International business and the G20

The Group of 20 (G20) agenda is directly related to core international business issues: trade, investment, economic growth and job creation. As the voice of world business, the International Chamber of Commerce (ICC) has a clear stake in the success of the G20. Governments need to create the necessary conditions so that business worldwide can drive investment, trade and job creation.

For these reasons, ICC has been closely engaged in the work of the G20, and formed the ICC G20 CEO Advisory Group – a group composed of more than 30 CEOs from all over the world and actively concerned with the G20 policy agenda -- to spearhead global business engagement and to seek the inclusion of international business priorities in the decisions of G20 Leaders.

Beginning with the first G20 business summit in 2010 in Seoul, ICC has made substantive contributions to the development of the annual Business 20 (B20) policy recommendations, and CEO members of ICC have consistently held leadership positions in the B20 policy development taskforces.

ICC’s supplementary policy recommendations

In addition to the B20 Germany recommendations, there are a number of issues that are important to ICC member companies, and that warrant consideration by G20 Leaders. These supplementary business priorities are outlined here to complement the B20 work and help drive progress on key international economic issues.

1. Trade and investment
2. Responsible business conduct and anti-corruption
3. Digital
4. Taxation
5. Access to trade and supply chain finance
6. Energy
7. Climate change
8. Resource efficiency and life-cycle approach
9. Intellectual property
1. Trade and investment

The world economy, and cross-border trade and investment face uncertain prospects in an international environment in which the benefits of open economies and societies are being increasingly questioned. As the world continues to face the challenge of global growth being too low and benefiting too few, a rising tide of protectionism and a chorus of anti-trade rhetoric threatens to undermine progress on improving global trade rules. The global business community is naturally concerned by any weakening of the G20’s decade-long stance on resisting protectionism and in favour of open markets. ICC urges G20 Leaders to express the strongest possible support for maintaining open markets at the Hamburg Summit (7-8 July 2017).

Global business is cognizant of the need for rethinking how investment should be governed in the decades to come. While ICC fundamentally considers that international investment agreements are an important policy tool that serves the protection and attraction of foreign direct investment (FDI) by helping create a stable and predictable business climate, ICC also recognises the need for consolidation and reform of the current regime. ICC supports the current reorientation of investment policymaking towards sustainable development. Long term investment broadly, and FDI specifically, can play a critical role towards realising the UN Sustainable Development Goals (SDGs).

The eleventh WTO Ministerial Conference (MC11), which will take place from 10 to 13 December 2017 in Buenos Aires, Argentina, provides an opportunity not just to make further progress on specific issues where there has been a growing consensus among WTO Members. It should also set an ambitious future work agenda, including on new subjects such as e-commerce.

To bolster trade openness against increased protectionist tendencies, G20 countries have to demonstrate that they are willing to improve the system. Furthermore, if the contribution of trade and investment to economic growth is to improve, it is necessary to return political attention to Geneva.

Recommendations
- Take a leadership role in reaching agreement at MC11 to restart investment policy discussions with an exploratory agenda.
- Support reaching agreement at MC11 to make permanent the moratorium on imposing customs duties on e-commerce transactions and to begin a clear programme of future-specific work on e-commerce with the objective of promoting inclusive growth.
2. Responsible business conduct and anti-corruption

Around the world, more and more companies are committed to responsible business conduct, including by improving health and safety at work, the environment, and consumer welfare. Businesses are increasingly integrating the concept of responsible conduct in their value chains.

An important aspect of responsible business conduct is fighting corruption. Corruption threatens the integrity of markets, undermines fair competition, raises the cost of doing business and undermines the rule of law. Combating domestic and foreign bribery and improving the transparency of public institutions promotes government efficiency, competition and entrepreneurship. Curbing corruption is therefore essential to G20 objectives for economic growth and job creation.

ICC welcomes the G20’s efforts to continue to work with business to strengthen the fight against all forms of corruption. ICC underscores the importance of positive recognition of compliance efforts by G20 members in supporting companies to promote anti-corruption and responsible business conduct as corporate values. G20 governments should, where possible, seek to align laws and regulatory requirements that encourage companies to build compliance programmes and self-disclose compliance breaches.

Recommendations

- Support the provision of anti-corruption capacity building and training and education for all companies, in particular for small and medium-sized enterprises (SMEs) in G20 and non-G20 countries.
- Foster the harmonisation of approaches to self-disclosure of compliance breaches, recognise effective internal reporting, and support self-cleaning.
- Pursue the commitment to building a global culture of intolerance towards corruption by reinforcing international cooperation, including the promotion of key international instruments.
- Recognise corporate compliance efforts when awarding public contracts and when imposing sanctions for breaches, and explore additional ways to acknowledge compliance efforts.
- Enhance responsible business conduct in infrastructure projects by increasing transparency and accountability at all stages of the project cycle in order to mitigate the risk of corruption and to increase efficiency, and address the demand side of corruption by ensuring that public infrastructure projects are selected, planned and managed openly and accountably.
3. Digital

Investment in access, connectivity and innovation that now underpins the economy across all sectors needs to increase rapidly to meet the opportunities of emerging and connected technologies. In addition to purely economic drivers, this investment is critical to achieve inclusive sustainable development as envisioned in the UN SDGs.

G20 Leaders have recognised the importance of a comprehensive digital agenda as a shared economic opportunity. ICC welcomes the first G20 Digital Ministers Meeting in Düsseldorf on 6-7 April 2017 and encourages G20 Leaders to maximise the benefits of an increasingly digitalised global economy to ensure that the digital transformation is inclusive.

The Internet and Internet-enabled services, which rely on cross-border data flows, are vital for companies across all sectors of the economy and are making an exceptional difference for SMEs. Access to digital products and services, such as cloud applications and big data analytics provides SMEs with affordable, competitive means to participate in global supply chains and directly access customers in foreign markets in ways previously only feasible for larger companies.

G20 Governments are urged to consult with relevant stakeholders, and in particular the private sector, to achieve affordable, high-speed broadband connections and ICT services that serve as a platform for economic growth, jobs, and greater competitiveness. It is critical that public policies promote, rather than deter, infrastructure investment and cross-border trade, while facilitating the appropriate level of protection for consumers.

Recommendations

- Efficiently manage spectrum, and foster investment in high performance and secure broadband networks to support the digital economy. Government policies should promote market entry and investments, and aim to attain greater geographic coverage.

- Recognise the importance of maintaining an interoperable, secure, resilient, open, and global Internet, and the role of multi-stakeholder participation in its governance.

- Promote the establishment of a new trade principle with the objective of allowing the flow, storage, and handling of all types of data across borders, subject to privacy and security laws and other laws affecting data flow covered under GATS article XIV. Any limits on cross-border data flows for privacy and security objectives should be consistent with GATS obligations, include all relevant players and be equally applied.

- Foster policies that promote accountability and trust where users have appropriate control and practical mechanisms with regard to how personal data is used, and where the companies, to which they entrust their data, implement best practices for users including that the data is appropriately secured as technology and services evolve.
4. Taxation

ICC fully supports the G20’s reaffirmed commitment to work for a globally fair and modern international tax system and the timely, consistent and widespread implementation of the Base Erosion and Profit Shifting (BEPS) package. ICC reiterates the need for coherent and coordinated implementation of the internationally agreed guidelines across all countries and in close cooperation with business in order to protect government revenues and safeguard cross-border trade and investment; and welcomes the engagement of developing countries – on an equal footing - in the Inclusive Framework.

For the business community, the integrity of the international tax system is of critical importance. Legal certainty is a foundational factor in attracting investment and relies to a large degree on strengthening the consistency of the international tax system. ICC welcomes the international co-operation on pro-growth tax policies and the work on tax and inclusive growth conducted by the OECD and IMF. As tax uncertainty has significant implications on business decisions to invest, ICC stresses the importance of enhancing the certainty of tax systems to encourage domestic and international investment and trade. ICC also notes the need to align investment and tax policies in promoting investment, job creation and economic growth.

ICC remains concerned that compliant tax payers will suffer collateral damage as a result of the uncertainty created by the interpretation and implementation of the international tax rules, as well as the implementation of the multilateral instrument by some countries. In this context, it is imperative that effective dispute resolution mechanisms are in place to resolve these disputes. ICC continues to offer its full support and extensive expertise in the areas of taxation and dispute resolution to the G20 and OECD and is already engaging with the UN in this matter. ICC encourages dialogue with business and collaboration with the UN and OECD to ensure synergy and effective rules to address tax disputes.

**Recommendations**

- Enhance the certainty of tax systems to support a stable international tax environment by prioritising consistent implementation of the BEPS measures across all countries and supporting investment by promoting dialogue with business in an effort to reduce tax uncertainty, reduce compliance burdens and improve administrative efficiency.

- Continue efforts to align investment and tax policies to promote investment, job creation and economic growth and encourage an alignment of national measures with existing international guidelines that would facilitate greater consistency internationally and incentivise cross-border trade.

- Ensure effective dispute resolution mechanisms are in place to mitigate double taxation cases and associated tax disputes.
5. Access to trade and supply chain finance

Closing market gaps for the financing of trade will lead to more growth and job creation and should therefore be a priority for G20 Governments. The annual Asian Development Bank (ADB) “Trade Finance Gaps, Growth and Jobs” study tracks market gaps for trade finance and their impact on growth and job creation. Over the past few years the study consistently shows a gap of approximately US$1.6 trillion and provides a direct link to growth and jobs.\(^1\) Narrowing the trade finance gap through access to timely and affordable trade financing and related risk mitigation will have a positive, substantive impact on financial inclusion, greater support for SMEs and economic value-creation.

Trade remains, despite its modest recent growth, a core long term engine of growth, and one of relatively few areas of activity where policy initiatives can have positive global impact when applied judiciously. Ensuring adequate levels of financing and risk mitigation capacity in the global system therefore merits the attention of G20 Leaders, given the substantive impact that can be created across G20 Member States and the broader international economic system.

According to the 2016 ICC Global Trade Finance Survey\(^2\) the now chronic trade finance shortfall is partly due to the unintended consequences of the new constraints in terms of compliance on trade finance transactions. ICC fully recognises the systemic importance of robust and well-targeted compliance framework controls. Indeed, considerable progress has been made by the financial sector in addressing the risks posed by money laundering, terrorist financing, corruption and sanctions issues. However, the weight of these new rules, in addition to more constraints in regulatory capital requirements, has resulted in banks adopting an extremely cautious approach to managing risk, and as a consequence reducing and exiting certain types of business.

Greater coordination and harmonisation of standards would have a significant impact on assuring access to adequate, affordable levels of trade related financing and risk mitigation. While full regulatory harmonisation is challenging in the medium term, concrete steps can be taken today to set agreed minimum standards, increase levels of consistent application and interpretation of regulations and generally enhance the efficacy of the global financial system while assuring appropriate, risk-aligned degrees of prudential regulation. Therefore, the G20 should place some priority on enhancing regulatory harmonisation and creating standards. This will avoid duplication of regulation and lower the cost of the financial system operating internationally, including in emerging markets, to close gaps.

**Recommendations**

- Mandate the Financial Stability Board (FSB) to harmonise and deploy an agreed global baseline standard for Anti-Money Laundering/Combating the Financing of Terrorism/Know Your Customer regulatory requirements related to trade finance and international banking.

- Establish a requirement for all companies based in or seeking to operate in a G20 jurisdiction, to obtain a Legal Entity Identifier through the Global Legal Entity Identifier Foundation (GLEIF).

- Request the International Monetary Fund (IMF), the World Bank, the FSB and multilateral development banks to establish an “Early Warning System” to detect and resolve situations that could cause a country or region to lose its ability to engage in trade through loss of linkages to the international financial system.

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\(^2\) https://iccwbo.org/publication/icc-global-survey-trade-finance-2016/
6. Energy

Access to reliable, affordable, economically-viable and socially acceptable low-carbon energy is fundamental to inclusive and sustainable economic growth. In light of expected growth in world population as well as energy demand linked to adequate standard of living for all, long-term energy access, security and efficiency must be a priority for G20 Leaders. For example, an estimated 1.2 billion people – 17% of the global population – do not have access to electricity and more than 2.7 billion people – 38% of the global population - do not have access to clean cooking energy.

Given the long-term nature of energy innovation, energy investment and energy infrastructure, stable policy and regulatory frameworks are essential and should be designed to (i) ensure long-term energy security; (ii) make energy in all forms more efficient and affordable; (iii) mitigate price volatility; (iv) promote sustainable energy delivery, energy consumption and access to reliable, modern energy services; and (v) generate positive societal, economic and environmental impacts.

G20 governments must also continue to promote and support energy efficiency across industries and to promote adoption of energy-efficient behaviours and devices by energy consumers through education, regulation and incentives. Supported by sound, stable fiscal and regulatory frameworks, business can collaborate with public authorities to improve the efficiency of current systems and to reduce future individual energy demand.

Recommendations

- Improve the global governance framework for energy policy, starting with establishing formal business representation in the G20 energy-related working groups.
- Establish stable and predictable regulatory frameworks that incentivise low-carbon energy investments, ensure long term energy security and promote sustainable energy delivery and consumption.
- Encourage the utilisation of a broad energy mix to drive sustainable development and help alleviate environmental or other sustainability challenges associated with any one form of energy.
- Continue to support and promote energy efficiency across industries, including establishing government efficiency standards and promoting energy-efficient behaviour and devices by energy consumers through education, regulation, and incentives.
- Increase access to clean, modern forms of energy in accordance with SDG7, with emphasis on Africa and the Asia-Pacific region, including by:(i) strengthening the G20 Energy Access Plans (ii) supporting the SE4All initiatives and its High Impact Opportunity (HIO) partners (including energy efficiency in district energy, green building, transportation, lighting and appliances, and clean fuels for cooking); and (iii) supporting efforts by international organisations to improve energy access in developing countries, e.g. the African Development Bank’s New Deal on Energy for Africa.

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3 See also: ICC G20 paper: Six steps to energy sustainability and security: Business recommendations for G20 Energy Ministers
4 IEA World Energy Outlook (WEO) 2016
7. Climate change

Effective climate mitigation and adaptation requires scaling up and advancing existing and new solutions, to boost the ongoing transition towards resilient, low-carbon societies and economies at scale, including digitalisation of society and industry, and the energy sector. Often, however, technologies, business models and infrastructure will take decades to be developed and installed. In order to scale up and implement these solutions and avoid lock in effects\(^5\) now and when needed, political attention and the appropriate policies and regulatory framework are needed today.

ICC is deeply concerned by the US withdrawal from the Paris Agreement. Global business interests are best served by a stable and practical framework to manage climate change risks – which already represent an estimated drain of over US$1 trillion from the global economy.

The Paris Agreement provides a balanced framework to tackle climate change, while providing the long-term certainty needed to support business innovation and growth. The economics of the Paris Agreement are clear: it encourages market-based solutions to achieve emissions reductions at low cost and expands markets throughout the world for new and innovative technologies.

ICC calls on the G20 to show the confidence and courage to lead the way towards a safe, sustainable and profitable future for all.

**Recommendations**

- Design and develop market mechanisms\(^6\) and other GHG price signals in consultation with business to help achieve emissions reductions, preserve a level playing field and maintain open trade and markets. Links should be created between nationally optimised country-specific mechanisms and international mechanisms for those countries and regions that choose to use them.
- Support global carbon pricing as a policy framework\(^7\), such as by establishing a G20 Carbon Pricing Platform for strategic dialogues to create a basis for a global GHG emissions pricing mechanism, and to phase out inefficient fossil fuel subsidies.
- Generate funding and financial risk-mitigation mechanisms such as for necessary R&D, deployment and infrastructure, digitalisation of society and industry, ensuring adequate risk/return to redirect investment towards low carbon assets.
- Ensure development of new skills and capacity to respond to climate change mitigation and adaptation challenges. These will also enable national energy transitions and shape effective public policies for sustainable economies.

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\(^5\) Lock-in effects: Technology replacement can be delayed by “locked-in” systems that have market advantages arising from existing institutions, services, infrastructure, and available resources. Early deployment of rapidly improving technologies allows learning-curve cost reductions (IPCC).


\(^7\) See ICC Carbon Pricing Principles (2016)
8. Resource efficiency and life-cycle approach

Natural resources, especially raw materials, are key production factors and at the heart of our prosperity. It is expected that due to population growth, global extraction of natural resources will double by 2050 compared to 2015. Recognising that the world’s resources are finite, they need to be managed with scarcity in mind. Resource efficiency and life-cycle thinking is one facet of the broader effort to decouple economic development from environmental degradation, taking into account the interdependence of all economic activity on environmental systems.

G7 Leaders committed to an ambitious action plan at the 2015 G7 Summit in Elmau (Germany) to improve resource efficiency as part of broader strategies to promote sustainable materials management and material-cycle societies. ICC encourages G20 Leaders to explore similar cooperation at the Hamburg Summit, including through the exchange of national best practices and experiences, and the creation of information networks.

Improving resource efficiency and using a life-cycle approach can provide increased resource security, concrete business opportunities, and be a source of competitive advantage. For example, in many industry sectors material cost can represent more than 50% of total cost. Significant progress has already been achieved to enhance the efficient use of all natural resources, be it carbon, water, rare metals or other materials, yet more needs to be done to understand the nexus between them and enhance collaboration among sectors and countries to further decouple economic activities from resource use.

Recommendations

- Build upon and extend the G7 Resource Efficiency Platform on the G20 level as a forum to share best practices and knowledge, with the goal to reduce resource intensity and facilitate building resource efficiency action plans by G20 governments. The platform should work together with business and international institutions.

- Through the Resource Efficiency Platform, develop a greater knowledge of resource efficiency and life cycle thinking for a circular economy, including common ways of measuring, assessing and implementing resource efficiency and identifying areas for resource efficiency opportunities and collaboration.

- Promote synergistic approaches that reaffirm the intrinsic value of biodiversity for both society and business.

- Collaborate to educate consumers about the importance of resource efficiency and a circular economy, and seek to design and offer products that help consumers make more sustainable consumption choices and achieve more sustainable lifestyles.

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9 This document refers to relative decoupling.

10 The life cycle of a product starts at raw material extraction, research on conceptual design and development of products and services, manufacturing, distribution, use and end of life treatment options such as recycling, recovery and re-use or re-manufacturing. At every stage of the life cycle of a product, process, technology or service, critical questions about costs, benefits, environmental responsibility and social impact are being addressed. A life cycle approach also helps identify hidden opportunities and accounts for unintended consequences, spill-over implications and competition for resources (ICC Green Economy Roadmap).

11 Circular economy: approach that would transform the function of resources in the economy. Waste from factories would become a valuable input to another process – and products could be repaired, reused or upgraded instead of thrown away (Chatham House, 2012).
9. Intellectual property

Innovative and creative activity -- mainly driven by private sector engagement and investment -- will play a crucial role in helping to tackle many of the social, economic and environmental challenges the world is facing at both the national and international levels. A sound intellectual property (IP) framework -- together with stability, good governance, regulatory predictability and transparency, good infrastructure, a skilled workforce, investment in research, and open markets -- is a necessary condition to support and incentivise such activity.

Intellectual property rights (IPRs) empower innovative organisations in both the private and public sectors to obtain financing for innovation, provide the legal security necessary to allow investments in R&D to be recouped, and enable innovative ideas to be commercialised and scaled. They also facilitate a secure framework for sharing know-how and information between businesses and other entities in the context of collaborative innovation. At the same time consumers need to be protected from fraudulent and harmful counterfeit and pirated products. IP should therefore be recognised as a strategic element in overall national development plans.

To fully realise the strategic potential of IP, G20 Member States should ensure effective, coherent and predictable systems for the acquisition and enforcement of IPRs, which encourage investment in creation and innovation, help protect consumer health and safety, as well as incite use of the IP system through incentives, awareness-raising and training on the IP system.

Recommendations

- Invest in improving the efficiency of G20 national IP offices - inadequately resourced offices result in delays and practical obstacles to the effective use of the IP system.
- Recognise the importance of confidential business information and provide legal frameworks for their effective protection – confidential information is crucial for businesses’ competitive advantage and for implementing technology, and the difficulties of controlling data transmission in the digital era requires clear legal frameworks for its protection.
- Take firm action against counterfeiting and piracy through information gathering, enforcement and educational activities – businesses are willing to work with governments and other stakeholders on initiatives to combat counterfeiting and piracy activities which distort marketplace competition for a wide range of sectors and both local and international brands, heighten risks to public health and safety and deprive governments of substantial tax revenues.
- Incentivise and train researchers, creators and businesses to use the IP system to support their innovative and creative activities – the lack of awareness in many countries on how intellectual property can be used as a tool to compete, gather information, collaborate and raise revenues could be addressed by training initiatives targeted at businesses, especially start-ups and SMEs, and the research and technical communities.
- Raise awareness of the role of the IP system in innovation and creation, especially among the younger generation – understanding the role of intellectual property rights from an early age will encourage use of, and respect for, IP as a useful tool in society.

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12 The OECD reports that counterfeiting and piracy in international trade alone has grown from US$250 billion annually in 2008 to more than US$461 billion in 2013, an increase of more than 80% in less than 5 years, and representing more than 2.5% of world trade. See OECD/EUIPO (2016), Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact.