



**BUSINESSatOECD**

THE BUSINESS AND INDUSTRY ADVISORY COMMITTEE

**Business at OECD (BIAC)  
Statement to Annual Consultation  
with OECD Ambassadors and Secretary General**

***Business priorities for OECD action:  
a call for growth and prosperity***

19 January 2018 | Liaison Committee Meeting



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## Introduction

Raising living standards by fostering sustainable growth and employment is at the heart of the OECD mission.<sup>1</sup> Today, global leaders have set ambitious social, economic and environmental goals in the form of the 2030 Agenda for Sustainable Development, the Paris Climate Agreement, and subsequent OECD and G20 commitments.<sup>2</sup> These declarations set a vision for the future where greater prosperity flows to a greater number of people while reducing strain on the environment. In this paper, Business at OECD (BIAC) sets out priorities for OECD action to help deliver this vision. It is based on a firm belief that we can only succeed by leveraging the power of open and competitive markets, and enabling economic participation.

Our priorities for OECD action are informed by a recent survey of Business at OECD members. This survey highlighted again the central role companies see the OECD playing in shaping the rules and norms that govern the global economy. As economic dynamics shift east and south, and digitalization continues to drive profound changes in our economies and societies, the evidence based approach of the OECD, as delivered through its instruments, processes and original research, is essential for open economies and inclusive societies.

Despite improvements in global GDP growth, projected to be 3.7% in 2018, businesses remain concerned by the medium-term prospects for the global economy.<sup>3</sup> We cannot afford to succumb to ‘reform fatigue’ and it is concerning that new OECD evidence confirms that structural reform implementation is at its lowest ebb since the financial crisis. Indeed, 56% of the priority reforms identified in the OECD’s last *Going for Growth* report have seen limited steps or no action taken to implement them in advanced economies. Only 11% have been fully implemented, a figure which drops to 8% for emerging economies.<sup>4</sup>

Digital transformation offers numerous opportunities for companies and workers to enhance productivity growth, employment opportunities, and mobility if the right enabling policy frameworks are in place. To ensure inclusive outcomes, these frameworks must promote the skills and competencies people need to thrive in the digital economy. A reform agenda that ensures participation and opportunity is vital to seizing the benefits of digitalization and diffusing rapid technological advances, such as big data analysis or machine learning, across our economies.

## Deepen multilateral frameworks on trade, investment and taxation

The potential slowing, or even reversal, in the deepening of global value chains, as highlighted in the September 2017 *Interim Economic Outlook*, is a significant concern.<sup>5</sup> It suggests the impact of protectionist actions, especially growing non-tariff barriers, combined with anti-trade rhetoric is beginning to undermine the openness of our economies.

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<sup>1</sup> OECD (1960) *Convention on the Organisation for Economic Co-operation and Development*, Article 1.

<sup>2</sup> United Nations, General Assembly (25 September 2015) *Transforming our world: the 2030 Agenda for Sustainable Development*, A/RES/70/1; United Nations, Framework Convention on Climate Change (12 December 2015), *Adoption of the Paris Agreement, Proposal by the President*, FCCC/CP/2015/L.9/Rev.1.

<sup>3</sup> OECD (2017), *Economic Outlook. The Policy Challenge: catalyse the private sector for stronger growth and more inclusive growth*, pg 2.

<sup>4</sup> OECD (2017), *Overview of structural reforms actions in 2017*, [ECO/CPE\(2017\)17](#), pg 7.

<sup>5</sup> OECD (2017), *Interim Economic Outlook – Short-term momentum: will it be sustained?*, pg. 5.

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### **Create the conditions to benefit from international trade**

The OECD has a vital role in ensuring the good governance of global markets, and its insight into the benefits of multilateral, plurilateral and regional market opening for the efficiency of our economies is essential. To deepen research in this area, the OECD should now undertake new micro-level analysis, complementing its traditional macro studies.

Given their growing significance, we commend upcoming research into the regulatory barriers affecting trade in services, and into the role of services trade liberalization. We believe this work can go even further by extending the scope of the Services Trade Restrictiveness Index (STRI) and Business at OECD wants to collaborate in promoting the important data from the STRI.

Business at OECD also appreciates ongoing work concerning the shift to a digital economy and the implications for trade policy, including for e-commerce and regulation. To add to this work we urge the OECD to publish its report on the costs of data localization to global trade.

Finally, as global leaders respond to a changed dynamic on trade in goods and services, a new narrative is needed. This narrative should place trade policies within broader reform packages that deliver sustainable development, though economic growth and increased opportunity to participate, while avoiding the designation of “winners” and “losers” from trade. To better communicate the benefits of trade, substantive OECD work could also be translated into easy-to-relate facts that the public can engage with using early communication and pedagogy.

### **Defend an open investment environment and global level playing field**

Business looks to the OECD to continue its support for open investment environments, non-discrimination and responsible conduct by both governments and business. In this context, unique OECD instruments, such as the *Policy Framework for Investment* (PFI), remain highly valuable for business and lead to real improvements when implemented effectively. In fact, implementation of the PFI will be a litmus test for governments to provide companies with the certainty they need in international markets.

We welcome the increased attention being given to the OECD *Codes of Liberalization* in the implementation of the 2017 G20 conclusions. We are particularly heartened that several non-member countries have now applied to adhere to the Codes and underline the importance of the OECD investment instruments for the accession discussions.

We also appreciate growing OECD analysis on investment restrictions as well as new OECD research, at the country level, into the linkages between Global Value Chains, trade, and investment, which will be important guidance for national and international policy discussions in the future.<sup>6</sup>

We see a continued and important role for the *Freedom of Investment Roundtable* as a unique forum to foster open, transparent and non-discriminatory investment policies and to support unbiased policy monitoring and analysis. We also urge the OECD to speak up more forcefully on the importance of International Investment Agreements, which remain an essential tool for attracting and protecting investors. SMEs in particular depend on legal certainty in international markets, as well as on effective settlement procedures in the case of disputes.

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<sup>6</sup> <http://www.oecd.org/investment/trade-investment-gvc.htm>

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## **Adopt stable, clear and coordinated tax policies**

The G20/OECD project on *Base Erosion and Profit Shifting (BEPS)* remains the most comprehensive example of multilateral action advancing international rules on tax. Governments should continue to see through the effective implementation of its recommendations, avoiding unilateral measures outside the scope of the BEPS recommendations. Doing so is crucial to ensure certainty in the tax system, and to deliver tax policies that support investment and open markets.

Business at OECD welcomes the prominence ‘tax and growth’ now has on the OECD’s agenda. Building on valuable research, such as the 2017 OECD/G20 *Business Survey on Tax Certainty*, we urge governments to commit to continued support for OECD analysis in this area.

Addressing taxation of the digital economy is an increasingly urgent and important area of OECD work. In the context of rapidly rising unilateral measures and proposals we must recognize that government action, and forthcoming OECD guidance, have broader implications for the economy as a whole. Business must be closely involved at all stages of policy development to ensure any rules are not obsolete at implementation, and reflect a shared interest in balancing revenue raising with growth. Business at OECD recognizes its role in explaining the structures of emerging business models and we commit to strengthening our engagement in this area through a newly created BIAC Digital Tax Working Group. We urge governments to refrain from actions that could harm cross border trade and growth before new OECD research and recommendations are available. We look to the OECD for strong global leadership on this issue to prevent unnecessary fragmentation.

## **Develop high quality regulatory approaches that strengthen competitive markets**

### **Promote efficient regulation and public governance**

Central to economic competitiveness and growth are the regulatory frameworks that govern markets. Consequently, OECD efforts to map and evaluate the regulatory environment, such as in the forthcoming 2018 *Regulatory Policy Outlook*, are of great value.

While it is encouraging that the 2017 *Indicators of Regulatory Policy and Governance (iREG) Survey* highlights increased instances of good practice such as stakeholder engagement and the use of Regulatory Impact Assessments, there remains scope to increase the efficiency of regulation across the OECD.<sup>7</sup> We reiterate our support for greater implementation of OECD guidance in this area including the *Recommendation on Regulatory Policy and Governance*. This is especially important for Business at OECD’s small and medium-sized (SME) members for whom regulation carries disproportionate costs in financial management, compliance, record keeping, and tax regulations.

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<sup>7</sup> [Forthcoming] OECD (2017) *Regulatory Policy Outlook 2018: Key messages and preliminary results from the 2017 Regulatory Indicators Survey* p.16.

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Greater international regulatory cooperation, that promotes interoperable policy frameworks, is also needed to minimize unnecessary fragmentation that results in significant economic costs. For example, new Business at OECD research conducted jointly with the International Federation of Accountants (IFAC), finds that regulatory divergence costs firms in the financial services sector over \$780 billion a year.<sup>8</sup> In 2018, Business at OECD will expand this research to cover other sectors to inform OECD work in this priority area.

### ***Use evidence based competition rules to create a level playing field***

Unfair competition disrupts markets. As policymakers seek to understand more about new digitally enabled business models, and their effects in markets, the OECD will have a vital role to play in facilitating understanding about the resulting business practicalities.

We urge governments to work together on how existing guidance can apply to digital market structures and technologies rather than seek entirely new approaches to competition policy due to changes in existing market structures or sectoral definitions. For example, the OECD *Competition Assessment Toolkit* already provides a proven method for identifying unnecessary restraints on market activities and for developing alternatives. Upcoming discussions on competition policy should build on this and aim to secure a level playing field and a fair competition environment for all. We believe the OECD could strengthen its contribution by embedding discussion of digitalization within the agendas of the OECD Competition Committee, and related working groups.

We also strongly support even greater focus on the role of State Owned Enterprises (SOEs) in global markets. Business at OECD recognizes excellent OECD work on the corporate governance of SOEs and highlights the need for effective implementation of the OECD *Guidelines on Corporate Governance of State-Owned Enterprises*. However, given the increasing activity of SOEs, especially those from non-OECD countries, we urge the OECD to expand its work on competitive neutrality to ensure a level playing field.

### ***Address both the demand and supply sides of corruption***

Corruption distorts markets, undermines development, prevents a level playing field and ultimately compromises the growth potential of our economies. Combatting both the supply of and demand for corruption should be an important part of the OECD's competitiveness agenda.

Business at OECD was pleased to participate in the recent events marking the 20<sup>th</sup> anniversary of the landmark OECD *Anti-Bribery Convention*. We now urge greater efforts to spread adherence to the Convention and in particular to non-adhering G20 countries. As implementation continues, it is crucial that encouraging effective dialogue with business, supporting modern anti-corruption measures,<sup>9</sup> encouraging the compliance efforts of companies, and voluntary self-disclosure are a focus for future OECD work. These principles should also be reflected in the ongoing or future updates of OECD instruments in this area, including the *Recommendation on Bribery and Officially*

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<sup>8</sup> [Forthcoming] Business at OECD and International Federation of Accountants (IFAC) (2018), *Costs and impacts of regulatory divergence*.

<sup>9</sup> For example these include collective action, integrity pacts and compliance monitoring of public infrastructure projects.

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*Supported Export Credits; and the Recommendation for further Combating Bribery of Foreign Public Officials in International Business Transactions.*

Business at OECD reiterates the importance of effectively addressing the demand side of corruption. Reflecting this priority issue in the body of the OECD's analysis and instruments would be a major step forward. As such, new work addressing corruption and fostering integrity in SOEs is welcome and Business at OECD stands ready to support the development of further guidance in this area.

### ***Promote responsible business conduct to underpin open and competitive markets***

As the most comprehensive government-backed Responsible Business Conduct (RBC) instrument, Business at OECD continues to promote effective and balanced implementation of the *OECD Guidelines for Multinational Enterprises*.

To ensure a global level playing field, we strongly support wider adherence to the *OECD Declaration on International Investment and Multinational Enterprises* and we are encouraged by additional OECD outreach with key partners and non-adhering countries, especially in Latin America and Asia. In this context, we also support effective implementation of the *G20/OECD Principles of Corporate Governance*.

For the Guidelines to deliver as effectively as possible we urge OECD governments to ensure that the National Contact Point (NCP) procedure is better understood and that all NCPs function well. To assist in this effort, we convened over fifty business experts from our network at a High-Level Business Seminar in June 2017 to promote the Guidelines and discuss the conditions that enable the effective functioning of the NCP process.<sup>10</sup>

Business is also actively contributing to discussions on new OECD due diligence guidance. Here the final outcome must be strictly in line with the OECD Guidelines, be of practical use for MNEs of all sizes, and must acknowledge the complexity of supply chains, as well as the practical challenges companies can face in influencing global supply chains.

## **Enable businesses to create the jobs of the future**

### ***Focus on labor market policies that promote adaptability, opportunity and mobility***

The presentation of the revised *OECD Jobs Strategy* at the Ministerial Council Meeting in June will be an important moment for the OECD's support of well-functioning labor markets. Business at OECD has been closely involved in this work. We welcome the recognition of businesses as the main source of job creation and the need for an enabling business environment to create jobs.

As discussions on the future of work develop, we urge the OECD to look positively at the opportunities offered by new and diverse forms of work. Digitalization is creating new possibilities to perform work free of location and time restrictions. These changes offer great

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<sup>10</sup> [Business at OECD \(2017\) \*The OECD Guidelines for Multinational Enterprises and the National Contact Point procedure\*.](#)

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benefits to employers and employees where, for example, diverse forms of work can enable people to find their personal balance between work and private life. We urge governments to ensure labor laws support this flexibility.

It will be important for the OECD *Ministerial Meeting on Social Policy* in May to deliver practical guidance on reforming social benefit systems to ensure they correspond effectively with the future of work.

Workforce diversity and gender equality remain critical factors for economic growth and social inclusion. Progress in this area, however, continues at a slow pace. Commitment from top leadership in both the private and public sectors is needed to ensure that policy fosters, and does not inhibit, participation, opportunity and equality.

### ***Promote the skills and competencies needed to thrive in the digital economy***

The 2017 BIAAC *Business Climate Survey* confirmed that human capital development and skills are top structural reform priorities for business. A skilled workforce is an essential driver of competitiveness and Business at OECD recognizes this as a shared challenge. Both governments and business must work together to better align curricula and avoid skills mismatch.

An important example in this respect is the Global Apprenticeship Network (GAN), developed in response to the G20 priorities on apprenticeships and skills, which mobilizes companies and establishes national networks for training and job creation for young people.<sup>11</sup>

The progression of the ‘jobs and skills’ pillar of the OECD *Going Digital* project will also be of vital importance. OECD work to ensure people have the appropriate skills is made more urgent as new, digitally enabled occupations and job profiles are emerging. To ensure ongoing participation we must foster a culture of life-long learning, for young and old.

As an essential condition to support, and gain from, the digital transformation, we urge governments to strengthen and mainstream science, technology, engineering and maths (STEM) at all levels in their education systems. Competencies such as creativity, critical thinking and collaboration as well as qualities such as leadership must be embedded in education and training. Public-private partnerships are vital to fostering digitally literate and educated citizens; we urge governments to work with industry in building national digital literacy and education programs.

To guide government priorities we highlight the importance of the OECD *Skills Strategy*. The OECD should ensure close connection between the separate OECD strategies on digital transformation, jobs and skills.

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<sup>11</sup> <http://www.gan-global.org/>

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## Foster entrepreneurship

### **Support innovation and business dynamism**

Business at OECD welcomes increased efforts, such as the *Global Forum on Productivity*, to coordinate analysis of the productivity challenge. Especially important is new evidence that points to the role of slow technology diffusion as a key driver of weak productivity growth.<sup>12</sup> Action here is vital and we highlight the value of ongoing OECD work to identify policies that enable knowledge transfer across our economies. This work should feed into the findings of the *Going Digital* project.

In addition, new OECD work in support of emerging technologies and disciplines, such as the circular economy, where the OECD has taken a useful multidisciplinary approach, is increasingly important and should be given greater visibility.

### **Recognize the crosscutting nature of health policies**

Business at OECD is deeply engaged in efforts to identify the links between healthy societies and productive economies. Building on the outcomes of our 2017 *Business Forum on Health, Growth and Productivity* we encourage the OECD to adopt more comprehensive approaches that consider the economic, social and innovation dimensions of health policy design.<sup>13</sup>

Businesses look to the OECD as a facilitator and source of data as we deepen our knowledge on how to improve the quality and efficiency of health systems. For example, the *Council Recommendation on Health Data Governance* is vital to fully utilizing health data. The *Patient Reported Indicators Survey (PaRIS)* initiative is also of particular value. It will improve the measurement of healthcare. To optimize this project going forward business should be closely involved.

Furthermore, the OECD must leverage its cross-disciplinary expertise to find ways to improve the sustainability of health systems and minimize waste in health spending. For example, this is important when addressing the issue of access to new therapies, and in planning strategically for the adoption, or absorption, of new technologies based on an effective assessment of the overall long-term value.

We welcome greater collaboration among OECD directorates including the Trade and Agriculture Directorate, and the Directorate for Science, Technology and Innovation when developing policy guidance on promoting healthy lifestyles and food systems.

### **Help smaller businesses and entrepreneurs face specific challenges**

We strongly support new OECD efforts to map and evaluate the business environment facing smaller companies such as in the recent *Small, Medium, Strong* report.<sup>14</sup> OECD analysis that

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<sup>12</sup> Andrews, D., C. Criscuolo and P. Gal (2016), *The Global Productivity Slowdown, Technology Divergence and Public Policy: A Firm Level Perspective* OECD, Productivity Working Papers, No 5.

<sup>13</sup> [Business at OECD \(2017\), Forum Highlights: Business at OECD \(BIAC\) Forum on Health, Growth and Productivity.](#)

<sup>14</sup> OECD (2017), *Small, Medium, Strong. Trends in SME Performance and Business Conditions.*

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recognizes the unique challenges for smaller firms when navigating complex regulatory regimes and in competing internationally, is important guidance for governments that strive for an enabling business environment.

The forthcoming 2018 *Ministerial Meeting on Small and Medium Sized Enterprises* in Mexico will be an occasion to confirm the additional supporting policies needed to enable SME participation in rapidly digitalizing, integrated global markets. We urge governments to consider ways to streamline interactions between businesses and government agencies for instance via user friendly e-government solutions and to provide support in ensuring cybersecurity.

We also reiterate our support for continued implementation of the *G20/OECD High-level Principles on SME Financing*. Work to foster diversification in the responsible and sustainable SME financing landscape and to promote access to risk capital is highly valuable and an important element of creating entrepreneurial economies.

### **Ensure high-quality digital infrastructure**

As a basic condition for industry to flourish, policy support for entrepreneurship must be underpinned by increased investment in physical infrastructure, including for transport and digital networks. With the increasing number of connected industrial products, the volume of generated data is growing rapidly, and so digital infrastructure, in particular, is a top priority. We urge governments to start preparing for digitalization now and we welcome ongoing related efforts in this area, such as the OECD project on *Institutional Investors and Long-Term Investment*, which aims to unlock private finance.

## **Conclusion**

In our statement to the 2017 *Ministerial Council Meeting* we called on the OECD to compile and publish an annual ‘Better Business Index.’<sup>15</sup> With faltering commitment to structural reforms, the need to map and evaluate the key factors for an enabling business environment in our economies has never been greater. We reiterate this call and believe that only the OECD, with its deep cross-disciplinary expertise, can deliver this vital guidance.

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<sup>15</sup> Business at OECD (2017) *Statement to Ministers: core business recommendations for open economies and inclusive societies*.



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