



International Chamber of Commerce

The world business organization



INTERNATIONAL CHAMBER OF COMMERCE

Business and the world economy

*ICC statement
on behalf of world business
to the Heads of State
and Government attending
the L'Aquila G8 Summit,
8-10 July 2009*

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Business and the world economy

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 L'Aquila, Italy, 8 to 10 July 2009.

1. Global economic crisis

Deep recession has hit the world since last G8 Summit

The world is a significantly different place since the last G8 summit in Japan a year ago. A near collapse of the world financial system has resulted in the most serious global recession since the Great Depression of the 1930s. Across the industrialized world and in emerging economies, unemployment has risen sharply, trade has plummeted, and industrial production has tumbled. Furthermore, a dangerous crisis of confidence in the market economy has spread rapidly around the world.

The legacy of cheap money

The economic slump has its roots in a decade of cheap money, high leveraging, easy credit, and associated real estate bubbles which has proved – yet again in history – an explosive mixture.

Almost everyone must share in the blame

Key actors in the financial sector in many countries – retail banks, investment banks, central banks, bank regulators/supervisors and credit rating agencies – must all accept a share of the blame. Nor can governments, legislators and consumers be exonerated: so many encouraged and enjoyed the illusion that the bubble was creating real wealth.

A market economy needs a framework of rules

ICC has consistently argued that a market economy can only work well within a framework of rules. Clearly, the rules governing financial markets were either inadequate, unsuitable, or simply not enforced. Public authorities seemed oblivious to the colossal risks that financial institutions were taking. The consequences of the financial sector's mistakes have inflicted great damage on other sectors of business where the market economy was functioning normally to allocate scarce resources productively and to create real wealth.

Avoid regulatory excess

The mistakes and failures in the financial sector will doubtless lead to greater regulation and supervision. However, governments should bear in mind that the biggest failures appear to have been in the quality of regulation in that sector rather than in the quantity. Furthermore, care should be taken not to allow a mood of regulatory enthusiasm to spill over into other sectors of business where the market, or current light regulation, and or self-regulation, is working well.

Priority to boost demand, credit and confidence

Immediate priority is to boost demand and credit

Government intervention – at enormous cost to the taxpayer and to future generations – seems to have prevented the wholesale collapse of the financial sector and, as the G8 leaders prepare for their Summit, there is even reason for cautious optimism that the recession is bottoming out in some key economies. Nonetheless, it remains a most urgent priority to reverse the nosedive in economic demand and restore credit and bond markets to more normal conditions. Getting the banks to restore lending is especially vital for small- and medium- sized companies.

Trade finance is vital for international trade

Of particular concern to ICC is the urgent need to boost trade finance on which international trade -- the lifeblood of the global economy -- so heavily depends. We therefore very much welcomed the agreement of the G20 leaders in London last April to ensure US\$250 billion of support for trade finance over the next two years and to encourage the use of available flexibility in capital requirements for trade finance. ICC continues to urge official development banks and export credit guarantee agencies to sharply expand their trade finance facilities in these exceptional times.

Fiscal stimulus packages should be carefully designed

Government stimulus packages should seek to target fiscal measures on projects which have a rapid impact on demand and jobs and which are not inconsistent with longer-term national economic objectives. Measures which unavoidably distort competition and international trade should be kept to a minimum and should be clearly stated to be temporary.

No backpedalling on climate change

The global crisis must not be used as an excuse for further delaying internationally-agreed and effective action to combat climate change. Indeed, the more rapid and successful attainment of environmental objectives should be a priority in government stimulus plans.

Protectionism would make crisis even worse

Economic nationalism must be avoided

Governments must avoid the temptation to seek isolation from the global crisis through protectionist measures – including in the financial sector - to restrict imports and foreign investment. ICC has therefore welcomed the pledge of the G20 leaders not to raise trade barriers before the end of 2010. We also applaud the efforts of the World Trade Organization (WTO) to monitor compliance. With the world as economically integrated as it has become over recent decades, any lurch into economic nationalism would dislocate commercial activity even further and risk turning the global crisis into a depression. The negative impacts would spread rapidly through global supply chains and hurt a lot of small producers as well as large ones.

More urgent than ever to complete the Doha Round

Governments have at hand a means to send a strong signal to traders, investors and consumers that they intend to resist protectionist pressures. They must finally summon the will to complete the long-stalled Doha Round of trade negotiations under the aegis of the WTO. The current global crisis makes it more urgent than ever to achieve that objective. By concluding Doha, governments would demonstrate unambiguously that they are serious about fighting protectionist pressures and reviving international trade, which is forecast to fall nine per cent this year - its biggest decline since World War II. They would also give a boost to the rules-based multilateral trading system which is one of the central pillars of international cooperation with a long and proven track record in stimulating global growth and employment. We call upon the G8 countries - yet again - to exercise the leadership required and commit themselves to bring about a Doha agreement with the minimum of further delay.

Reducing external imbalances

As part of the fight against protectionist pressures, governments should also be cooperating closely to find more effective ways to reduce the big imbalances in the external current accounts of some major trading nations.

Oppose efforts to reverse globalization

Efforts to put globalization into reverse must be opposed. Globalization has raised some worrying issues that remain to be adequately addressed, and today's economic crisis is raising others. However, globalization has a creditable record of pulling millions of people out of extreme poverty in recent years. Its role as a worldwide transmission belt for goods, services, capital, technology, management know-how and ideas must be preserved with care even if, during occasional economic downturns, it also transmits negative impulses.

Need for more effective governance of integrated world economy

Need for better governance of the global economy

Governments must develop more effective ways of governing an interdependent world with an integrated global economy. Better international cooperation is vital to tackle major challenges which transcend national boundaries and which governments are increasingly unable to resolve on their own. Today's global economic crisis is clearly in that category. And so are several other very big issues: climate change, water scarcity, food security, poverty alleviation.

Growing role of G20 forum a welcome development

ICC welcomes the new role being given to the G20 forum in the current crisis since we believe that countries with big emerging markets must be brought more actively into the international decision-making process if problems of global proportions are to be effectively addressed. Governments need to modernize the institutional structure created to help manage international economic relations after World War II. What today's world requires are new arrangements to facilitate the development of more global rules and better governance.

2. Climate change

All major emitters must be part of the UNFCCC process

Climate change is perhaps the best example of a global problem requiring a global solution. The current year is particularly significant as negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) intensify with a view to reaching a consensus in Copenhagen this December on a post-2012 framework to regulate green house gas (GHG) emissions. The G8 have a key leadership role to ensure a successful outcome in Copenhagen. ICC fully supports the UNFCCC process and strongly believes that it is crucial to reach an agreement in Copenhagen which includes all major GHG emitters and which provides business with a clear and predictable framework to stimulate investment and deploy technology on the necessary scale.

Conditions for rapid dissemination of existing low-carbon technologies

Existing low-carbon technologies have the potential to significantly reduce emissions, but enabling frameworks, intellectual property rights protection, market-based deployment of those rights, innovative funding mechanisms and specific policy responses are needed to support their rapid dissemination, in both developed and developing countries.

...and for development of new technologies

New technologies will also be needed. A future framework must facilitate the scaling-up of research and development of clean energy technologies through new financial mechanisms. Innovative public/private partnerships that foster rapid development of advanced technologies to reduce emissions will play a pivotal role.

Trade sanctions wrong way to deal with climate change

Economic growth and open trade provide the best conditions for the rapid dissemination of climate-friendly technologies. In this connection, ICC is concerned by proposals in some countries to introduce unilateral trade measures to address concerns arising from differences in climate policy among countries. These would only compound economic problems and undermine the needed consensus for cooperative climate change and environmental action at a global level.

ICC believes that a post-2012 framework to combat climate change should:

Common but differentiated responsibilities

- Commit all countries to mid- and longer-term objectives and policies, taking into account the principle of common but differentiated responsibilities and differences in national capabilities and circumstances.

Importance of market-based approaches

- Recognize the important role of markets in any cost-effective response to climate change, and enhance market-based approaches in conjunction with other policy instruments for more environmentally-sound investment.

Keep all energy options open

- Keep all energy options open and stimulate the broader use of existing energy-efficient and low-emission technologies to enable cost-effective reductions of GHG emissions.

Need for support for R&D

- Recognize that concerted, global support for research and development will need to be put in place to increase the pace of commercialization and deployment for certain technologies.

Facilitating adaptation to climate change

- Address the need to adapt to climate change, particularly in vulnerable developing countries, and create frameworks and governance structures to efficiently attract the necessary resources.

3. Intellectual property and innovation

An unlawful and often dangerous parallel economy

While ICC is encouraged that product counterfeiting and copyright piracy have become a regular topic on the G8 agenda, the problem presents a rapidly increasing danger to society. The result is unfair competition for legitimate economic activity and the unchecked growth of an “underground economy” that deprives governments of revenues for vital public services, dislocates hundreds of thousands of legitimate jobs, and exposes consumers to dangerous and ineffective products, including medicines.

IP protection important in reviving world growth

Current efforts to stabilize the world economy and stimulate economic growth, trade and employment in the midst of the global recession must take fully into account the critical and pervasive role that intellectual property (IP) protection plays in driving innovation, development and jobs. Failure to enforce IP protection significantly reduces the amount of foreign direct investment a country can attract, creating huge problems for developing economies that rely substantially on trade and technology transfers from developed countries to motor their growth efforts.

Enforcement is an investment

Initiatives to strengthen IP enforcement regimes should therefore not be considered costs, but rather investments that pay tangible dividends to economic development and to society. Now is the time to increase, not decrease, the resources committed to stopping the illegal trade in counterfeiting and piracy.

ICC believes the time has come for concrete action to implement the pledges made by the G8 governments at recent summits. We therefore urge the L'Aquila summit to:

Adopt recommendations of G8 IP Experts Group

- Adopt recommendations put forward by the G8 Intellectual Property Experts Group to the Hokkaido Toyako Summit, including strengthening cooperation and coordination among customs and border enforcement administrations; collect information on the scope and scale of counterfeiting and piracy worldwide; and assist emerging economies so that they fully understand the benefits of the IP system and of raising public awareness.

*Conclude
International Anti-
Counterfeiting
Trade Agreement*

- Deliver a strong statement of support for a swift conclusion of an Anti-Counterfeiting Trade Agreement that sets new, higher standards for national and international governmental action to deal with counterfeiting and piracy.

*Abolish counterfeiting
and piracy markets in
G8 countries*

- Abolish all known counterfeiting and piracy markets within the borders of G8 countries. These markets operate in flagrant violation of the law with little fear of being penalized, openly targeting consumers and tourists. Such unfettered criminal activity sends a strong signal to consumers and pirates alike that lawlessness of a certain kind is tolerated.

*Designate chief IP
enforcement officers
in G8 countries*

- Designate a chief IP enforcement officer in each G8 country with high-level authority to coordinate and fund stronger national efforts to control cross-border trafficking of counterfeits, reinforce legislation, and raise the profile of the counterfeiting threat in the media and among the general public.

*Free trade zones
need monitoring*

- Disrupt the flow of counterfeited goods through free trade zones and other transshipment sites by extending greater authority and effective powers to local customs and enforcement officials.

*Match the crime
with penalties*

- Ensure that criminal penalties for IP theft in both on-line and off-line IP transactions reflect the magnitude of the crime and match existing penalties for theft of physical merchandise.

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, dispute resolution 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) or contact the ICC Membership Department in Paris.

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