



**International Chamber of Commerce**

*The world business organization*

# **Business and the global economy**

*ICC statement  
on behalf of world business  
to the Heads of State  
and Government attending  
the Hokkaido Toyako G8 Summit,  
7-9 July 2008*

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# Business and the Global Economy

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*The International Chamber of Commerce (ICC), the world business organization, is pleased to submit this statement to the Heads of State and Government attending the G8 Summit at Hokkaido Toyako, Japan 7-9 July 2008). The statement focuses on four issues of crucial importance to world business at the current time.*

## 1. Doha trade negotiations

*Deplorable delays and missed deadlines*

Yet again before a G8 Summit, world business as represented by ICC has to express its deep concern at the continued failure of governments to bring the Doha Round of multilateral trade negotiations to a successful conclusion. We deplore the catalogue of delays and missed deadlines that have marked the 6 ½ year history of the negotiations to date, and led to the current situation. We particularly regret the apparent inability of the G7 governments to live up to the strong commitments towards the Round that they have made at Summit meetings in the past few years.

*Time running out but good deal is still possible*

Time is fast running out for the Doha Round – but it has not run out yet. We believe that success is still within reach before the end of this year if the heads of state and government attending the Hokkaido Toyako Summit make it a concerted priority to provide what has been missing to date: decisive leadership in deeds as well as words from the highest political level to make the compromises and break the log jams that still bedevil the negotiations in some prominent and politically sensitive areas.

*Vital roles of multilateral trading system*

Multilateral trade liberalization and the rules-based multilateral trading system have played a crucial role in the past 20 years in raising world living standards, creating employment, and widening consumer choice. They have also been indispensable in helping keep in check the ever-threatening forces of protectionism. Moreover, modern-day business relies on growing and complex global supply chains that work best under multilateral rules. A successful outcome of the Doha negotiations is essential to safeguard those achievements as well as paving the way for further multilateral action such as to tackle systemic distortions in world agricultural markets that are a big factor behind today's high food prices.

*Doha success would boost business and consumer confidence*

The current state of the world economy makes completing the Doha Round more urgent than ever. Slowing economic growth, financial turmoil, soaring energy and food prices, and large payment imbalances are severely damaging business and consumer confidence. Successfully completing the Doha Round this year would send a strongly positive signal – just when it is direly needed – that governments can work together to reinforce and update a central pillar of the international economic system.

*Deal must be done in 2008*

So it is of overriding importance that a deal is done now, in the remaining months of 2008. Though painfully slow, considerable progress has been made during the negotiations to date; there are many hard-won, trade-enhancing offers already on the table. These must not be lost.

*High cost of Doha failure*

None of the eight previous rounds of multilateral trade negotiations under the GATT/WTO has ended in failure. If the Doha Round becomes the first, the costs are likely to be high and the risks far-reaching – quite possibly of systemic proportions. The WTO rules-based system will be significantly weakened. The already potent forces of protectionism will claim a famous victory.

*Need for G8 to lead intense diplomatic effort*

That prospect alarms world business. We believe it should alarm governments also. We therefore call once again on the G8 leaders – even at this very late hour – to devote their personal attention to an intense diplomatic effort among themselves and with other world leaders to reach a deal before the end of this year. It must be their shared, historic goal to ensure that 2008 will be remembered as the year when the spirit and ambition that inspired the launch of the Doha Round are finally crowned with success.

## **2. Safeguarding freedom of investment**

*Another form of protectionism*

Another form of protectionism has begun to stalk the global economy with a renewed vigour, namely, investment *protectionism* where governments introduce or threaten measures to block or impede the flow of cross-border investment in the name of protecting so-called strategic sectors of economic activity or of maintaining national security.

*Foreign investment raises growth and living standards*

This development is a cause for considerable concern since foreign investment is a key factor in raising economic growth and living standards across the world. Foreign direct investment in particular plays an invaluable role in transferring not only capital but also technology, know-how and management skills. Cross-border investment – like cross-border trade – is crucial to the goal of spreading the benefits of globalization more widely.

*Regulate cross-border investment to the minimum necessary*

While governments of sovereign nations have a right to regulate economic activity and protect national security with respect to cross-border investment, it is critical they do so in ways that do not impede unnecessarily the overall cross-border flow of investment and/or disrupt the benefits it brings to home and host countries.

*G8 countries should set a good example*

ICC calls upon the G8 countries to set a good example to the rest of the world by:

- recommitting themselves to keeping doors open to foreign investment;
- observing in their investment policies the principles of non-discrimination, proportionality, transparency, predictability and accountability, and avoiding unnecessary restrictions on international investment, including for national security reasons and with regard to sovereign wealth funds; and
- increasing multilateral cooperation among countries in intergovernmental bodies, and in consultation with the private sector, to promote an open and efficient international investment environment and the removal of remaining barriers to foreign investment.

*Recent expansion of SWFs*

The scale and scope of the cross-border investment activities of governments through so-called sovereign wealth funds (SWFs) has grown rapidly in recent years. While SWFs have existed for some time and have, to date, shown themselves overall to be reliable and stable investors in a broad range of sectors, their recent expansion to become important participants in the international financial system has begun to attract questions related to transparency, accountability, competition, and political influence on commercial decisions.

*Best practices for governments and SWFs*

ICC is contributing to the current intergovernmental dialogue to develop international best practices for SWFs and countries which receive SWF investments. We consider it essential that such practices uphold and strengthen an open, stable and non-discriminatory international investment regime by improving the predictability, accountability and transparency of the investment policies of home and host countries. It is important to avoid discrimination against SWFs.

*Transparency, accountability, and freedom from political influence*

ICC looks forward to the voluntary principles for SWFs being prepared by the International Monetary Fund and recommends that SWFs should:

- be transparent about their investment policies by disclosing publicly information about their purpose, fiscal treatment, governance structure and investment process;
- commit, as part of their investment management policies, to base their investment decisions solely on commercial grounds, and not on political or foreign policy considerations;
- support and participate in intergovernmental efforts to develop a set of best practices for SWFs and thereby continue to demonstrate their willingness to making a positive contribution to the international financial system; and
- contribute to a better understanding of the expectations of home and host countries including the issue of SWFs' preferential access to capital/competition with the private sector.

### **3. Intellectual property and innovation**

*IP theft warrants regular attention at G8 Summits*

ICC welcomes the fact that product counterfeiting and copyright piracy have become a regular topic on the agenda of the annual G8 Summit meetings since the protection of intellectual property (IP) is a vital element in encouraging research and innovation, international trade and investment, and sound economic growth and development. We believe this attention at the highest level of government rightly reflects the gravity and scale of the economic and social damage that counterfeiting and piracy are responsible for today.

*An unlawful and often dangerous parallel economy*

Counterfeiting and piracy have become a global epidemic. Virtually no sector of industry is untouched nowadays by this illegal – and often dangerous – activity. The internet is being used for massive copyright theft. In one country after another, a significant unlawful economy is growing in parallel with the lawful one – a black economy based on stealing, exploitation, tax evasion, and disregard for laws and regulations adopted by society. It is incumbent upon governments around the world to take concrete action to curb this illegal activity.

*IP theft should be punished no less than theft of physical property*

Recent G8 summits have acknowledged the growing need for stronger measures to fight counterfeiting and piracy. However, deeds have fallen far short of words. Theft of intellectual property should be no less a crime than theft of physical property, and thus strong sanctions that are real deterrents to IP crimes should be not only introduced but effectively enforced. In so many countries across the globe today, open-air and online markets trumpeting the sale of counterfeit and pirated goods operate in flagrant violation of the law with little risk of penalty. Such unfettered criminal activity sends a strong signal to pirates and consumers alike that lawlessness of a certain kind is tolerated, including one with documented links to organized crime syndicates.

*Curbing transshipment of counterfeits through free trade zones*

We also urge the G8 governments to work towards the prohibition of transshipment of counterfeits through free trade zones. G8 countries, in conjunction with competent international organizations, most notably the World Customs Organization, must take effective steps to improve the legal framework governing free trade zones so as to curb illegal pirate activity in these areas.

*Welcome for new negotiations to set strong common standards for IP rights enforcement*

ICC calls upon the G8 countries to exercise world leadership in the area of IP protection by promoting global minimum standards in key areas of enforcement. To this end, we welcome the prominent role of G8 countries in the initiative to launch negotiations for an Anti-Counterfeiting Trade Agreement (ACTA) with the aim of establishing strong common standards for IP rights enforcement in their countries and thereby encouraging significant improvements in national enforcement regimes across the world.

*Business gets organized to play its part in combating IP theft*

Business recognizes that it too has a major role to play in combating counterfeiting and piracy. Companies and industry associations are devoting increasing resources to that task. For its part, ICC launched a few years ago an initiative called Business Action to Stop Counterfeiting and Piracy (BASCAP), a forum for companies in all sectors from all regions of the world to work together and raise governmental and public awareness of the scale of counterfeiting and piracy and the harm they do. BASCAP has already forged close working relationships with a number of intergovernmental bodies and, through BASCAP, business stands organized to assist governments the world over in the elaboration and implementation of effective anti-counterfeiting and piracy programmes.

#### **4. Climate change**

*Climate change tops the international agenda*

Environmental concerns are rightly at the top of the international policy agenda today and ICC is pleased to note the priority that the Hokkaido Toyako Summit is attaching to the challenge of climate change. That challenge is to meet the world's growing demand for energy – essential to raising global living standards – while also taking effective measures to reduce the harmful impact of greenhouse gas emissions on the environment.

*Bali Action  
Plan raises  
hopes*

ICC is committed to the UN Framework Convention on Climate Change (UNFCCC) and believes it provides a valuable structure in which countries across the world can co-operate to develop policies to confront climate change. We have therefore welcomed and been encouraged by the Bali Action Plan adopted last December and aimed at negotiating a new international pact on climate change by end-2009. This Plan paves the way for a fresh focus on what can be done, the resources needed, and the roles of governments, business and civil society. Business is united in a strong desire and capability to contribute to the process launched at Bali.

*Key elements of  
a new global  
pact to combat  
climate change*

ICC believes that a new comprehensive global framework to combat climate should:

- address the risks within the context of advancing cleaner development and access to energy alongside other priorities such as eradicating poverty, preventing and treating disease, and raising living standards;
- promote global participation by all nations and key stakeholders;
- focus on objectives to limit climate change risks and encourage mitigation and adaptation through a combination of incentives and market-oriented initiatives;
- consider adaptation approaches that could also provide resilience and adaptive capacity;
- stimulate development of an international carbon market and carbon value – among nations and regions that choose to utilize that approach to encourage mitigation through integration of, and transferability between, carbon markets;
- encourage the continuing development of an international sectoral approach, where appropriate, for those sectors in internationally competitive markets;
- provide incentives for efficient energy use, sustainable energy generation and emissions reduction;
- stimulate research and development to more rapidly create innovative, affordable and reliable technologies that emit low levels of greenhouse gases, and eliminate or reduce regulatory and trade barriers to the development, utilization and dissemination of new technology; and
- include business in the dialogue on technology cooperation and subsequent implementation.

*Trade  
sanctions  
wrong way  
to deal with  
climate  
change*

ICC is worried by the growing interest in some G8 countries in the use of unilateral trade sanctions to deal with competitiveness concerns provoked by differences in national climate change policies throughout the world. We do not believe that such an approach would improve the long-term competitiveness of business in countries resorting to such measures. More surely, it would risk becoming another pretext for protectionism and would further threaten the system of multilateral rules that are most conducive to the rapid dissemination across the globe of climate-friendly services and technologies. Governments should focus on the key goal of assuring the mutually-reinforcing benefits of successfully completing the Doha Round and achieving intergovernmental agreement on a new long-term global framework for combating climate change effectively and efficiently. They should not allow themselves to be side-tracked in this momentous task by the blind alley of border measures that damage international trade.

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## **The International Chamber of Commerce**

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, arbitration and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 130 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.

For information on how to join ICC, visit the ICC website ([iccwbo.org](http://iccwbo.org)) or contact the ICC Membership Department in Paris.



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