



**International Chamber of Commerce**

*The world business organization*

## **ICC Policy Statement**

### **The liberalization of advertising services**

Commission on Marketing and Advertising, November 2002

The purpose of this policy statement is to present the important role of the advertising services sector for businesses and consumers as well as the contribution of advertising on economic growth, and request more market opening commitments from all countries regarding advertising and related services in order to increase market access. Advertising services play a crucial role in spurring economic development and growth locally and globally because they touch upon numerous industries and services. In its simplest form, advertising may be defined as a commercial communication from an identified sponsor which uses various commercial platforms, such as newspapers, radio, TV, billboards, satellite, internet, to connect with an audience, e.g. customers.

#### **The contribution of advertising to economic growth**

- Advertising makes the global market more accessible to business and consumers since it provides information about products, services, brands, companies, individuals or events. Advertising is in itself information to consumers. Due to the wide range of commercial vehicles, companies can more easily advertise and market their products or services to a targeted audience. For example, with the internet and the spread of multi-channel television, companies can reach consumers in many countries with a single advertising spot.
- Conversely, consumers can visit the websites of sellers of goods or services worldwide. With accurate information, consumers benefit from being able to choose the particular goods or services that meet their needs at the most economical price. This great range of choice allows them ultimate power and control over when and where to shop.
- Advertising stimulates competition between companies for the sale of their products or services. Government revenues are increased via the sales tax base.
  - Advertising stimulates demand and thereby creates jobs in the industry and other service sectors. Increased employment boosts government revenues through more taxable income.
- Advertising revenues significantly finance the media, educational programming and entertainment, such as sporting and music events. Newspapers, magazines, cable, satellite, broadcast services and internet could not exist freely without the support of advertising. As a general indication, the total world advertising expenditure projected for 2001 was \$481.1 billion, representing an increase of 3.7% compared to the year of 2000.
- Restrictions to the distribution and placement of advertising services should be avoided. In an increasingly competitive environment and the tendency towards shorter product life spans, new products and services must be introduced without delay to the local market so that business can meet consumer expectations or preference and also reach their sales volumes in a shorter time. Barriers preventing business from using cross-border concepts are hence detrimental to economies since restrictions increase the costs of the new products and services which are passed on to the customers and fall heavily on small and medium size enterprises (SMEs), agencies and advertisers.

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- National and international laws prohibiting misleading and deceptive advertising provide an essential framework within which business has to operate and are necessary to foster consumer confidence and promote truth and accuracy in advertising. In addition to the existing legal instruments, self-regulatory guidelines and voluntary industry norms, such as those developed by the International Chamber of Commerce (ICC), play an important role in promoting high standards of consumer protection. Self-regulatory advertising systems respect the same principles to discipline advertising without forbidding or placing any veto or slowing down any free economic initiative.

### **Liberalizing trade in advertising services**

ICC believes that, as an overall principle under the General Agreement on Trade in Services (GATS), more commitments from all countries regarding advertising and related services are needed in order to increase market access as well as the adoption of least trade restrictive measures. Below is a non-exhaustive list of specific impediments that advertisers encounter worldwide.

1. Restrictions on the importation and broadcast of foreign-produced television commercials.
2. Residency requirements for advertising production professionals filming in some countries and/or for employees of the advertising firm.
3. Requirements for local participation in the production of advertising transmitted through an electronic medium.
4. Requirements for local-post production work (e.g. editing, music, sequence editing) if foreign actors are used in television commercials.
5. Equity limitations on foreign ownership of advertising firms.
6. Requirements that host-country nationals hold managerial positions in foreign-owned advertising firms.
7. Requirements that programme services carried by cable or satellite be "local" in order to carry certain advertising.
8. Requirements for foreign advertisers to broadcast their advertisements in the local language.

In conclusion, ICC believes that increased international trade and commerce comes from liberalized markets. Advertising plays a key role in providing information and generating business opportunities. The introduction of competition through liberalization will encourage the advertising industry to evolve to meet the requirements and challenges of consumers and its business users and will provide a stimulus for advertisers to offer choice and quality in their services. ICC therefore believes more commitments by national governments to remove barriers to advertising services under the General Agreement on Trade in Services (GATS) should be a priority.