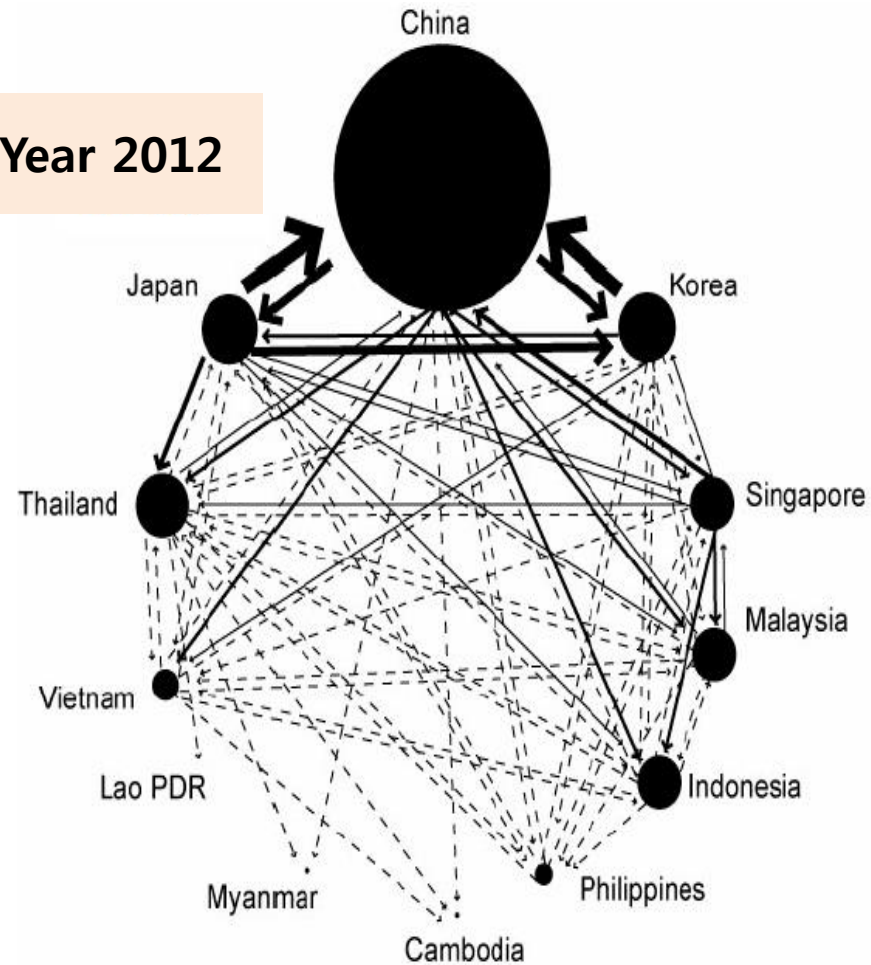
- In 2012 Trade Surplus from trade originates from China(+ Hong Kong) by 84.1 bn, from ASEAN 27.2 bn, from L. America 17bn, from USA 15.2bn, from East Europe 10,3bn
- In 2012 Trade Deficits originates from Middle East 91.2 bn, from Japan 25.6 bn), from Australia 13.7 bn
- The Ratio export to China out of total Korean Export is around 30.5%, to Asia 58.0%

# Changes in Intermediate goods trade in East Asia between 2000 and 2012

Year 2000

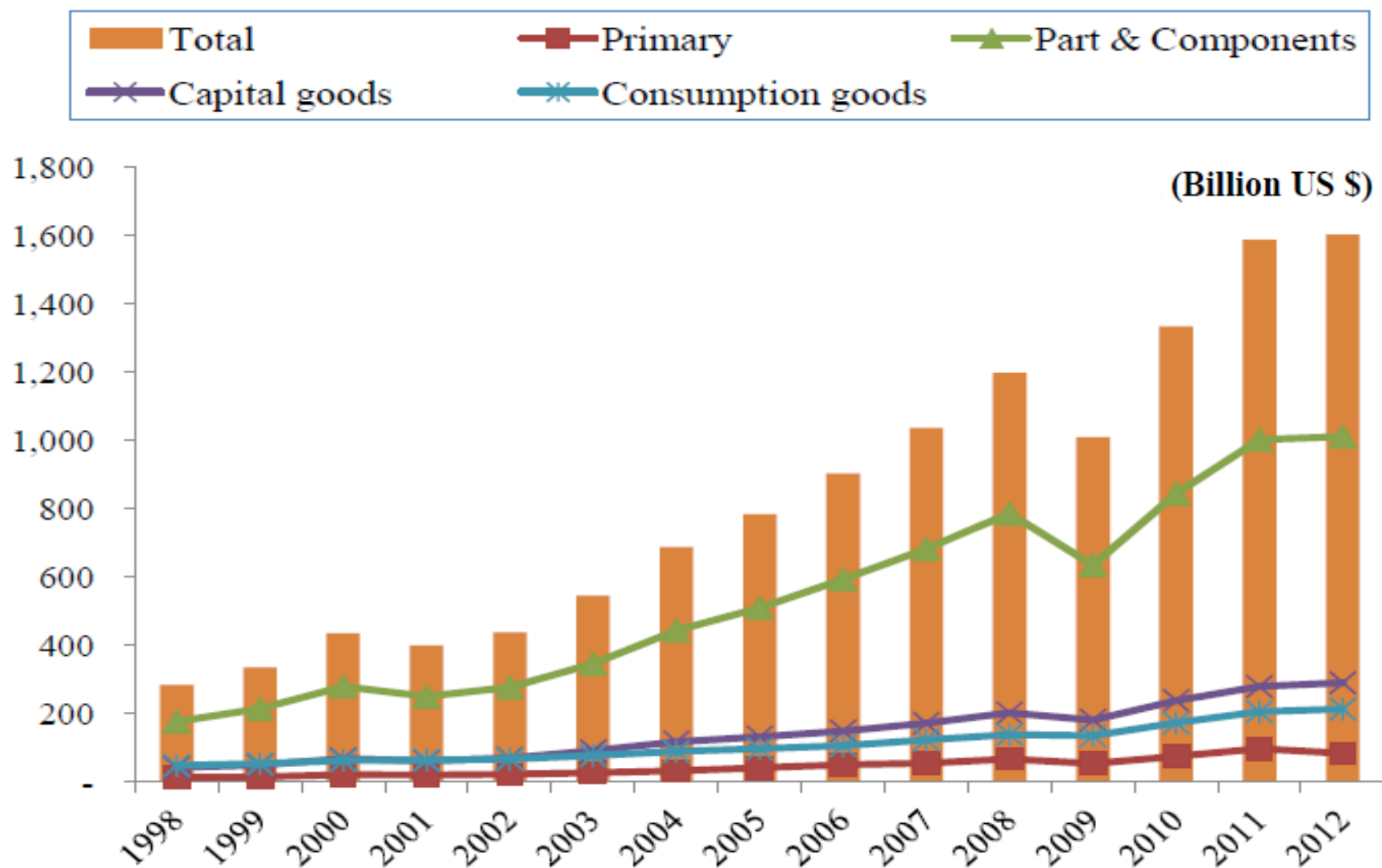


Year 2012



Source: Compiled with UN Comtrade data BEC Classification 22, 42, 53.

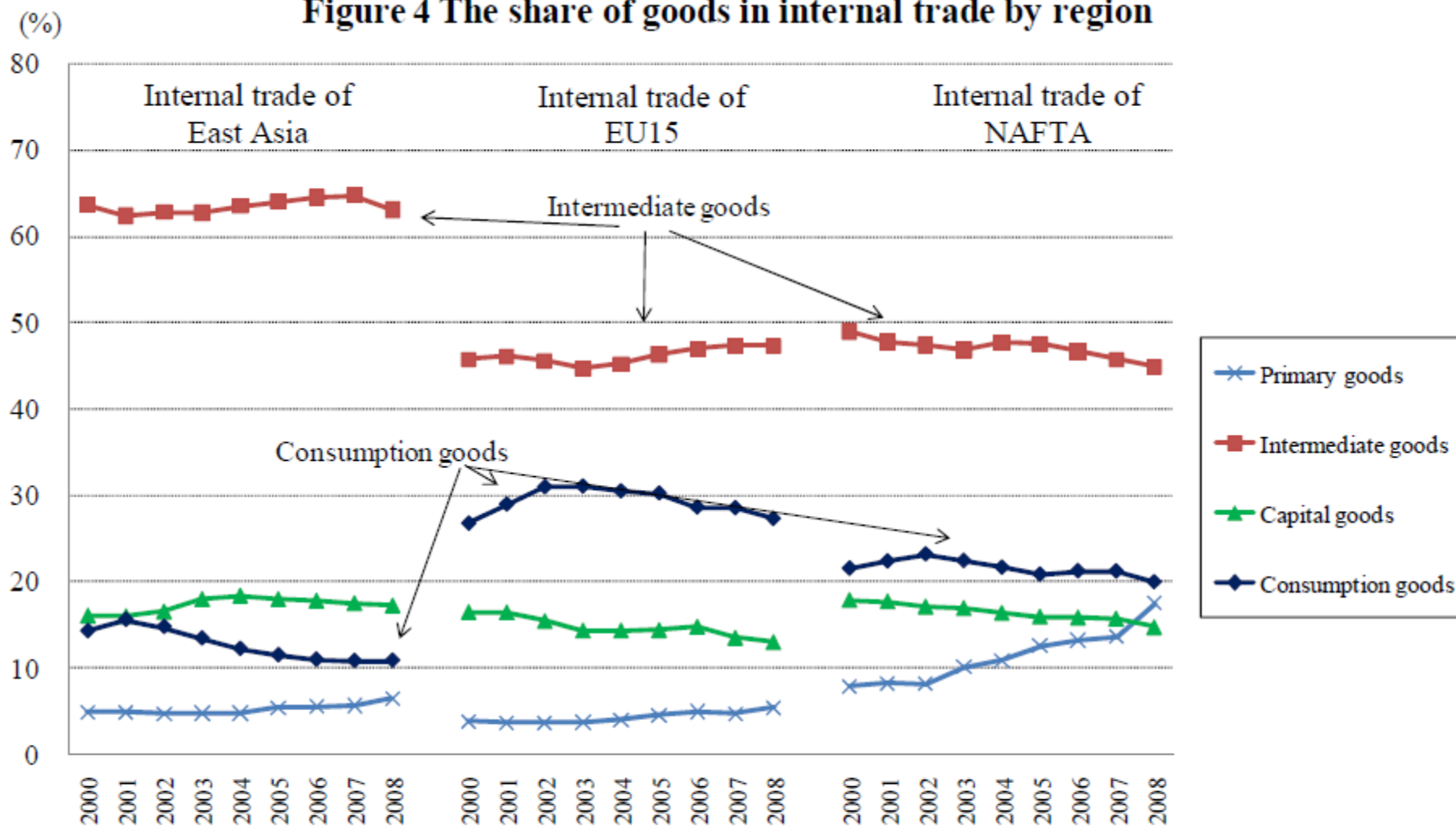
# Intra-regional Exports by Commodity in East Asia



Source: UN, UN COMTRADE Database <http://comtrade.un.org/>

# Composition of Trade in the Major Regions (2010)

**Figure 4 The share of goods in internal trade by region**



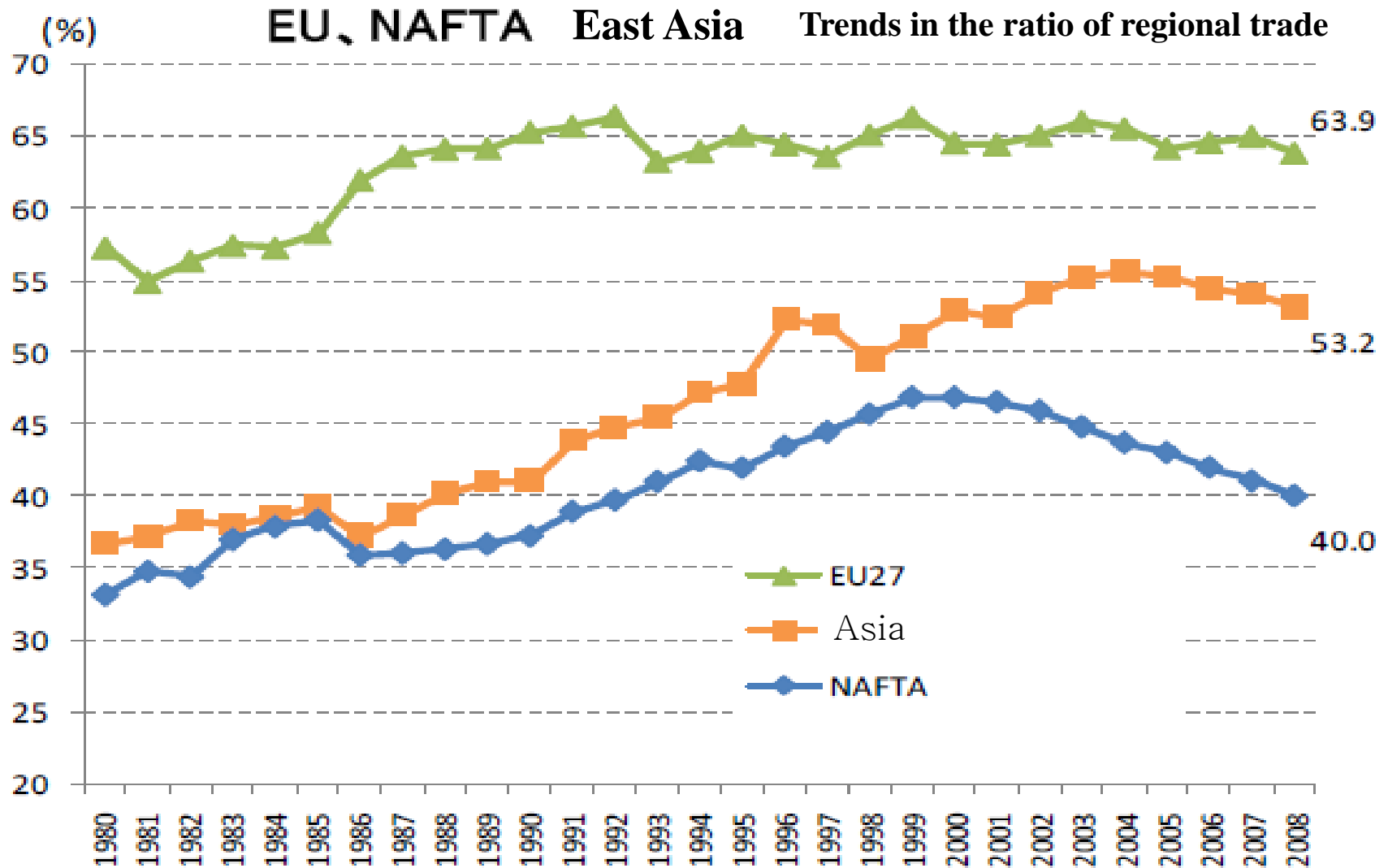
Note: 1. East Asia includes Japan, China, Korea, Indonesia, Malaysia, Philippines, Singapore, Thailand and India.

2. Internal trade includes both exports and imports among member countries.

3. Calculated by BEC classification. US dollar basis. Korea data are not included in 2008 due to data availability.

Source: UN, "Comtrade" database.

# International division of labor in East Asia and intra-increase of regional trade ratio



Note: For Asia, ASEAN+6 ( Korea, Japan, China, India, Australia, New Zealand)

Source: IMF "DOT", Board of Foreign Trade, Taiwan Chinese Taipei "Trade Statistics".

# Characteristics of Trade among East Asian Countries

- **In East Asia**, the proportion of intermediate goods in trade has been higher than in other regions but that of consumer goods in trade has been lower than in other regions
- East Asian trade among **Korea-China-Japan** is centered on intermediate goods and those goods are manufactured in Korea, China or Japan and finally assembled in China and then exported to USA, EU countries – Triangle Trade Structure
- **The dependency of its neighboring countries on China** becomes deepened especially in electric and electronic industries through Triangle Trade
- Apart from electric and electronic industries, **Chinese contents in export goods** have been higher than before
- Because of the economic crisis in USA and Europe after year 2008 and onwards, the triangle trade structure **is not sustainable**.
- The need to transform triangle trade structure into one of regional production/consumption in the future is being raised.

# Outbound FDI in regions Since 2007 by Koreans

Unit: MM US dollars

	2007	2008	2009	2010	2011	2012	2013
Asia	11,592	11,692	6,794	10,139	11,218	10,877	11,172
N America	3,749	5,255	6,005	4,630	7,300	5,051	3,867
Europe	4,445	3,389	5,338	6,143	4,355	3,405	3,524
Oceania	543	771	549	779	1,542	2,348	2,589
L.America	1,295	2,102	1,039	2,138	2,385	2,703	2,248
Middle East	369	287	322	349	419	370	482
Africa	239	320	374	291	372	365	172
Total	22,231	23,817	20,420	24,468	27,591	25,119	24,054

# FDI in Asian Countries Since 2007 by Koreans

Unit: MM US dollars

	2007	2008	2009	2010	2011	2012	2013
China	5,268	3,764	2,201	3,660	3,686	3,609	5,046
Vietnam	1,298	1,366	609	855	1,048	965	1,115
Hong Kong	1,867	2,589	1,567	1,286	1,631	1,581	800
Japan			377	321	252	646	691
Indonesia	258	486	334	878	1,210		
ASEAN			1,852	3,999	3,882	4,103	3,261

Source: The Export-Import Bank of Korea. 2011. 2013 The Analysis on Move in Outbound FDI in 2011, 2013



## Employment and Industrial relations within OECD Guidelines for MNCs

- *Respect employees' right represented by trade unions and other employees' reps, and engage collective negotiations.*
- *Abolition of child labour and elimination of forced or compulsory labour.*
- *Non discrimination against their employees regarding employment or occupation on the grounds of race, colour, sex, religion, political opinion.*
- *Necessary facilities provision to employee reps to implement collective agreement effectively.*
- *Information provision to employee reps for negotiations on employment conditions.*
- *Promotion of consultation and co-operation on matters of mutual concern with employees' reps.*
- *Information provision on enterprise performance to employees/their reps.*
- *Observe such favourable standards of employment/industrial relations as those observed by comparable employers in the host country.*
- *Adequate steps to ensure occupational health/safety in their operations.*
- *Reasonable notice to employee reps and authorities and meaningful cooperation in the case of restructuring.*
- *While collective negotiation or union organization, not to threat to transfer/relocate operations elsewhere.*

## High-level OECD-ILO Conference on CSR (2008)

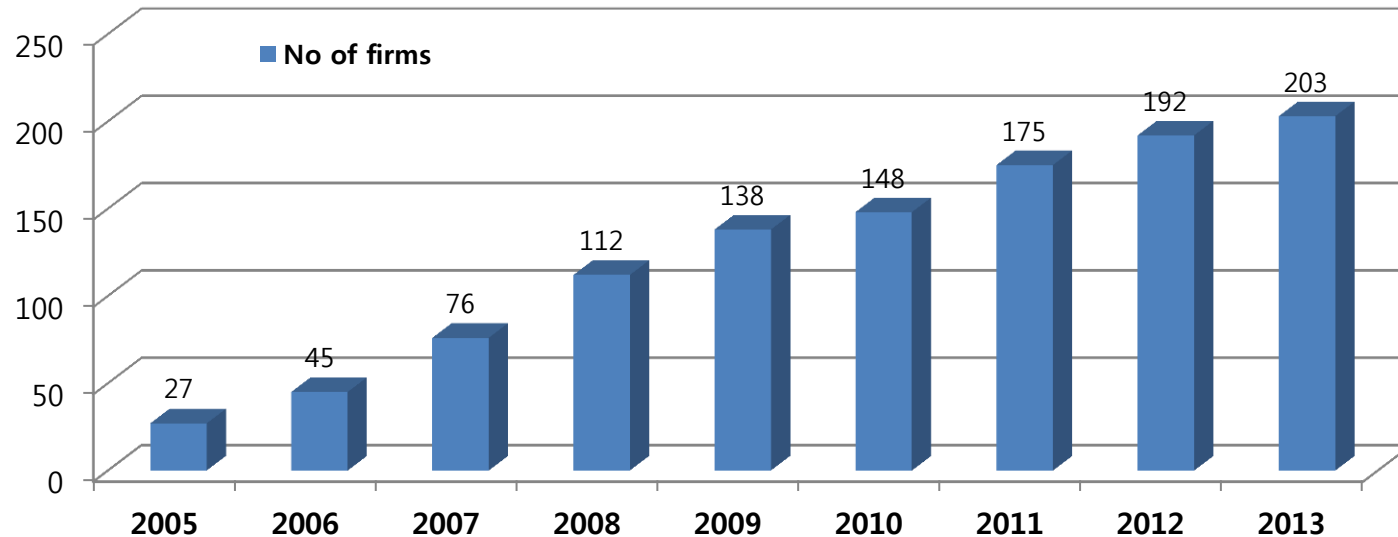
Employment and Industrial Relations = promoting responsible business conduct in a globalizing economy

### **CSR with regard to employment/industrial relations ranks high on the global agenda**

- A business vision focused solely on financial performance is now widely acknowledged as too narrow.
- FDI by MNEs can drive improvements in employment/living standards for workers.
- Recent data indicates that MNEs tend to provide higher pay, especially in developing countries.
- Responsible corporate management of employment and industrial relations varies across issues, regions and sector.
- The changing nature of work arrangements and increasingly complex supply chains present continued challenges “the greatest challenge in observing the OECD Guidelines is in the context of supply chain”.
- There are a range of current practices and tools that enable MNEs to improve employment and industrial relations.

# CSR at Korean firms

Cumulative No of Korean firms publishing sustainability reports in 2005-2013



Source: Korean Productivity Center.

- The cumulative No of Korean firms publishing “sustainability, or CSR reports” increased 3 in 2003, 112 in 2008 to 203 in 2013.
  - The Actual No of firms publishing the reports was 3 in 2003, 62 in 2008 to 115 in 2013(Korean Standards Association. 2014).
  - Out of 113 firms, the number of private firms is 78 and the number of public organizations is 32
  - The number of Sustainability reports which implemented GRI (Global Report Initiatives) was 108.
- No of Korean firms participating in UN Global Compact is 230.
- According to the KPMG Survey of Corporate Responsibility Reporting 2013, Korea ranked 36 out of 41 countries surveyed.

# Monitoring of CSR at Korean firms

## External review/monitoring of sustainability reports

- 144 reports out of 164 sustainability reports published by Korean firms in 2013 - June 2014 were reviewed by external monitoring organizations
- Monitoring organizations – DNV GK Korea, Korean Productivity Center, Korean Standards Association, Pwc-Samil Accounting Firm and EY- Hanyoung Accounting Firm, and etc.
- The compilation of the reviews of sustainability reports by Center for good corporations
- Despite continuous improvements, the results showed that
  - ① the reports have not got stakeholders' whole trust
  - ② the reports are not used for decision-making of stakeholders
  - ③ it is not clear whether the report affects performance of the firms concerned.

## National Assembly

- Promotion of SRI and CSR in the National Assembly(April 10<sup>th</sup> 2014)
- CSR through the announcement of SRI elements by National Pension Fund
- CSR through information release of SRI elements of Firms
- CSR through public purchasing of the government and contract by the state

## Seoul City Council

- Linking public procurement to CSR Index(labor-management partnership, co- development with suppliers, family-friendly culture, fair competition)

# Monitoring of CSR at Korean firms

## **Korean Standards Association**

- Publishing of 2014 Survey Report on How sustainability reports have been used by Korean stakeholders and giving Korean Readers' Choice Awards to the best reports

## **Korea Sustainability Investing Forum**

- Publishing SRI Korea Reports(2009, 2010, 2012)

## **Center for good corporations**

- Survey of CSR reports published by the top 100 firms in Korea in 2012, 2014
- Survey of Human Rights Management at SMEs and Proposal to improve it, commissioned by the National Human Rights Commission
- Debate on General score of Samsung viewed from International ISO 26,000
- Monitoring of corporate governance at Korean conglomerates

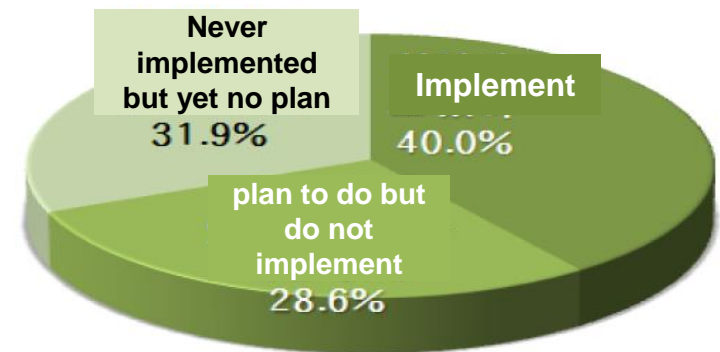
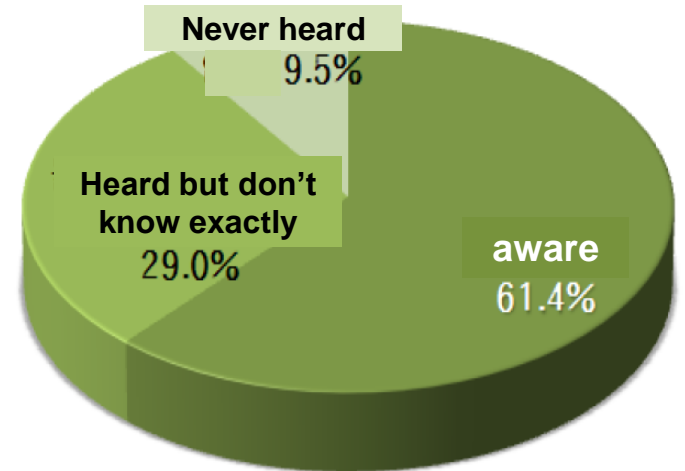
## **KTNC Watch**(Korean Transnational Corporations Watch): Network of Korean-based NGOs

- They investigated the incident of The Bloody crackdown on Striking workers in Cambodia in Jan. 2014

# CSR performance at Overseas Korean firms

- Based on KOTRA survey on 210 Korean firms operating in 10 Asian countries excluding China on Oct – Nov. 2010.
- 60% of overseas Korean firms do not implement any CSR activities, while a significant gap between big firms and small ones in implementing CSR.
- The main focus of CSR at overseas Korean firms has been on provision of welfare benefits (45 firms) for employees, donations (42 firms) for the poor in host countries, and observance of human rights and ban on child labor and forced labor (39 firms).
- The positive results from CSR implemented at overseas Korean firms have been friendly labor relations such as employees' pride, close ties with local communities and government authorities and business friendly climate.

## Awareness of CSR among Overseas Korean firms



# How to improve CSR at Korean firms

- **Little institutionalization ⇒ Institutionalization**
  - CSR has not yet been properly institutionalized in South Korea as much as in Europe but still promoted and experimented in Korea
- **CSR as social philanthropies**
  - CSR is still understood by many Korean firms as social philanthropies to help the firms' marketing
- **Top-down, paternalism ⇒ more participatory approach**
  - Many conglomerates are still run in a paternalistic way, top-down approach but stakeholders having little chance to participate in decision-making
  - working with local people(employees, unions, labor NGOs, government at overseas operations)
- **More CSR experience in Europe ⇒ learn from Europe**
  - There are much more experiences of CSR in Europe than in Korea and therefore Korea has lots of things about CSR to learn from European countries

# CSR and good labor relations in MNCs in Developing Economies

- CSR in MNCs is not just for outside customers(customers and local communities) but also for domestic customers(employees)
- CSR for domestic customers in MNCs is to keep basic labor standards, labor rights and further to maintain good labor relations in MNCs, and their subsidiaries and suppliers
- That is to value local people and to keep basic labor standards and labor rights for their employees in MNCs and their suppliers and subsidiaries and thereby to contribute to upgrading labor practices or working conditions in emerging countries in general.
- Thereby MNCs do not merely earn their profits in those emerging countries but also they contribute to people's earnings and lives in those countries.

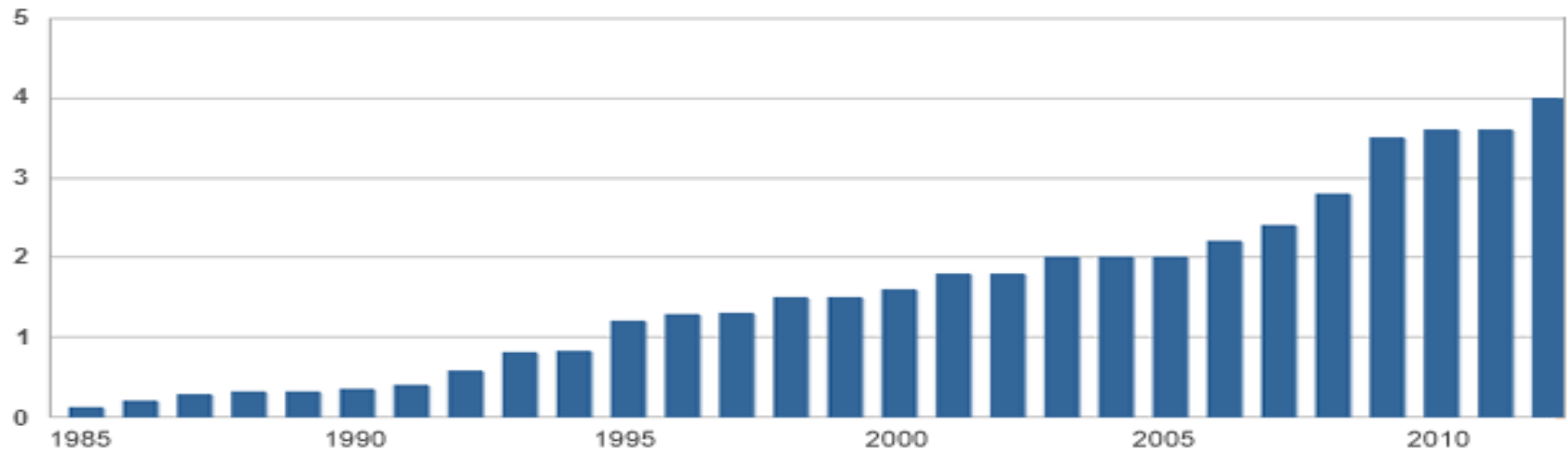


# The Garment Industry in Bangladesh

- Export of garment products: \$21.5 billion in 2013(80% of Total export of Bangladesh \$27 BN)
- **2<sup>nd</sup> largest garment** export country next to China
- Workers in the Garment Industry : 3.6 MM(female 2.8MM, male 0.8MM)
- 1,100 garment workers died from collapse of the 8 storey Rana Plaza building - some retail chains urged the Bangladesh government to increase its minimum wages and better standards for workers safety
- Minimum wage per month \$ 68 US Dollars /month(Dec. 2013) from \$ 38 US by 79 percent increase instead of \$100 demanded by workers
- A Korean firm is No.1 investor in Bangladesh

## People working in garment factories in Bangladesh

Number of workers (millions)



## Case of a Korean Apparel Firm in Bangladesh

1. Basic information: The Korean firm was set up in 1985, is the largest investor firm in Bangladesh, owning 17 factories which employ 30,000 workers.
2. Products: OEM of outdoor wear, sport wear, footwear, bag, and the dying
3. Buyer MNCs: THE NORTH FACE, GOLDWIN, AIGLE, BROAD PEAK, Engelbert-Strauss L.L. Bean, Lululemon
4. Labor Relations: Apparel workers in garment factories demonstrated in the street in 2010 while asking wage increase. The demonstration turned violent between workers and police. The firm temporarily closed the 17 factories and threatened to leave the country. The garment workers sat-in in front of the firm's factories and many workers in other factories joined the strike. Three worker died and 250 workers were injured during the police's crackdown.

## Case of a Korean Apparel Firm in Cambodia

1. **Basic information:** The firm was set up in 1978, then acquired by Carlyle Group, the US PEF has 22,400 overseas (102,070 in Vietnam, 5,600 in Cambodia, 2,850 in Indonesia, and 1,073 in China)
2. **Buyer MNCs:** GAP, Banana Republic, Old Navy, American Eagle, Pink, Walmart mostly American brands
3. **Wages and Working conditions** – low wages, more than 300 workers fainted from long hours & heat in 2011, 2,100 at 29 factories in 2012, 500 at 5 factories in 1<sup>st</sup> quarter of 2013.
4. **Labor Incident:** The Cambodian government's decision to raise monthly national minimum wages to 95 dollars on 24<sup>th</sup> Dec 2013. Hundred of thousands of apparel workers demonstrated and went on strike on 25<sup>th</sup> Dec., asking for NMW 160 dollars. On 3<sup>rd</sup> Jan. 2014 the military cracked down demonstrating workers and at least 5 workers were killed and at least 30 workers and civilian injured. The allegation that the Garment Manufacturers Association in Cambodia including Korean apparel firms refused to negotiate on minimum wages and threatened to relocate their factories to elsewhere is not confirmed.

## Cambodian labor protest against small increase in national minimum wages (The Phnom Penh Post 2<sup>nd</sup> Sep. 2014)

- Both Cambodian and international unions have lobbied the Carlyle Group and the Group is known to take a leading role in the decision
- The Korean firm and international labor rights expert decided to conduct a review of its Cambodian factories.
- The Korean firm agreed to send Gare Smith a top human rights lawyer at US State Dep't under the Clinton and former vice president at Levi Strauss & Co to Phnom Penh in mid-August
- CALPERS(California Public Employees' Retirement System - a pension fund), the key investor in Carlyle, had been raising questions about the military crackdown at the Korean firm with Carlyle

# Unfair/Bad Labor Practices of Some European MNCs in Korea

- European MNCs have been known to keep basic labor rights and decent behaviour and implement CSR but that is not always the case
- Some European MNCs in Korea have been deeply involved in unfair labor practices as much as very stringent local firms have such as interfering in unions' internal affairs.
- Unless NGOs and trade unions keep watch on MNCs and their subsidiaries and suppliers, MNCs, their subsidiaries and their suppliers may be inclined to involve in unfair labor practices and not to keep OECD guideline.
- Civil Societies in both Korea and EU can work together in monitoring MNCs, their subsidiaries and their suppliers in order to keep basic labor rights and implement CSR and OECD guideline for MNCs in Korea, EU and emerging countries in East Asia
- That is the way how to improve awareness and practices of social dimensions

# Bad Labor Relations in some European MNCs in Korea

**Case 1. A\* Electrical Drive** (subsidiary of a German firm) with 600 employees, 2013 turnover 0.41 bn USD

**Case 2. B Electrical Systems Korea**(subsidiary of a French auto parts firm) with 779 employees, 2013 turnover is 0.5 bn US dollars

**Case 3. C Automotive System**(subsidiary of a German Automotive Firm) with 1,000 employees, 2013 turnover 1.9bn USD

- Bad labor relations up to 2010, frequent strikes and opposition to investment in new production lines by the branch of Korean Metal Workers' Union
- The companies' offensive against trade unions:
  - 1) Involved in unfair labor practices, helping set up enterprise unions and dismiss union branch leaders and file civil lawsuit against alleged illegal actions
  - 2) The companies confronted with trade union during these processes
- European MNCs does not comply with OECD MNC guidelines and their promised CSR

# Upgrading labor practices through MNCs/their suppliers

## what MNCs have done

- Despite MNCs emphasis on low cost bases in emerging economies, they/ their suppliers have higher efficiency of operations than most local firms

## what suppliers are afraid of

- What suppliers fear is to lose orders from buyer MNCs because the former is relying on MNCs for their orders.
- Many large suppliers are forced to accept the audits or monitoring by NGOs or consumer groups sent by buyer MNCs.

## what local firms are doing

- Many local firms in developing countries cannot keep basic labor standards and rights because quite a many of them are struggling to survive in a cut-throat competition

## what MNCs could do

- If MNCs are not monitored, MNCs can seek to more effectively exploit every element of human and natural resources than local firms.
- If MNCs and their suppliers are properly monitored, MNCs and their suppliers can upgrade labor practices in emerging economies by encouraging MNCs to keep basic labor standards and rights in themselves and their suppliers

# How to keep basic labor standards in developing countries

## **Conditions and infrastructure in developing countries**

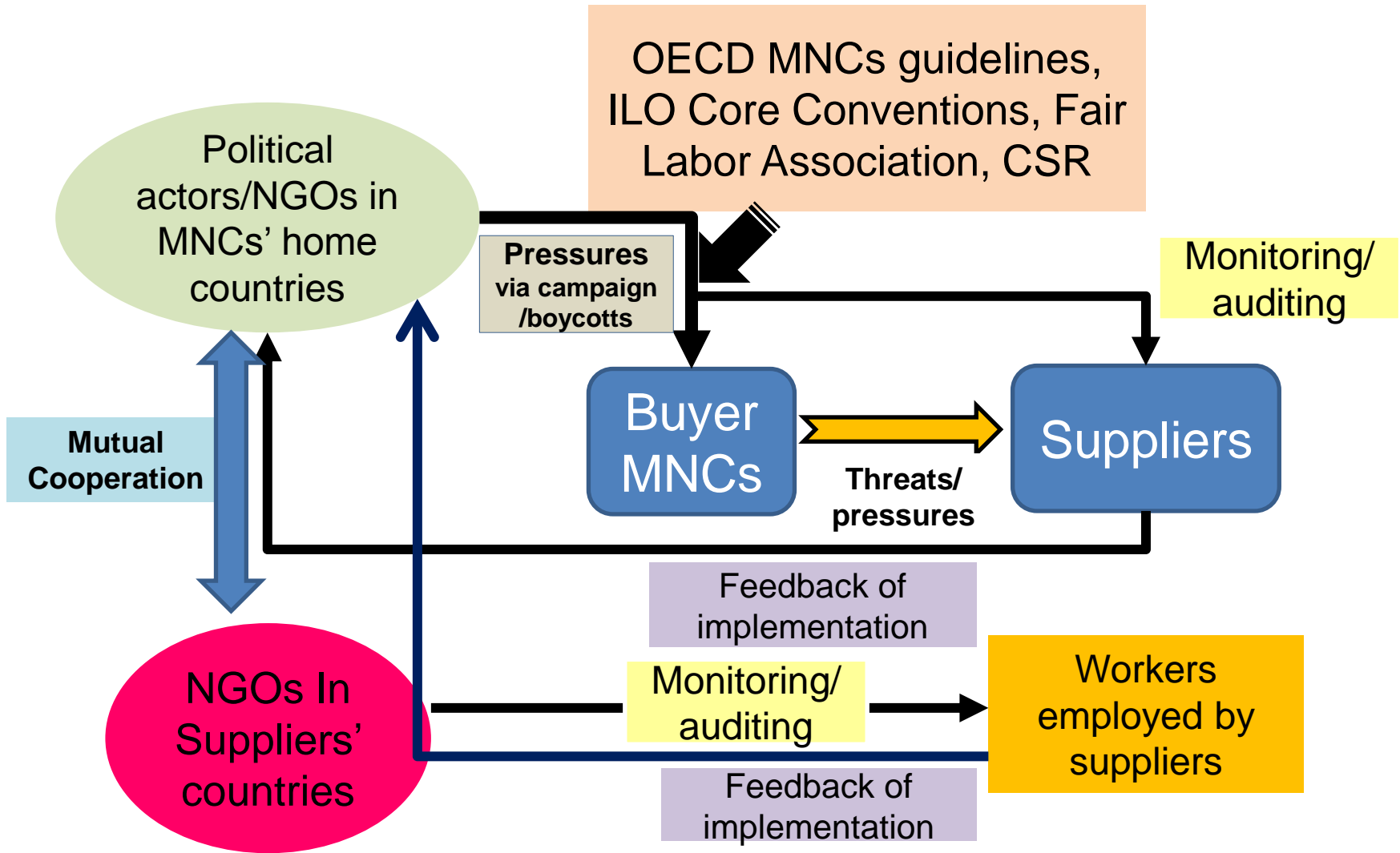
- Trade unions are generally weak or captured by developmental state
- Civil society including labor NGOs has barely developed.
- Despite the existence of labor standards laws, the state is not interested in labor standards but interested in attracting more foreign capital.
- It is difficult to expect the mechanisms to work properly whereby labor standards are observed

## **Arrangements by which labor standards are kept in developing economies**

- Monitoring/audits of MNCs and their suppliers which are observing OECD MNCs guidelines by domestic and foreign NGOs and relevant organizations
- Encouraging USA MNCs to join the Fair Labor Association
- Campaigning against MNCs and their suppliers which violated basic labor standards by mobilizing various NGOs and solidaristic actions with civic groups such as consumers' boycott



# How to keep basic labor standards in developing countries



# How to monitor OEM suppliers' observance of basic labor standards in developing countries

## **1. Approaching and Asking MNCs**

- NGOs, Fair Labor Association, trade unions and other state agencies in home countries approach MNCs, raise basic labor standards in their suppliers in developing countries and ask MNCs to accept monitoring/auditing in the suppliers

## **2. Monitoring or Auditing**

- NGOs, Fair Labor Association, trade unions and other state agencies in home countries send auditors to suppliers to examine to what extent suppliers of MNCs are keep basic labor standards at their workplaces and report to MNCs through NGOs and civil society
- NGOs, Fair Labor Association, trade unions and others in MNCs home countries ask NGOs working in developing countries to examine their suppliers treat their workers to the basic labor standards and report to them.

## **3. Using Outcomes of Monitoring and Auditing**

- Report back to MNCs and ask MNCs to take appropriate measures to ensure basic labor standards are keep at their suppliers or to cut their relations with suppliers concerned if basic rights and standards severely violated.

# How to Cooperate Each Other between Korea and EU

- ILO project on labor standards and CSR in apparel/electronic value chain in Asian developing countries, co-sponsored by Korea and EU
  - Of labor standards, labor rights and basic working conditions in Asian Countries where many European MNCs and Korean contract manufacturers operate.
  - Korean and European experts participate in the ILO project
- Exchange of collected exemplary cases/experience of CSR
  - Among CSR related organizations(DAG) between Korea and EU
- Cooperation for more participation of Trade Unions and Employers' Association in CSR and its relevant activities among MNCs
- Enhancing awareness on social issues such as labor standards, labor rights in Asia
  - OECD MNCs guideline, ISO 26,000, CSR and ILO core conventions
  - For various Asian government meetings
- Common effort for DAG to participate in NCP

# What Role NCP is expected to play

## **Several issues raised so far concerning Korean NCP**

- Accountability and transparency in dealing with issues at Korean NCP
- Lack of accessibility to NCP related materials such as OECD MNC guidelines
- Possibility of lack of expertise and neutrality in judging issues raised.

## **Some measures to have NCP proper roles**

- Locating NCP Secretariat at Korean Commercial Arbitration Board
- Enhancing transparency in process of dealing with cases by setting up rules on processes and announcing the rules
- Publishing case reports and holding seminars and workshops on OECD MNCs guidelines and CSR

## **Remaining Issues**

- Little involvement of DAG (unions, employers' associations and etc) in running NCP
- complaints from some NGOs including unions of lacking transparency/involvement

## **More positive role of NCP in the future**

- Need for DAG to participate in Korean NCP
- Dealing with cases of various disputes involved in MNCs
- Cooperation with NCPs of other countries on issues basic labor standards and in solving issues raised in labor and environment in East Asian countries

# South Korea in East Asia

## 1. Neighbors

- Relatively small country surrounded by big neighbors such as China, Russia, Japan, and the USA
- Deepened international division of labor with China, other East Asian countries and Japan

## 2. Front Runner In its economic development

- Apart from Japan as an advance country, Korea is a front runner emerging from developing countries
- Korean economy already achieved the level comparable to advanced ones
- Korea is a leading country with dynamics in its open economy with many FTAs

## 3. Exemplary in its Political Democracy

- Korea is a rare Asian country where political democracy has rooted in its soil during its long fight for democracy
- The Ruling party has changed over time from one party to another

## 4. Economic growth balanced with social consideration

- Relatively strong trade unions/NGOs, different from Japan and other NIEs
- Social welfare including social insurance, universal education developed
- Question - how to build dynamic economies balanced socially in increasingly integrated East Asia??

# Roles of South Korea for the integrated East Asia

- **Japan – the future of East Asia?**
  - Very weak trade unions dominated by enterprises/weak social movement
  - Little consideration of enlarged, integrated East Asian social dimensions by Japanese actors
  - No hope of the Japanese model for balanced future of East Asia
- **Korea – the possible hope of East Asia**
  - Relatively Balanced developments between economy, political democracy and social dimension(trade unions, other social movement, social security)
  - Possible model/exemplary case for East Asian countries not just in economic growth but also political democracy and social dimension(integration)
- **China – huge but walking on an uncertain, untrodden path**
  - Non capitalist, authoritarian path taken successfully to a significant extent
  - Unbalanced economic growth – little consideration of social issues
  - Unsustainable model of the current economic growth
  - Korea – non competitor to China, small, friendly but learnable neighbor
  - Very close division of labor with Korea, close cultural relationships and sharing over more than 1000 years.
- **Any hope for social East Asia? Economic powerhouse of the world without race to the bottom**
  - How to set-up social common grounds and standards in East Asia
  - How to balance/harmonize economic growth with social dimensions