



BUSINESSatOECD

THE BUSINESS AND INDUSTRY ADVISORY COMMITTEE

**Business at OECD (BIAC)
Statement to the
2018 Meeting of OECD Ministers**

***The importance of effective multilateralism
for growth and prosperity***

May 2018



Introduction

Digital transformation and the ever-deepening integration of our economies demand a more concerted effort from governments to ensure stability, predictability and efficiency.¹ Handled well, these trends offer major opportunities to improve productivity, raise living standards, and deliver sustainable growth. However, they do not always run smoothly. Rapid change has highlighted shortcomings in policy approaches and led to a contested public debate about the value and impact of globalization.²

In forging an improved path for multilateralism, we must not lose sight of the many benefits it has already delivered. In enabling the opening of economies, the development of global value chains, and the mobility of innovative ideas and people, multilateral cooperation has created jobs and improved lives for the many. Now 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 in favor of open trade and investment.³ Together they offer a vision for the future where greater prosperity flows to a greater number of people while reducing strain on the environment. The OECD will be essential in supporting governments achieve these aims.

As a strong supporter of the rules-based international order, Business at OECD (BIAC) recognizes that effectively addressing policy challenges means identifying those areas that require better informed and effective multilateral governance, working through multi-stakeholder approaches. It also means identifying those areas best dealt with by national governments, informed by best practice sharing, data, and analysis from multinational institutions. We must be wary of an overly top down approach and ‘one size fits all’ concepts. In this paper, Business at OECD offers policy recommendations for an effective multilateralism. 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.

¹ Business at OECD (BIAC) Statement to Ambassadors 2018

² Business at OECD (BIAC) Statement to Ministers 2017

³ 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; OECD (June 2017), *2017 Ministerial Council Statement*.

Strengthening and implementing global rules and standards

Improving the efficiency of global markets, and ensuring a level playing field, requires deeper and more comprehensive global rules and standards in some areas. In practice, spreading adherence to, and implementation of, unique OECD instruments must be a core priority for governments seeking to improve multilateralism.

Honor multilateral frameworks on trade and investment

As uncertainty on the future direction of global trade policy grows, we urge governments to avoid unilateral, distorting or protectionist measures.⁴ Distortions in global markets, such as excess capacity for certain products and commodities, should be the subject of serious efforts on the multilateral level where institutions, including the OECD and WTO, promote good governance in the global economy.⁵ Other trade-distorting practices include dumping, discriminatory non-tariff barriers, forced technology transfers, data localization, market distorting subsidies and other practices that hinder the creation of a level playing field. It is also important to secure a level-playing field in officially supported export finance.

The OECD has developed deep knowledge on the value of trade through its analytical work, especially on Global Value Chains (GVCs), Trade in Value-Added (TiVA), and the Services Trade Restrictiveness Index (STRI). Its support will be essential in developing a renewed understanding of the benefits of trade and foreign direct investment (FDI). Trade is often blamed for negative impacts in national economies, due to the lack of flanking policies to support competitiveness and flexibility. However, despite certain disruptions that must be addressed, there is no serious doubt that “rising trade integration has brought substantial aggregate gains in terms of efficiency, firm productivity and consumer welfare.”⁶

To better communicate the benefits of trade, substantive, and already existing, OECD facts and data could be presented in a more accessible way to inform a broader public. For example, the STRI provides great value to trade stakeholders, but it needs to deliver for a non-technical audience as well.

Unique OECD instruments on investment need greater recognition and implementation by governments.⁷ The Policy Framework for Investment (PFI), for example, offers excellent

⁴ Business at OECD (2017), *Trade as a Priority for All: Barriers and Opportunities for Trade* [http://biac.org/wp-content/uploads/2017/04/Business-at-OECD-Trade-Priorities-2017_final2.pdf]

⁵ The recent experience of the Global Forum on Steel Excess Capacity highlights the imperative that all parties to live up to, and honor, their commitments is multilateralism is to deliver.

⁶ OECD (2017), *OECD Economic Outlook, Volume 2017 Issue 1*, P.67.

⁷ Business at OECD (2018), *A Proactive Investment Agenda for 2018* [<http://biac.org/wp-content/uploads/2018/03/FIN-2018-03-Investment-Strategy.pdf>]

guidance, but implementation does not receive enough visibility. The OECD Codes of Liberalization is also a key multilateral tool. While it is heartening that several non-OECD member countries have recently applied to adhere to the Codes, further adherence will be beneficial. The same applies for the OECD Declaration on International Investment and Multinational Enterprises which is a fundamental commitment by governments to an open, responsible and transparent environment for international investment.

Business looks to the OECD and governments to more forcefully defend the benefits of International Investment Agreements. Effective dispute settlements to protect investors have been hijacked for polemic debates on trade and investment. However, it is not only major multinational enterprises (MNEs) that depend on legal certainty in international markets, but also small and medium-sized enterprises (SMEs) seeking to integrate into global value chains. Business stands ready to work closely with the OECD Freedom of Investment Roundtable to create open, transparent and non-discriminatory investment policies, and unbiased policy monitoring and analysis.

Additionally, the OECD can promote dialogue in the area of investment screening. We must recognize the need to stop the outflow of business secrets and technology diversion, while avoiding overly vague investment screening that would lead to negative impacts on cross-border investment.

Foster responsible business conduct and improve the governance of SOEs

As the most comprehensive multilateral tool on Responsible Business Conduct (RBC), Business at OECD promotes implementation of the OECD Guidelines for Multinational Enterprises. For the Guidelines to deliver as effectively as possible, governments must ensure that the National Contact Point (NCP) procedure is correctly understood and implemented as a mediation platform, and that additional adherence leads to a more level playing field. We take encouragement from OECD outreach with key partners and non-adhering countries, such as the current programs with Latin America and Asia.

With the launch of new OECD due diligence guidance, it is vital that follow-up work on its implementation accounts for the complexity of supply chains, as well as the practical challenges companies can face in influencing global supply chains.

We strongly support an ambitious OECD work program on the role of State Owned Enterprises (SOEs) in global markets, where we need a multinational approach. Greater oversight and transparency into the practices of SOEs should be ensured. Work on a global reporting standard for internationally active SOEs, as well as activities to address corruption in SOEs, are critical steps forward. For international markets to function properly we need better implementation of the OECD Guidelines on Corporate Governance of State-Owned Enterprises in addition to the

OECD/G20 Corporate Governance Principles. Given the increasing activity of SOEs, especially those from non-OECD countries, we urge the OECD to expand its work to address competitive distortions and to ensure a level playing field for all businesses.

Ensure a multilateral approach to address the tax challenges of the digitalizing economy

OECD leadership to advance international tax standards for both direct and indirect tax is critical to prevent unnecessary fragmentation of the international tax system. The G20/OECD Project on Base Erosion and Profit Shifting (BEPS) remains the most comprehensive example of multilateral action advancing consensus on global tax issues. Avoiding unilateral measures outside the scope of BEPS is crucial as governments see through the implementation of its recommendations.

This is particularly important in the context of taxation of the digitalizing economy. We caution governments against the proliferation of unilateral measures targeting certain emerging business models and digital technologies, which may potentially harm the whole economy. Policies that fundamentally change international tax principles, intended to address the ‘digital’ economy, may have unintended consequences for the ‘traditional’ economy. A detailed assessment of the consequences of each policy option is needed before rushed, unilateral action is taken. As highlighted in the OECD/G20 paper Tax Challenges Arising from Digitalisation – Interim Report 2018, the digital economy cannot be carved out and a structured dialogue between a broad group of countries and stakeholders is urgently needed to develop global solutions in this area. Furthermore, business strongly supports the broad adoption of the report by the OECD/G20 BEPS Inclusive Framework.

Any changes to international tax standards delivered by the BEPS project, must be part of a comprehensive framework that serves the evolution of the digitalizing economy. Only competitive companies can effectively contribute to the tax base. Business at OECD continues to support the advancement of a multilateral, pro-growth approach for taxation in the digital economy.

Increase effective regulatory cooperation and fight against corruption

Reducing unnecessary regulatory burdens is not given the recognition it deserves by OECD governments. This is despite the benefit it would deliver our SME members for whom regulation can carry disproportionate costs. Implementation of OECD guidance in this area, including the Recommendation on Regulatory Policy and Governance, will help, as would the use of the 2018 Regulatory Policy Outlook to target country-level reforms.

Commitment to international regulatory cooperation, to promote interoperable policy frameworks, is also important, especially if multilateral cooperation is to be improved. The costs of inaction here are significant, and 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 alone over \$780 billion a year.⁸ Especially in the context of the digital transition, predictable legal frameworks are needed for resolving conflicts of laws and engender trust, for example in issues such as cross-border data access.

Following the 20th anniversary of the landmark OECD Anti-Bribery Convention, we urge greater efforts to spread adherence, in particular across the G20. As implementation continues, it is crucial that encouraging dialogue with business, supporting effective anti-corruption measures,⁹ recognizing the compliance efforts of companies, and voluntary self-disclosure are reflected in OECD work, including in updates of key OECD instruments in this area.¹⁰ Business at OECD strongly reiterates the importance of addressing the demand side of corruption, enhancing integrity in public procurement, implementing high standards and compliance for SOEs, and taking actions to enhance beneficial ownership transparency. We call on governments to reflect this priority issue in the body of the OECD's analysis and instruments, where new multilateral tools are needed.

Support common solutions to cross cutting challenges on climate change and development

Building towards the 24th Conference of the Parties (COP24) in December 2018, we encourage the OECD to facilitate an exchange on market-oriented, cost-effective and competition-enhancing national strategies for member countries. To support this, we are conducting in partnership with the Major Economies Business Forum (BizMEF), a second review of business consultation and involvement in the implementation of Nationally Determined Contributions (NDC).

OECD work in support of emerging technologies and disciplines, such as the circular economy, is increasingly important and should have greater visibility. The incorporation of environmental factors into OECD economic analyses and structural reform recommendations is also vital to include climate change in policy discussions appropriately.

Business is moving fast on the implementation of the Sustainable Development Goals (SDGs). Many businesses are actively incorporating the SDG framework into their business models and reporting, and Business at OECD members are working to raise awareness and introduce sustainability as a business case.¹¹ Together with support from Business at OECD, the OECD will be an important agent to further mobilize private sector support for the SDGs. The recent publication of the OECD Blended Finance Principles is one example of good practice in this area.

⁸ Business at OECD and International Federation of Accountants (IFAC) (2018), *Costs and impacts of regulatory divergence*.

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

¹⁰ For example, the *Recommendation on Bribery and Officially Supported Export Credits*; and the *Recommendation for further Combating Bribery of Foreign Public Officials in International Business Transactions*.

¹¹ For example, the *Business for 2030* initiative of the United States Council for International Business (USCIB).

[<http://www.businessfor2030.org>]

Improving competitiveness through domestic reforms

It is important to recognize that the scope for effective multilateral action has boundaries. Often, national governments are best placed to address policy issues, especially when informed by multi-stakeholder consultations, and supported by multilateral institutions through best practice sharing, data, and analysis.

Set labor market policies that promote adaptability, opportunity and mobility

The presentation of the revised OECD Jobs Strategy at the Ministerial Council Meeting offers governments advice on setting domestic labor market policies. Importantly, it highlights active labor market policies and enabling frameworks that foster business growth as the main source of job creation.

While social dialogue can help underpin employment, it is important to recognize that both social dialogue and collective bargaining systems are deeply rooted in their specific national legal, social and cultural contexts. Business at OECD believes that exporting one specific form of national social dialogue to other countries, through a multilateral process, is not an appropriate way forward for OECD countries. Furthermore, social dialogue at international level must take into account, and be compatible with, the diversity of national social dialogue traditions.

Domestic reforms that support digitalization, enable labor mobility, and prepare for the future of work are also a priority. We urge governments to support new and diverse forms of work, which can offer great benefits to employers and employees, such as the opportunity to perform work free of location and time restrictions. In this context, the recent OECD Ministerial Meeting on Social Policy also highlighted practical guidance on reforming social benefit systems. These reforms, alongside the creation of frameworks that support the integration of migrants, are important in successfully delivering open economies and inclusive societies.

Workforce diversity and gender equality remain critical factors for economic growth and social inclusion.¹² Progress, 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.

¹² Business at OECD (2018), *Preparing all our minds for work: girls, women and learning over a lifetime* [<http://biac.org/wp-content/uploads/2018/03/Final-Final-Business-at-OECD-Education-Workshop-Report1.pdf>]

Promote the skills and competencies needed to thrive in a digitalizing economy

The OECD is the leading provider of cross-country data into the performance of education and skills systems.¹³ This insight supports valuable guidance for national governments in the OECD Skills Strategy and the ‘jobs and skills’ pillar of the OECD Going Digital project.

A skilled workforce is an essential driver of competitiveness and productivity and has never been more important to business. In particular, access to quality early education and training, including apprenticeships, is critical. Both governments and business must work together to better align curricula and avoid skills mismatch. 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. To ensure ongoing participation we must foster a culture of life-long learning, for young and old.

Develop evidence based competition rules for a level playing field.

Emerging, digitally enabled, business models and new technologies are raising questions about the application of existing competition rules. More than ever, the application and enforcement of competition policy requires an understanding of evolutions in the digital economy. We welcome the G20 recommendation to review the OECD Competition Assessment Toolkit in this context. Business is supporting this process by contributing insight into how companies are confronting and responding to existing regulations impacting competition.

Building the evidence base is critical for the establishment of a level playing field in the digital economy. Ill-designed rules and regulation can be a deterrent to investment and innovation. We urge governments to engage with the OECD, and the Competition Committee specifically, to develop a better understanding of current market developments and to foster informed and enhanced cooperation.

Build comprehensive health policies that consider economic, social and innovation needs

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. If health systems are to be sustainable and meet current and future societal need, the effective measurement of outcomes and efforts to minimize waste is critical. For example, the Council Recommendation on Health Data Governance is excellent guidance for the full utilization of health data. The Patient Reported Indicators Survey (PaRIS) initiative is also of particular value and it will improve the measurement of healthcare to shape government priorities.

¹³ For example, the *Programme for the International Assessment of Adult Competencies (PIAAC)*

Building on the outcomes of our 2017 Business Forum on Health, Growth and Productivity we encourage the OECD to adopt more comprehensive approaches in its analysis that consider the economic, social and innovation dimensions of health policy design.¹⁴ In particular, the OECD could support businesses in their efforts to promote prevention and healthy lifestyles by conducting research into the drivers of unhealthy behaviors, working on the cause rather than the consequences. OECD should also help countries plan and prepare for new technologies so that health systems are able to significantly enhance or expand disease management and treatment options for patients, whilst considering financial constraints.

Help smaller businesses and entrepreneurs

The recent OECD *Ministerial Meeting on Small and Medium Sized Enterprises* again highlighted the benefit of multilateral exchanges to support better domestic policy development. As small and medium sized enterprises (SMEs) rapidly digitalize and integrate into global markets, governments stand to gain much from OECD efforts to map and evaluate the business environment facing smaller companies, such as in the recent *Small, Medium, Strong* report.¹⁵

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. Policymakers should pay special attention to improving the regulatory environment for SMEs, where good practice examples such as the EU's 'Think Small First' approach have been developed. We also reiterate our support for continued implementation of the *G20/OECD High-level Principles on SME Financing*. Fostering diversification in the responsible and sustainable SME financing landscape and promoting access to risk capital remain domestic priorities in many countries to help spur entrepreneurship.

Updating the process of multilateralism

Strengthen the role of the OECD in the G20 and G7 processes

The G20 and G7 processes are helping to evolve the multilateral framework and have the potential to deliver effective coordination between the largest economies, if multi-stakeholder engagement is integrated into them. Utilizing the deep cross-sectoral knowledge generated by the OECD is essential to support this effort. The increased number of G20 mandated projects at the OECD highlights the value seen in its work and further cooperation in this regard should be strongly encouraged. Business at OECD is also supporting this effort through formalizing links with the B20 and B7 processes and is committed to increased activity in this area.

¹⁴ [Business at OECD \(2017\), Forum Highlights: Business at OECD \(BIAC\) Forum on Health, Growth and Productivity.](#)

¹⁵ OECD (2017), *Small, Medium, Strong. Trends in SME Performance and Business Conditions.*

Support appropriate accession to the OECD to expand good economic governance

As a core institution within the multilateral framework, business welcomes the interest of new countries in OECD participation. This is an opportunity to broaden the impact of established good practice, and the accession process should encourage countries to improve their business environment through necessary reforms. However, protecting the integrity of OECD instruments and standards is the top priority. As such, OECD committee reviews within the Accession Roadmaps, must remain with committees retaining the opportunity for a comprehensive assessment in their policy areas for each candidate country.

Throughout the accession process, consultation with Business at OECD is critical. In this area, as in the wider work of the OECD, we stand ready to provide expertise and structured input.

Recognize the formal role of Business at OECD

Business is essential in realizing inclusive growth as the primary source of prosperity in our economies. We invite governments to continue to rely on the broad and structured input of Business at OECD and the global network of companies of all sizes it brings to the table. These businesses come through our major business and employers organizations in OECD countries and key partners. Alongside the Trade Union Advisory Committee (TUAC), we see our formal role, responding to the OECD Council, as a responsibility to provide truly representative and consensus based input from global business.

We recognize the need for the OECD to engage with certain stakeholders to support its work. However, validity in the views presented to the OECD is crucial. Full access to OECD deliberations, should only be granted to voices that have an independent and representative mandate from their constituencies, as Business at OECD does.



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