



Business and the world economy

*ICC statement
on behalf of world business
to the Heads of State
and Government attending
the G8 and G20 Summits in Canada,
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International Chamber of Commerce

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The global economy today

The G8 and G20 meetings are taking place in Canada after a year that has been the most difficult in living memory for business – as well as for governments and consumers – in large parts of the world. But it could have been much worse. Thanks to the rapid and sturdy response of governments in the G20 and other countries to the dangerous financial crisis that broke in the latter part of 2008, anything resembling a depression was avoided and the ensuing recession was more shallow than at first expected. Indeed, large parts of Asia bounced back quite quickly to regain impressive rates of economic growth. And world trade, which contracted by 12.2% in 2009 - the sharpest decline in 70 years – is forecast to rebound by 9.5% in 2010 if oil prices, major currencies and financial markets remain relatively stable.

Nonetheless, the recession triggered by the global financial crisis (world output as a whole fell 2.3% in 2009) has done considerable and enduring damage in large parts of the world. This is notably the case in the G8 group where recovery is fragile and uncertain, unemployment shows little sign of falling, business credit is squeezed, and financial markets remain extremely nervous in the face of the huge increase in public indebtedness built up as a consequence of the financial crisis and economic recession. Governments face a delicate balancing act in designing exit strategies which reduce public debt without tipping their economies back into recession. Europe faces the additional challenge of maintaining confidence in the euro as fears grow of contagion from Greece's sovereign debt crisis to some other members of the Eurozone.

Against this generally sombre and worrying background - despite robust growth in several large and smaller emerging markets - ICC offers its views to the leaders attending the G8 and G20 summits in Canada on three areas of policy which we believe are crucial to the future of the world economy in the years ahead.

1. International trade and investment

ICC is convinced that a buoyant expansion of international trade is a key element in the fight to improve the health of the world economy. To that end we make the following recommendations to the G8/G20 leaders.

- *Resist protectionism and economic nationalism*

Any generalized lurch into economic nationalism would damage global growth

Governments must avoid the temptation to counter unemployment and other domestic problems through protectionist measures, including in the financial sector, that restrict imports and foreign investment. The world has attained an extraordinarily high degree of economic integration over recent decades and any generalized lurch into economic nationalism would seriously dislocate commercial activity and risk making a bad situation much worse. The negative impacts would spread rapidly through global supply chains and hurt a lot of small producers as well as large ones.



G20 countries have stuck to their pledge not to raise barriers to international trade and investment

ICC has therefore very much welcomed the pledge made and reaffirmed by the G20 leaders at their summits in Washington, London and Pittsburgh to keep their markets open in the face of global economic turmoil and to refrain from raising barriers to trade in goods and services and to cross-border investment. We have welcomed even more enthusiastically recent confirmation that the G20 countries have by and large adhered to this commitment so far.

The economic crisis has proved the value of multilateral rules in keeping markets open

Surely, an important lesson is that the multilateral trading system has again proved its value. WTO's rules, dispute settlement mechanism and trade policy monitoring function are providing vital insurance against trade protectionism and have strengthened the hands of governments in resisting protectionist pressures. Resistance has been less effective in a few areas like anti-dumping, government procurement, and countervailing and safeguard measures where multilateral disciplines are relatively weak or their coverage is limited. In other words, the crisis has proved that multilateral trade rules matter; they are a positive force in helping governments to keep markets open.

G20 leaders must continue to stand firm together to resist protectionist pressures

Job losses and stubborn unemployment in many countries will continue to underpin calls for measures that protect domestic industries and discriminate against imports. That the great financial crisis of late-2008 did not degenerate into a second Great Depression is partly because the lessons of the beggar-my-neighbour economic nationalism of the early-1930s were respected. Collectively, with the backing of WTO rules, the G20 countries have stood firm. We urge the G20 leaders to maintain that solidarity and determination, and we call on them to re-affirm their trade pledge at their summit in Canada.

- *Conclude the Doha Round multilateral trade negotiations before the end of 2010*

Little sign of progress towards completing Doha Round in 2010

ICC has long argued for the conclusion of the much-delayed Doha Round of multilateral trade negotiations. We were therefore very pleased to see in the official declaration from the Pittsburgh Summit a clear and explicit expression by the G20 leaders of their determination to seek an ambitious and balanced conclusion to the Doha Round in 2010. We have to say, however, that almost half way into 2010 we see disappointingly scant evidence that progress is being made towards that objective. Indeed, the Doha Round stock-taking exercise concluded at the end of March was singularly lacking the degree of spirit and will that are going to be needed if an accord is finally to be reached.

Getting an agreement on Doha would be a strongly positive force for the global economy

As ICC has said on many occasions since the global financial crisis broke, the present state of the world economy makes completing the Doha Round more necessary and more urgent than ever. A deal this year would send a strongly positive signal – just when it is direly needed – that governments can work



together effectively to reinforce and update a central pillar of the international economic system. Considerable progress has been made during the several years of negotiations. There are many hard-won, trade- and wealth-creating offers already on the table. These must not be lost.

*Decisive leadership
needed from G8/G20
to conclude Doha
Round*

What is required to conclude the Round, more than anything else, is decisive leadership from the highest political level to make the compromises and break the logjams that have bedeviled the talks to date in some politically very sensitive areas. We call upon the G20 leaders - as a matter of singular urgency - to devote their personal intention to a sustained and intensive diplomatic effort to reach an ambitious and balanced agreement by the end of this year in the interests of instilling new confidence in traders, investors and consumers and thereby boosting the prospects for economic recovery worldwide. The London G20 Summit pinpointed international trade as an engine of economic growth. Concluding the Doha Round is essential to unlock that potential.

- *Make it a priority to restore trade finance to more normal levels*

*International trade
depends heavily on
trade finance*

In the course of the global economic turmoil that has followed the financial crisis in late-2008, ICC has been particularly active in the task of restoring trade finance – on which international trade so heavily depends – to more normal levels. We very much welcomed the commitment of the G20 London Summit to ensure US\$ 250 billion of support for trade finance over the subsequent two years. This has proved a major step towards alleviating the shocks to trade resulting from the financial crisis.

*New ICC survey shows
that supply of trade
finance is still
constricted and costly*

Nonetheless, ICC's second Global Survey on trade finance (published in April this year and covering 161 banks in 75 countries) shows that, while demand for traditional trade finance products is rising, supply remains constricted and costs are still substantially higher than they were before the crisis. Though there are significant regional variations, it appears that small- and medium-sized enterprises and exporters in emerging markets are facing the biggest difficulties in accessing affordable credit.

*...and this will
continue to hold back
economic recovery*

It seems clear that the availability and affordability of trade finance will continue to be a drag on international trade and global economic recovery for the foreseeable future, and should remain a major item on the G20 agenda.

*Need to enlarge
multilateral and
national trade finance
programmes*

To improve the resilience of trade finance in periods of financial instability, ICC believes it important to further enlarge multilateral trade finance programmes in order to expand both capacity and coverage, especially for low-income and export-dependent countries. At the same time, national programmes should be reinforced to guarantee the flow of trade in times of economic stress and to provide refinancing options – in particular through export credit agencies. The latter could also develop more direct lending schemes to emerging markets and could engage in sub-participation in bank lending.



ICC acting to improve statistics on trade finance

A lack of comprehensive statistics on trade finance limits efforts to confirm the trends revealed by market intelligence surveys. Of particular concern is the information gap with respect to business performance data on the loss history of different trade finance risk categories. ICC is currently designing a register to collect such information, in partnership with the Asian Development Bank.

New capital adequacy proposals would hit trade finance and reduce trade flows

Finally, ICC's 2010 Global Survey has revealed further evidence that the implementation of the existing capital adequacy regime under Basel II is contributing to the current drought in trade finance. Moreover, ICC experts believe that proposals from the Basel Committee on Banking Supervision to increase the risk weighting of trade finance under a new framework to limit bank leverage would adversely impact the supply of cost-effective trade credit to business. Low-risk trade instruments are being lumped together with higher-risk, off-balance sheet instruments apparently without appreciation of the unintended consequences. ICC has proposed that the Basel Committee establish a specialist trade finance working group to study the potential impact on trade finance and ensure that regulatory reform does not have the effect of reducing trade flows when global economic recovery demands the opposite.

- *Improve governance of the world economy*

Need for more effective governance of integrated world 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 turmoil is clearly in that category. And so are several other very big issues: climate change, water scarcity, food security, poverty alleviation.

New role for G20 welcomed by business

ICC welcomes the decision taken at Pittsburgh to designate the G20 as the "premier forum" for international economic cooperation. We have argued for some while that countries with big emerging markets should 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 and energy

Climate change is key priority for G20

The G20 leaders have made climate change a key priority, and will no doubt continue to do so. Only through the collective engagement of all countries can the world hope to overcome this forbidding challenge.



<i>Copenhagen Accord was an important step forward</i>	<p>While the outcome of last December's UN climate change summit in Copenhagen did not provide business with the signals it sought to unleash investment in the development and deployment of cleaner technologies on the necessary scale, the Copenhagen Accord is an important step forward, with signatory countries accounting for more than 80% of global greenhouse gas emissions.</p>
<i>Essential to encourage private sector to innovate and invest</i>	<p>Despite the absence today of a post-2012 global framework agreement, companies worldwide will maintain their already substantial efforts to reduce greenhouse gas emissions. The private sector is the most important innovator and investor in clean technologies but can do more if provided with clarity, predictability and flexibility through a global framework agreement.</p>
<i>Copenhagen Accord can provide direction</i>	<p>The Copenhagen Accord can provide direction for important next steps if it can be translated into efficient and effective action. In particular it is vital to:</p> <ul style="list-style-type: none"> • initiate "fast-start" project funding, and clarify the role of private sector participation; • elaborate activities and governance for technology development and deployment; • maintain and improve existing flexible mechanisms and explore the creation of new ones; • establish a meaningful monitoring, reporting and verification regime; • encourage business to <ul style="list-style-type: none"> ➢ deliver further emissions reductions and adaptation solutions through innovation, ➢ stimulate investment in efficient and low-emitting technologies, and ➢ speed up the deployment of existing and advanced technologies.
<i>Trade sanctions wrong way to deal with climate change</i>	<p>ICC would also like to underline the synergies between comprehensive global action on climate change and multilateral rules-based trade. 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.</p>
<i>UN framework process still useful to promote global collaboration</i>	<p>Considerable differences continue to exist among countries and regions about the most effective ways to deal with climate change. Despite occasional setbacks and disappointments, the international community must continue to work in concert to find solutions that include all countries and regions and make efficient use of all energy policy options leading to a sustainable future. ICC remains</p>



committed to the established UN framework process on climate change as a useful structure in which countries across the globe can cooperate and coordinate on measures to tackle this major threat to the future of mankind.

Need for government and business to work together to combat climate change

The next UN climate change summit in Mexico at the end of this year will be an important further step in the process towards a global agreement. ICC believes that now more than ever business and governments have to work closely together to develop solutions and ensure they are effectively implemented. We hope to be able to contribute to the creation of more innovative ways for governments to make good use of the expertise and dynamism that resides in the business sector.

3. Intellectual property and innovation

Scale and gravity of counterfeiting and IP piracy demand attention at G20 summits

ICC appreciates that product counterfeiting and copyright piracy have become a regular item on the agenda of the annual G8 summits in recent years. We very much hope that they will very soon be accorded the same status at G20 summits 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 that the scale and gravity of the threat that counterfeiting and piracy pose to economic and social welfare across the entire globe merit the attention of policy-makers at the highest level of government.

An unlawful 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.

The numerous dangers of IP piracy

Counterfeiting and piracy deter inventiveness and creativity, which underpin the knowledge society we live in today; they deprive governments of tax revenue; they undermine laws designed to protect the interests of employees; and they compete unjustly with legitimate economic activities and jobs. They also weaken consumer confidence in the quality assurance of branded products and pose serious health and safety risks in areas such as food, medicines, car parts and toys. Furthermore, the relatively easy profits to be made from counterfeiting and piracy attract organized crime networks interested in funding other criminal activities.

Strengthen and enforce laws against IP theft

Recent G8 summits have acknowledged the growing need for stronger measures to fight counterfeiting and piracy. However, deeds have fallen far short of words. We in the business community believe that the theft of intellectual property should be no less a crime than the theft of physical property. We urge the government leaders meeting in Canada at both the G8 and G20 summits to



commit their countries to not only introduce but effectively enforce sanctions that are real deterrents to intellectual property crimes. We call upon them to exercise world leadership in the area of IP protection by promoting global minimum standards in the key area of enforcement. To this end, we would appreciate an expression of support for the conclusion of the Anti-Counterfeiting Trade Agreement that seeks to set new standards for national and international governmental action to deal with counterfeiting and piracy.

*Business will help
governments to design
programmes to combat
IP piracy*

Finally, 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. ICC itself has a major special project known as BASCAP – the initials for Business Action to Stop Counterfeiting and Piracy. BASCAP provides a forum for companies in all sectors and from all regions of the world to work together to share experiences, gather data, and raise public awareness of the harm that is being done. BASCAP has already forged close working relations with a number of intergovernmental bodies. It stands ready to assist governments the world over in the elaboration and implementation of effective anti-counterfeiting and piracy programmes at national level and to advise them on improving cross-border cooperation.

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 bodies, 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 120 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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