



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

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

**BIAC Intervention
First Annual Meeting of the National Contact Points
Monday, June 18, 2001**

Introduction

One year ago, we met here in Paris at the OECD Ministerial to recognise completion of the revision of the Guidelines, and acknowledged that what lay ahead was the challenge of implementation. At that time BIAC recognised the “remarkable responsibility assumed by governments in the proposed implementation of the Guidelines,” and stated that “implementation must go forward with full recognition of the complexities and diversity of the global market place.” Since the revision was complete BIAC has continued to stress that implementation must go forward in good faith by all parties.

Today BIAC very much appreciates this important opportunity to present to you our assessment and experience regarding implementation of the revised Guidelines during the past year. Of course, we are also very much looking forward to hearing this morning about the NCPs' experiences with implementation during the past year.

Value of the Guidelines

The OECD Guidelines for Multinational Enterprises, are still the only comprehensive set of principles for international business conduct collectively endorsed by governments. At the outset, they were intended to provide a framework for good business conduct and, as part of the wider OECD Declaration on International Investment and Multinational Enterprises, to encourage a balance of responsibility between international business and governments.

The official and clear aim of the Guidelines is to improve the climate for foreign direct investment and promote the positive contribution that multinational enterprises can bring. For their part, OECD governments undertook not to discriminate against multinationals, to avoid imposing conflicting requirements on them, and to co-operate on official incentives and disincentives to international investors.

Through BIAC, the business community was actively involved in the revision of the Guidelines, which has brought added value to the Guidelines for business. Through extensive consultation in the revision process, and now implementation, there is throughout the business community growing awareness of the Guidelines.

Throughout the revision process and in implementation, industry has taken a positive stance in support of the process, and continues to promote the following underlying principles relating to the Guidelines:

- The Guidelines are part of the OECD Declaration on International Investment and Multinational Enterprises and must always be considered as such;
- The Guidelines are voluntary -- that is not legally binding, and must remain so;
- The process of educating companies and organisations about the Guidelines takes time, and business continues to take a proactive approach to inform the private sector about the Guidelines as part of the implementation process;
- Implementation of the Guidelines in practice must concur with the wide variety of circumstances in which companies operate throughout the world;
- Companies cannot be required to solve all the world's problems - they have neither the mandate nor the organisation to do so.

Business Assessment of Implementation

Business must and does understand the Guidelines as serious Government recommendations and thus must and does take the Guidelines seriously, and this of course includes implementation.

During the past year BIAC and its member organisations have worked to communicate and promote the Guidelines at international, national and local levels. In working towards this goal, BIAC member organisations have been and continue to take concrete proactive measures to reinforce communication and information related to the Guidelines.

First, upon completion of the revision process BIAC member organisations took on the responsibility of serving as focal points responsible for dissemination of information and fielding questions from the Business community on the Guidelines. The focal points have also worked to strengthen business communication with their NCPs and inform BIAC of activities taking place at the national level.

Business activities to promote the Guidelines have included the organisation of seminars – including the participation of government officials and OECD staff, presentations to companies, publication of Guidelines related articles in newspapers, journals and magazines. Many BIAC members have built or are building websites and developed linkages with government web sites on the Guidelines. BIAC organisations have also been co-operating with NCPs to communicate and promote the Guidelines, and, where tripartite NCPs exist, BIAC member organisations participate in the development and activities of National Contact Points (NCPs) for national implementation of the Guidelines.

Some examples – BIAC members present at the meeting may want to elaborate further on their activities:

- The UK Business community through the Confederation of British Industry, CBI, co-operated with the UK NCP in the Department of Trade and Industry to draft the UK National Contact Point information booklet, which has been applauded by

the business community as an exceptionally well crafted communication piece on the Guidelines.

- MEDEF, this week is holding a high level conference on the Guidelines involving representatives from numerous government, business labour and NGOs including participation of the French NCP.
- During the CCIB's annual Trade Policy Day in March 2001, a breakout session focused on the Revised Guidelines. In Canada the CCIB is discussing the possibility of co-hosting seminars on the Guidelines with the NCP. The CCIB has disseminated articles about the Guidelines through the Canadian Chamber of Commerce's electronic newsletter, News@Chamber, and through the CCIB's own distribution list.
- In Japan, Keidanren regularly holds meetings with Ministry officials regarding the Guidelines. Last July 2000 Keidanren held a seminar on the MNE Guidelines, which included Japanese Ministry officials and over 100 company representatives.
- In Germany, in December 2000, the BDI participated in the workshop "International Rules for the Economy" held by the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund – DGB) and presented its views on the Guidelines and their implementation.
- Just last week the BDI also conducted a symposium "Freedom in Responsibility. Multinational Enterprises in Globalisation" with active participation of the Federal Minister of Economy and Technology, the State Secretary of the Foreign Ministry and the Deputy Secretary General of the OECD.

With respect to outreach to non-OECD members, BIAC has responded to inquiries of non-OECD members with respect to the Guidelines, with particular interest having been shown by the Brazilian business community.

While business has emphasised that communication and the promotion of the Guidelines will take time, BIAC members have observed that implementation procedures on the side of government also takes time, and in some cases has been a slow process – in this respect it is important to note that NCPs differ according to culture, and thus develop and function at a different pace in different countries.

With respect to application of the core criteria of NCPs (visibility, accessibility, transparency, and accountability) there is room for improvement as the implementation process moves forward, and dialogue based on trust between all concerned parties is critical to this process.

With respect to implementation, the business message has been and remains clear: the main objective of the OECD Declaration, of which the Guidelines are a part, is to improve the international investment climate. Promotion of the Guidelines supports this objective.

Issue of Linkages

As we stated earlier, implementation must be done in good faith, by all parties. Otherwise there is a serious risk that the main aim, namely to improve the climate for foreign direct investment may fail. This may not happen and we have to continue to work together in the spirit underlying the Declaration.

With this in mind, BIAC is extremely concerned regarding the Dutch Government proposal to link official “acceptance” of the MNE Guidelines by individual companies to the availability of government subsidies and export credit coverage. The Guidelines and their related implementation guidance are unequivocal in underscoring their voluntary nature with regard to MNEs. To render an essential element of international financial competitiveness conditional upon “acceptance” and to pursue such acceptance with tools of “enforcement”, or, with other words: negative “sanctions” are abridgements of the terms and spirit of the Guidelines, and of the premise upon which BIAC leadership submitted the Guidelines to members for their consideration. Indeed, the consensus upon which Ministerial action was based would appear to business as having been eroded, and the value of the Guidelines as the only governmental type diminished.

Such an action would set a very negative precedent that should be avoided and in no way should be followed by other countries.

BIAC has submitted a letter to the OECD CIME on this issue, which has been distributed to all members of the Committee.

However, we also have positive news in this respect. The German Government has just amended its regulations on investment guarantees. In this context it now attaches to the application form an explanatory note covering various points including an information – I repeat – an **information** about the **existence** of the June 2000 OECD Guidelines for Multinational Enterprises. This is all. There will be no “conditioning”, no reporting requirement or anything of a similar nature. It is simply an additional tool of making the Guidelines known to German business.

Going Forward

The Guidelines as part of the OECD Declaration on International Investment, of which they are a part, must be considered in the context of the global economy and the “new economy” where innovation drives global sustainable growth, that results in benefits at the local and international levels. Special emphasis therefor must be on the out-reach activities of the Declaration.

The guidelines must remain voluntary – not legally binding – they are not designed to replace national or international legislation nor individual company or sectoral codes of conduct. For companies, the wide coverage of the guidelines represents a blueprint for management systems and practice in today’s world where companies are subject to wider public scrutiny than ever before. Used positively, the guidelines are a helpful tool for companies positioning themselves in the global economy.

In the year to come there remains a lot of work to be done on implementation:

- The Guidelines must continue to be implemented in good faith by all parties; they may not be amended by those who were disappointed with the result of the June 2000 Ministerial, neither in substance nor in implementation
- They must remain voluntary, legally non-binding,
- Promotion and communication of the Guidelines must continue,
- Dialogue between business, government and other social partners on the Guidelines must continue and be further strengthened,

Business is faced with a plethora of instruments, codes and principles which are being developed at company, sectoral, and international levels. It is important that policy makers keep in mind that the benefit of such initiatives is the implementation of effective management systems within companies. With this in mind, both governments and business alike need to be sure that policy decisions in these areas enhance and do not inhibit the benefits of trade and investment that can be reaped for developing and developed countries alike.

BIAC represents the business community, companies, of the 30 OECD member countries. The global presence of many of these companies involves them in every market of the world contributing jobs, technology, training and – not least – capital. Business will be a more effective instrument for social change if it continues to be able to focus on its core activity: creating prosperity.