

MEMORANDUM

FOR: OECD Countries, Multinational Corporations
FROM: Group Number Five; ATHGO Conference, Washington, DC 2007
DATE: September 8, 2007
SUBJECT: Corporate Regulatory Frameworks to Guide Economic Development

I. Action-forcing Event:

The Asian Financial Crisis of 1997 more than any other recent event dramatically illustrates the need for increased regulation of foreign investment and Multinational Corporation operations in the third world. While Corporate governance can take many forms, including regulation of companies within LDCs themselves, regulating MNCs would do the most toward preventing the type of destabilization seen in Asia and throughout the world in 1997-1998. OECD countries can do more to regulate MNCs headquartered within their borders to channel profit-making incentives into constructive third world development.

II. Background

The impacts of multinational corporations on national governance and economy have been unprecedented. They have given way to dire working standards, environmental degradation, and unfair trade practices. However, during the 1990s corporate philanthropy and social investment became more relevant both for companies and public opinion. Although these companies continue their social investments, we must (1) ensure that companies continue to be accountable to public opinion and (2) enact corporate regulatory frameworks capable of engendering long-term economic development.

III. Recommendations:

OECD countries will agree to enforce minimum standards for MNC operations in the developing world, based on the United Nation's *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights*, which includes work, wage, and environmental standards. Past regulation schemes have only applied to MNC operations between the OECD countries and have not been extended to developing countries. This would be the first non-voluntary program to do so. OECD countries will enforce the standards through revoking tax incentives and levying fines on the MNCs headquartered within their borders. Non-compliance will be determined by a complaint procedure and monitoring process from within the developing countries.

An incentive scheme to motivate MNCs to go above and beyond these minimum standards will be established involving a certification and product labeling program. MNC products sold within the OECD countries will receive the specially-designed and well-promoted label based on:

- Percent of profits spent on community development programs in the developing countries in which they work.
- Percentage of workforce which is local to the developing countries, opportunities training and promotion to managerial positions for those employees.
- Percentage of "fair trade" products.

IV. Decision:

_____ Approve _____ Approve As Amended _____ Reject _____ Discuss Further