Driving growth and jobs to increase global living standards

Key messages from the B20 to the G20

Business wants to invest, grow and create jobs. Governments can help by aligning policy to these goals and removing multilateral and domestic roadblocks.

1. **The urgent goal is growth and jobs.** Now that the global financial system has been stabilised, the core question facing our leaders is how to increase the slow rate of economic growth and create jobs to lift living standards around the world. There is no room for complacency.

2. **G20 is the right forum to pursue this goal.** The G20 is the only forum capable of achieving the coordinated action necessary to drive and shape the global economy.

3. **G20 has set a realistic and necessary growth target.** The G20 target of lifting collective GDP by two per cent above the trajectory implied by current policies over the next five years is therefore entirely appropriate, but the question is how to achieve that target?

4. **B20 has identified policy principles to meet the target.** Business has looked at the major impediments to growth and jobs creation and believes that policies are needed to ensure greater structural flexibility and freedom of movement across borders of goods, services, labour and capital within an effective regulatory framework which promotes transparency and credibility in commerce.

5. **B20 recommendations require collective agreement and unilateral action by the G20**. The B20 has developed twenty recommendations for action consistent with these principles that will promote economic growth and jobs, but to be effective they require collective agreement by the G20 for unilateral action by each member country.

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G20 countries are focused on collective actions to increase inclusive economic growth, create jobs and drive real increases in global living standards. These are our core goals because economic resources dictate the extent to which individuals can make personal choices and the ability of societies to invest in the fundamental services of education, health and security. Without growth there can be no overall improvement in quality of life.

The need for structural reform

Against a backdrop of lower-than-expected growth in the global economy the G20 remains a critically important decision-making forum. The G20 has set a target of lifting collective GDP over the coming five years by two per cent above the trajectory implied by current policies – worth more than $2 trillion in real terms and tens of millions of jobs. To meet the target, G20 countries must commit collectively to implement unilateral structural reforms that boost employment and prospects for diversified and sustained growth.

Business supports G20 leaders embracing Country Growth Strategies of sufficient ambition to achieve the two per cent additional growth target, through recommendations drawn from four common themes that are critical to success in a global economy:

- Structural flexibility so that governments and business can better respond to the need for change as it arises. The B20 proposes that governments enhance structural flexibility through reforms to promote more efficient and productive supply chains, infrastructure and labour markets.

- Free movement across borders of goods, services, labour and capital, which is the precondition of a truly global economy. The B20 proposes reforms that tackle trade protectionism, facilitate cross-border investment and better link available labour with productive work.

- Consistent and effective regulation to ensure that markets work as efficiently as possible. The B20 supports completion of the stability-enhancing core reforms to global markets but recommends improved rule-making processes, and also proposes domestic reforms to improve commercial efficiency.

- Integrity and credibility in commerce to ensure that corruption does not create perverse incentives, distort markets or stunt their growth. The B20 proposes action to incentivise self-reporting, harmonise anti-corruption laws and align beneficial ownership regulation.

Structural reform is challenging because it requires fundamental changes in the conduct and operation of internal markets. In a global economy, structural reforms must also be carefully coordinated to achieve the best outcomes for all communities. This will require both collective actions and collective agreement for unilateral actions to increase economic growth. We need more trade, better infrastructure, accessible and affordable finance, and human capital in the right place, at the right time, with the right skills.

B20 recommendations

The B20 has concentrated on identifying the impediments to a more conducive environment for investment and growth through five groups focused on the core economic drivers of trade, infrastructure, human capital, finance and transparency. The result of this work is 20 mutually reinforcing recommendations for action by G20 governments. These actions are mostly new structural reform measures that would deliver on the G20 growth target and form a blueprint for sustainable economic growth in the medium term. If G20 countries commit to these reforms the gains will be large. A failure by any of the G20 countries to commit will mean a significant opportunity cost.

Trade

International trade is the world's growth engine. It is essential to securing global job creation and higher living standards. A targeted set of four high impact B20 recommendations, if implemented, could generate up to $3.4 trillion in GDP growth and support more than 50 million jobs across the G20 economies. This would be akin to adding another Germany to the global economy. Business therefore encourages each G20 economy to incorporate an ambitious domestic reform agenda, which explicitly targets trade-enhancing measures, into their Country Growth Strategies. This will encourage countries and businesses to allocate their scarce resources to the industries and activities where they are most competitive, acknowledging that 'Made in the World' is the reality of modern global trade.

Infrastructure & investment

High quality economic infrastructure underpins economic activity within and across national borders. It promotes development in emerging economies, growth and employment in developed economies and trade between all. However, it is estimated that by 2030 there will be a gap of ~$15-20 trillion in infrastructure capacity. Over the long run, closing this gap could create up to 100 million additional jobs and generate $6 trillion in economic activity every year. A critical part of the solution is greater private sector investment in productive infrastructure, partnering with governments to build and manage public investments more effectively.

Human capital

Economic growth must be accompanied by growth in jobs. There is evidence of a modest recovery in some advanced economies, but the increase in global employment is below pre-crisis trends and is inadequate to absorb the expanding global labour force, with young people and the long term unemployed remaining particularly affected. Without continued investment in working people, countries will be unable to fully realise the potential of trade and infrastructure investments or increase the quantity and quality of the labour force and employment opportunities, which in turn drive continued productivity and sustainable economic growth.

Financing growth

Overall, the challenge of stimulating growth will be facilitated by finalising core reforms to the financial system and implementing them according to agreed timelines. This would address the uncertainty that may have constrained the provision of credit in some markets and enable the financial regulatory agenda to transition from the crisis response phase. As part of this transition, it is timely to review financial regulatory processes at the Financial Stability Board and the other standard setting bodies. B20 also supports complementing the financial regulation agenda with reforms that deepen the range of sources of financing for investment in order to strengthen sustainable medium-term growth.

Anti-corruption

If corruption were an industry, it would be the world's third largest, worth more than $3 trillion and 5 percent of global GDP. Corruption is a major obstacle to sustainable economic, political and social development as it increases the cost of doing business, decreases cross border investment and trade facilitation, and generates waste and inefficiency in the use of public resources. Incentivising business to act responsibly is important to reduce the supply of corruption. At the same time, business wants to see a concerted effort to enforce existing laws that reduce the demand for corruption, building capacity for integrity and penalising corruption in public office.

B20 recommendations

The international business community asks policymakers to focus on structural reforms that will remove barriers and impediments to growth. If G20 countries commit to these reforms the prospect of meeting and exceeding the G20 growth target is high. A failure to commit to and deliver on these reforms will therefore impose significant opportunity costs.

To promote **structural flexibility**, all G20 governments should:

1. Rapidly implement and ratify the Bali Trade Facilitation Agreement and provide capacity-building assistance and financial support for developing world trade partners to do the same.
2. Develop country-specific supply chain strategies and address supply chain barriers through domestic regulatory reform and infrastructure investment.
3. Reaffirm the critical importance of infrastructure – and private investment in infrastructure – and set specific five year investment targets aligned to a national strategic vision.
4. Establish, publish and deliver credible national infrastructure pipelines that have been rigorously assessed and prioritised by independent infrastructure authorities, and which take full advantage of private sector finance and expertise.
5. Establish an Infrastructure Hub with a global mandate to disseminate leading practice to facilitate the development and delivery of pipelines of bankable, investment-ready infrastructure projects.
6. Establish a national innovation agenda and pipeline with supporting structural reforms.
7. Increase the level of alignment and responsiveness between the learning ecosystem and workforce needs.
8. Remove barriers inhibiting entrepreneurs from starting and growing businesses.
9. Undertake structural reform to increase flexibility, adaptability and mobility within and across labour markets.

To promote **free movement across borders**, G20 governments should:

10. Reinforce the standstill on protectionism and wind back barriers introduced since the implementation of the standstill, especially non-tariff barriers.
11. Ensure preferential trade agreements (PTAs) realise better business outcomes by consulting with business, improving transparency and consistency and addressing emerging trade issues.
12. Work towards greater promotion and protection of cross-border capital flows and foreign direct investment (FDI) through a Model Investment Treaty.

To promote **consistent and effective regulation**, all G20 governments should:

13. Finalise the core global financial reforms in 2014 and establish a protocol for international rule-making processes commencing in 2015, which better engages the private sector to ensure rules are fit for purpose and fully take account of their impact on the real economy.
14. Ensure emerging market economies are effectively represented on global standard setters and that regulations reflect the social, economic and financial challenges faced by EMEs.
15. Review prudential and conduct regulation to ensure restrictions on access to finance do not unduly hamper financial inclusion, trade and commodity markets and finance for SMEs.
16. Promote longer-term investment by removing unnecessary regulatory disincentives, and developing local capital markets and financing instruments that better align risk and return.
17. Implement transparent infrastructure procurement and approvals processes that comply with global leading practice, including a commitment to specific timeframes for approvals.

To promote **integrity and credibility in commerce**, all G20 governments should:

18. Agree to harmonise laws related to anti-corruption that incentivise companies to build leading practice compliance programs and self-report compliance breaches.
19. Enforce applicable legal frameworks such as the OECD Anti-bribery Convention and UN Convention against Corruption and implement or strengthen a national independent corruption authority in each jurisdiction to monitor and enforce.
20. Endorse the G8 core principles on transparency of ownership and control of companies and legal arrangements.