



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

Milan, 28 April 1999

Dear Ambassador,

Thank you for chairing the consultation on the review of the Guidelines for Multinational Enterprises last Monday. As the new chairman of the *BIAC Committee on International Investment Multinational Enterprises and Development*, it was my first opportunity to participate in the policy dialogue among members of OECD governments on the subject of the Guidelines. The business community is very committed to participating in the Review, as evidenced by the large turnout at the meeting.

Attached you will find the BIAC summary of the meeting, reinforcing the positions we took on the subjects. Speaking as a businessperson who chairs a large multinational company, two points stand out.

First, it is important to see how much the landscape has changed since the Guidelines were first established. In 1976 there were maybe 200 MNE's—companies with facilities in several OECD countries. This set of largest companies, who have grown in number, practice good corporate conduct as espoused in the Guidelines—it is good business for them to do so, and helps them in the face of market competition. Interestingly, because the nature of markets has changed, participants in global markets are increasingly small and medium-sized companies operating in countries all over the world (OECD and non-OECD). They number maybe 20,000, maybe more and their number could double in a short span of time. Recent UNCTAD reports on foreign direct investment indicate that there are close to 45,000 parent firms investing in approximately 280,000 foreign affiliates. It is helpful to keep this “audience” in mind.

Any revision must reflect these new realities. The Guidelines must be flexible and not too specific, because markets can change quickly and companies have to adapt. If the OECD says that the Guidelines must be applicable in all countries, I would recommend that the views of non-OECD members, including their private sectors and those of other members of civil society, be incorporated into the review process.

Second, while modest resources have been expended by the NCP's to promote the Guidelines, I observed at the meeting a great deal of discussion about enforcement, compliance, white and black lists and other similar sanctions. I suggest that to achieve the objective—namely, adherence to principles of good business practices among as many firms as possible—in the most efficacious manner, governments should change from their focus on enforcement and sanctions to one of promoting awareness of the self-interest of the business community in the practices of the Guidelines.

When you create an atmosphere of sanctions, my experience has shown me that people will focus on avoiding the punishment rather than taking advantage of the opportunity, and, importantly, open communication can break down. But when you create a positive atmosphere, people will respond and participate. Their participation is enormously helpful, if not essential. It is in this vein that I urge governments to rethink their approach to this exercise.

By focusing on the modernisation and promotion of the Guidelines, OECD member governments can show businesses that it is to their advantage to follow and to use the Guidelines. This approach, I believe, will achieve the desired goal of Guidelines that are more visible, more relevant, reach a larger audience, spread and reinforce good corporate practices, by as many companies in as many countries as possible.

I ask that you share this letter with the other members of your committee, the Secretariat, and senior OECD officials so that we can set the Guidelines on a positive course.

Yours Sincerely,

Bruno Lamborghini  
Chairman, Olivetti Lexikon

Enclosure

To: His Excellency Mr. Marino Baldi

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