

# ICC policy recommendations to G20 Leaders

## *a supplement to B20 China Policy recommendations*

### International business and the G20

The G20 agenda bears upon core business goals for trade, investment, economic growth and job creation. As the voice of international business, the International Chamber of Commerce (ICC) has a clear stake in the success of the G20; while governments create the necessary frameworks and conditions, it is the world's businesses that drive job creation, investment and trade.

For these reasons, ICC has been deeply engaged in the work of the G20, and formed the *ICC G20 CEO Advisory Group* to intensify top-level international business engagement and to press for the inclusion of business priorities in the deliberations of G20 Leaders.

Beginning with the Seoul Summit in 2010, ICC has also contributed significantly to the development of the annual Business-20 (B20) policy recommendations, and CEO members of ICC routinely hold leadership positions in the B20 policy development taskforces.

### ICC's supplemental policy recommendations

This year ICC contributed significantly to the development of – and fully endorses – the 20 principle B20 China 2016 policy recommendations addressing SME Development, Trade and Investment, Infrastructure, Financing, Employment and Anti-corruption. ICC also fully agrees with B20 China that *"there is an urgent need for the G20 to create a new path for global economic growth; develop more effective and efficient global economic and financial governance; encourage robust international trade and investment and promote inclusive and interconnected development."*

**In addition to the B20 China recommendations**, there are a number of issues important to ICC member companies, which warrant consideration by G20 Leaders. These seven additional business priorities are outlined here to complement the B20 work and help drive progress on some of the most intractable economic and social challenges confronting the global economy.

1. Taxation
2. Trade Finance
3. Trade
4. Investment
5. Energy
6. Climate change
7. Anti-corruption

#### 1) Taxation

ICC fully supports the G20's goal for a globally fair and modern international tax system and concurs that the G20-mandated *OECD Base Erosion and Profit Shifting (BEPS)* Action Plan was an important first step in tackling tax avoidance. However, BEPS can only succeed if all countries – not just OECD states – agree on a fair distribution of taxation rights to avoid double taxation disputes

that would stifle cross-border trade and investment. ICC therefore welcomes OECD's plan to allow all countries to participate in the implementation of the OECD/G20 BEPS Action Plan.

ICC continues to be concerned that compliant taxpayers will suffer collateral damage as a result of a tightening of international tax rules and the uncertainty created by their interpretation and implementation. Effective dispute resolution mechanisms will be needed to mitigate a *tsunami* of double taxation cases and associated tax disputes anticipated in the coming years. To this end, ICC offers its full support and extensive expertise in the areas of taxation and dispute resolution to the G20 and OECD and has already initiated collaboration with the United Nations in this area.

ICC acknowledges the growing international pressure for increased financial transparency and subsequent proposals for public disclosure of country-by-country (CbC) tax reports. ICC recognizes the role of CbC reporting as a high-level risk assessment tool to ensure businesses pay the correct amount of tax and as an important instrument to help tax authorities improve their ability to assess tax liabilities of their taxpayers, with the explicit provision that this information remains confidential.

### *Recommendations*

- Achieve coordinated and consistent implementation of the G20/OECD BEPS Action Plan, ensuring that all countries – not just OECD states – work together towards a consistent international tax landscape.
- Continue efforts to align investment and tax policies to facilitate greater consistency internationally and incentivize cross-border trade, investment, jobs and economic growth.
- Ensure effective dispute resolution mechanisms are in place to mitigate double taxation cases and associated tax disputes.
- Maintain the confidentiality of commercially-sensitive business information in CbC tax reports and ensure that all countries and jurisdictions implement the global standards, including new tax transparency measures related to the automatic exchange of financial account information between national tax offices.

## 2) Trade Finance

Financing international trade, both through traditional mechanisms and through fast-growing supply chain finance, is critical to international development, economic value creation and global inclusion. However, although trade finance supports as much as 80% of global merchandise trade flows, it remains difficult to access in emerging markets and for small and medium-sized enterprises (SMEs), with global unmet demand estimated at US\$1 trillion or more annually.

G20 governments can materially impact global trade, create economic growth and drive economic/social inclusion by taking specific measures to facilitate access to affordable trade financing, and by supporting initiatives by the ICC Banking Commission<sup>1</sup>, the World Trade Organization (WTO) and the multilateral development banks around trade finance.

Equitable, risk-aligned and consistent regulatory (capital and compliance) treatment of trade finance is critical, including appropriate treatment of multilateral or export credit backed – thus risk

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<sup>1</sup> With 80 years of experience and more than 600 Members in +100 Countries, the ICC Banking Commission carries the reputation as the most authoritative international business voice in the field of trade finance.

mitigated – trade finance, enabling the engagement of developing and frontier economies into the global trade architecture. Additionally, G20 governments can advance and multiply the positive impact of trade financing and trade by actively enabling the deployment of FinTech solutions and propositions in international commerce. This includes the development of effective but non-stifling regulatory regimes, consistent standards and access to risk and credit data across jurisdictions.

The G20 can lend powerful support in advancing strategically important initiatives related to trade and trade financing, and is uniquely placed to mandate a multidisciplinary committee to drive the application of FinTech to trade and finance, ensuring maximum benefit to economic growth, inclusion and international development.

### *Recommendations*

- Ensure equitable, risk-aligned and consistent regulatory treatment of trade finance to enable the engagement of developing and frontier economies.
- Advance and multiply the positive impact of trade financing and trade, by actively enabling the deployment of FinTech solutions and propositions in international commerce.

## 3) Trade

The pace of growth in world trade has been weak in recent years and consequently there is a pressing need for G20 members of the WTO to identify means to further liberalize trade.

The application of information technology and internet communications for SMEs, particularly in developing countries, holds enormous potential for facilitating their wider access to global markets with knock-on benefits of increased global trade levels and national growth rates. Localization barriers to trade, however, impede efficiencies for companies and curtail access to global markets. Therefore, countries should maintain the free flow of communications across borders. Recognizing the importance of e-commerce for the world economy, WTO Members agreed in 1998 to a *standstill* whereby no customs duties are imposed on e-commerce transmissions. This *standstill* should be made permanent to build confidence in the growth of e-commerce and the millions of companies worldwide that provide goods and services through e-commerce transactions.

Plurilateral sectoral tariff initiatives also have tremendous potential to further liberalize trade, and recent developments at the WTO have laid the ground for more sectoral agreements, including the recently expanded Information Technology Agreement (ITA) and the negotiations on environmental goods. These initiatives demonstrate value-added progress by the WTO and align with broader themes of liberalizing access to markets and promoting benefits of streamlined global value chains. A number of industries and WTO members have called for plurilateral sectoral tariff negotiations, and global industry support has been a signal to WTO that sectoral agreements are “doable” and that an open, free and fair global trading system in key sectors creates opportunities for innovation, sustainable growth and value-added employment.

### *Recommendations*

- Call on WTO members to continue to refrain from taxing electronic commerce, and create conditions for the further development of the global digital economy.
- Initiate sectoral negotiations at WTO that can make a significant contribution to economic growth by reducing the cost of trading.

- Make concrete progress on the liberalization of trade in services through alternative negotiating approaches, including plurilateral approaches such as the Trade in Services Agreement (TiSA), with the ultimate aim of transferring results into the WTO. It is estimated that removing barriers to global exports of tradable services could generate world trade gains of US\$1.0 trillion and global employment gains of almost 9 million jobs.
- Encourage more countries to join the recently announced plurilateral initiative to eliminate tariffs on environmental goods, expand product coverage using the widest possible definition of green goods and eliminate unilaterally-imposed environmental rules that are trade-restrictive or create barriers to trade. A meaningful WTO agreement in liberalizing trade on environmental goods, even on a plurilateral basis, could deliver US\$10.3 billion of additional exports and augment employment gains by 256,000 jobs.

#### 4) Investment

Investment, including Foreign Direct Investment (FDI), plays an important role in determining a country's economic prospects. ICC strongly supports FDI as an effective tool to foster economic growth and sustainable development and routinely calls on governments to maintain and strengthen investment protection and promotion agreements. In the near-term, this can be done through high-standard bilateral and regional investment agreements, and in the long-term, through an equally high-standard multilateral framework on investment.

Investment agreements must also continue to include strong dispute resolution provisions, through investor-state dispute settlement (ISDS) with independent proceedings to settle investment disputes.

ICC believes that investment broadly, and FDI specifically, can play a critical role towards realizing the Sustainable Development Goals (SDGs). The 2015 Addis Ababa Action Agenda places significant emphasis on mobilizing private finance to support implementation of the SDGs: The scale of private sector investment required to support the SDGs is significant and cannot be taken for granted.

##### *Recommendations*

- Include dispute resolution mechanisms in all investment agreements to ensure investors have direct access to effective and independent dispute settlement.
- Avoid sectoral discriminations in the negotiation of investment treaties, which have a direct impact on the inflow of FDI.
- Devote greater attention to state-owned enterprises (SOEs), which can enjoy a range of preferential benefits and compete with the private sector in investment and trade areas.
- Refrain from abusing "national security" provisions in agreements and treaties for protectionist purposes. Such procedures should be applied in a transparent, fair and non-discriminatory manner if they are to be exceptionally used.
- Avoid forced localization provisions which have negative repercussions on both the investor and on the host country's attractiveness as an investment destination.

## 5) Energy

Access to reliable, affordable, economically-viable, socially-acceptable and environmentally-sound energy is fundamental to economic growth and sustainable development. In light of expected growth in world population and energy demand (projected to increase by one-third by 2035, across all types and forms of energy), long-term energy access and security must become priorities for G20 Leaders.<sup>2</sup>

### *Recommendations*

- Encourage the utilization of broad energy mix—including conventional fuels such as coal, gas, gas liquids and oil; nuclear power; and renewables such as bioenergy, geothermal, hydro, solar and wind—to drive sustainable development and help alleviate environmental or other sustainability challenges associated with any one form of energy.
- Manage the long-term transition to secure and sustainable global energy systems by establishing stable regulatory frameworks that incentivize energy investment, ensure long-term energy security, and promote sustainable energy delivery and consumption.
- Accelerate energy R&D investment for innovative energy technologies, and strengthen and encourage the expansion of well-trained scientists, engineers and technicians necessary to expand energy-related R&D.
- Continue to promote and support energy efficiency across industries, including establishing government efficiency standards and promoting energy-efficient behaviours and devices by energy consumers through education, regulation and incentives.
- Improve the global governance framework for energy policy, starting with establishing formal business representation in the G20 energy-related working groups. G20 Leaders should also: (i) encourage the completion of the International Energy Forum Joint Oil Data Initiative (JODI) work on oil, gas and coal information and (ii) reform current institutions (e.g., International Energy Agency, International Energy Forum), including increasing collaboration among countries and international energy-oriented organizations.
- Increase access to clean, modern forms of energy in accordance with SDG 7, with emphasis on Africa and the Asia-Pacific region, including support for (i) the UN SE4All initiatives and its High-Impact Opportunity (HIO) partners (including energy efficiency in district energy, green building, transportation, lighting and appliances); (ii) efforts by international organizations to improve energy access in developing countries (e.g., the African Development Bank's New Deal on Energy for Africa).

## 6) Climate change

Effective climate mitigation and adaptation requires scaling-up and advancing existing and new solutions to boost the transition towards resilient, low-carbon societies and economies at scale. Additionally, a growing and ageing world population and achieving an adequate standard of living for all is linked to sustainable economic growth and an increase in energy demand. One major strategy in a resource-constrained world is the use of low-carbon and renewable energies, as well as energy efficiency. However, often technologies, business models and infrastructure will take

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<sup>2</sup> More detailed recommendations can be found in a paper by the ICC G20 CEO Group: [Six steps to energy sustainability and security: Business recommendations for G20 Energy Ministers](#)

decades to be developed and installed. But in order to have it ready when it is needed, political attention and the appropriate policies and regulatory framework are needed today.

### *Recommendations*

- Support and prioritize the development of common rules of the COP21 Paris Agreement on Climate Change to measure, report, and verify commitments. Credibility and predictability will be essential for the long-term success of the Agreement and are vital considerations for private sector planning and investments.
- Promote market-based instruments to achieve the least economic cost emission reduction targets and include them in relevant considerations, documents and strategies at UN and national levels including Nationally Determined Contributions (NDCs) and other national climate policies where appropriate.
- Support global carbon pricing as a policy framework<sup>3</sup>, such as through building upon and extending the G7 Carbon Pricing initiative.
- Generate funding and financial risk-mitigation mechanisms for necessary R&D, deployment and infrastructure.
- Implement mechanisms that rationally incentivize emissions reductions and climate adaptation.

## 7) Anti-corruption

ICC has long been a driving force in combatting corruption, a blight that threatens the integrity of markets, undermines fair competition, destroys public trust and undermines the rule of law. Combatting domestic and foreign bribery and improving the transparency of public institutions promotes government efficiency, competition and entrepreneurship. Curbing corruption is therefore essential to G20 objectives for economic growth and job creation.

ICC welcomes the G20's efforts to work with business to strengthen the fight against all forms of corruption and underscores the importance of strengthening anti-corruption capacity-building, particularly within the SME sector, and giving greater emphasis to existing self-regulatory codes such as those developed by ICC<sup>4</sup>, Transparency International and the World Economic Forum.

It is also critical to improve enforcement of existing anti-corruption frameworks – instead of creating additional institutional structures or processes – with a priority on implementation of the UN Convention against Corruption (UNCAC), through improved monitoring and peer review.

### *Recommendations*

- Strengthen anti-corruption capacity-building by (i) promoting usage of self-regulatory codes and standards; (ii) supporting and scaling-up anti-corruption and compliance training; (iii) enhancing efforts to engage SMEs; and (iv) working together with the private sector to build capacity for high-level reporting mechanisms in G20 members.
- Strengthen enforcement of existing anti-corruption frameworks, with particular focus on enforcing the UNCAC through improved monitoring, peer review processes and partnering with the business community.

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<sup>3</sup> [See ICC Carbon Pricing Principles](#)

<sup>4</sup> [See ICC's suite of publications, private sector rules, guidelines and other tools](#)