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Current BIAC Policy Priorities

This paper is a compilation of selected current policy priorities for BIAC. It is not intended to be an exhaustive list of all major activities to which BIAC is currently contributing.

Inclusive Growth: Making the Case for Structural Reform

The concept of inclusive growth, and particularly income inequality, is seizing public attention as economies continue to bear the social consequences of the 2008-09 global economic crisis. The OECD has been increasingly vocal on the issue through landmark reports such as *Growing Unequal?* (2008), *Divided We Stand* (2011), and *All on Board: Making Inclusive Growth Happen* (2014), as well as the ongoing New Approaches to Economic Challenges (NAEC) process.

However, there tends to be far too little common agreement on what inclusive growth really means, how it matters, how it should be measured, and which policies should be adopted. If the concept of inclusive growth should lead to sound policy advice, BIAC argues that there is an urgent need for greater clarity and understanding. In a forthcoming BIAC paper “Growth that is Inclusive: Private Sector Considerations and the Role for the OECD”, we urge policymakers to recognize that productive societies and strong economic growth are fundamental for achieving inclusive growth. But to make this happen, OECD and BIAC analysis shows that there is an urgent need to implement structural reforms in product and labor markets.

The OECD Investment and Trade Agenda

BIAC has on multiple occasions emphasized the importance of the OECD’s work on investment and trade with a view to ensuring an open investment environment. Many governments are currently engaged in negotiations concerning investment as part of bilateral, regional or plurilateral agreements. At the same time, business observes a proliferation of restrictions on FDI. OECD leadership is particularly important at a time when key instruments, like bilateral investment treaties (BITs) and Investor-State-Dispute-

Settlement (ISDS), which are crucial to mitigate risk in international investment decisions, are under considerable attack.

The OECD has played a major role in highlighting the contribution of international investment to growth worldwide by advancing investment policy reform and international co-operation. Through its Policy Framework for Investment (PFI), which is currently being revised, the OECD has provided a comprehensive and systematic approach for improving investment conditions. BIAC will be closely involved in the update of the PFI, which has now been launched, to ensure that it remains a high-level policy tool in favor of open markets, FDI and development. In preparation for the 2015 Ministerial Council Meeting, BIAC will continue to call for an ambitious pro-active investment agenda for the OECD.

At the same time, BIAC has pursued a proactive agenda on trade to promote open markets and ensure the evidence-based work the OECD pursues in this arena can boost our members' operations on the ground. BIAC released a comprehensive Business Priorities on Trade paper, and parts of its recommendations – including work on regulatory cooperation and cross-border data flows - were taken forward by the OECD in its work program for the next two years. To promote the role trade and investment play in jobs and growth, the OECD, USCIB, and BIAC organized a high-level conference in October in Washington, D.C. featuring the participation of the US Trade Representative Michael Froman and our BIAC Chairman Phil O'Reilly. BIAC will continue to explore key topics for our membership related to trade including cross-border data flow restrictions, localization requirements, and trade in services, among others.

OECD Project on Base Erosion and Profit Shifting (BEPS)

BIAC views the Action Plan on BEPS in the broader context of trade and investment. BEPS cannot be reduced to the single purpose of drying up tax heavens and fighting tax avoidance. Rather, it should be seen as an opportunity to improve the architecture of international taxation in the age of globalization. BEPS must complement policies that promote open markets and investment across borders offering more consistency in international tax rules and eliminating distortions that are counterproductive to competition and the allocation of resources.

The first set of seven BEPS project deliverables covering taxation and the digital economy, country by country reporting, hybrid mismatch arrangements, preventing treaty abuse, addressing harmful tax competition, and the feasibility of a multilateral instrument were delivered to G20 Finance Ministers for endorsement on September 20/21 in Cairns.

In response, BIAC stated that we broadly welcome the first set of BEPS Action Plan consensus reports and recommendations, recognizing that the seven deliverables may be impacted by decisions taken with respect to the 2015 deliverables with which they interact. We fully support the OECD's recognition that rules should not result in double taxation, unwarranted compliance burdens or restrictions to legitimate cross-border activity, and BIAC cautions against governments acting too rapidly to implement recommendations into

domestic tax legislation until further implementing guidance has been provided, and the interaction with future action items is understood.

Key issues ahead include, further work on transfer pricing, permanent establishment, interest deductibility, and dispute resolution. BIAC member engagement and continued BIAC tax outreach is critical to convey BIAC and national business organization positions to governments. Recent BIAC outreach meetings on BEPS took place in India (with CII on 6 November) and Brazil (with CNI on 26 November). BIAC has also proposed to the Turkish B20 to lead the work on international tax issues, which will be addressed by the B20 Task Force on Investment.

G20/OECD Action on Financial Markets

In the years following the 2008-09 global financial crisis, the OECD has been tasked by the G20 to take a lead role on several financial market issues. For example, the OECD assumed center stage in creating and now monitoring the implementation of the G20 High-level Principles on Financial Consumer Protection (2011) and G20-OECD High-level Principles of Long-term Investment Financing by Institutional Investors (2013).

Currently, the OECD is working alongside the FSB and IMF to analyze the potential cross-border impacts of structural banking reforms, including rules that prohibit certain types of financial activities. The OECD is also continuing its work on long-term investment financing by institutional investors, having been tasked by G20 Finance Ministers in September 2014 to identify tools for promoting the financing of SMEs and infrastructure.

The BIAC Finance Task Force has been contributing private sector input to all of the OECD's G20-focused work on financial markets described above. Our fundamental message is that there needs to be greater coordination of financial regulatory approaches, with careful consideration of their possible impacts on economies and societies.

The role of SMEs and entrepreneurship

OECD is stepping up its work on small and medium-sized enterprises (SMEs) and entrepreneurship and calling BIAC to develop a fully-fledged response to develop an effective feedback mechanism on government policies needed to empower SMEs and allow them to contribute to growth and employment targets across OECD and non-OECD economies. To this effect, BIAC organized in October 2014 a landmark workshop on SMEs and entrepreneurship in joint collaboration with the OECD. The response from our BIAC membership to this event was very supportive and BIAC contributed nine speakers. BIAC will also develop a high-level succinct policy position paper outlining ten recommendations for SMEs to drive growth and jobs.

These deliverables will ensure BIAC has enough visibility and authority to be a knowledge partner in future policy arenas where SMEs might have a leading role. One example of this comes through the G20 and B20, which are currently considering including SMEs and

entrepreneurship as potential task forces in their program of work under the 2015 Turkish presidency. BIAC's current and future work on SMEs and entrepreneurship will also address an oft-cited misperception that BIAC and its members can only speak on behalf of multinational enterprises.

Update of the OECD Corporate Governance Principles

The OECD Corporate Governance Principles, which are currently being updated, are widely recognized by policy makers and business as a key international point of reference and form the basis of countless local codes of corporate governance around the world. They offer a principle-based approach to address major corporate governance issues and are one of the 12 key standards for international financial stability of the Financial Stability Board.

A first draft was discussed at the October meeting of the OECD Corporate Governance Committee with the objective of having the final version approved at the 2015 Ministerial Council Meeting. Issues that are currently being discussed include, among others, the importance of effective boards; risk oversight and management; disclosure and transparency; the importance of audit committees; shareholder rights; the role of institutional investors; issues related to remuneration; and links to the responsible business conduct agenda. A public consultation is currently underway. BIAC has been involved all along the process and needs to ensure that it can count on the continued active participation of its members from different business sectors and countries. Bearing in mind the importance of solid and up-to-date overarching principles, the revision must also give due regard to the need for flexibility to allow companies to apply the principles to achieve effective governance in different settings.

In parallel to the review of the Corporate Governance Principles, the OECD is also revising its Guidelines on Corporate Governance of State-Owned Enterprises (SOEs), which should help ensure a level playing field and avoid distortions of competition between the private sector and SOEs.

OECD MNE Guidelines and the responsible business conduct agenda

The OECD Guidelines for Multinational Enterprises (MNEs) are the most comprehensive set of non-binding recommendations by governments to multinational enterprises addressing responsible business conduct in a range of different areas. They are the only international corporate responsibility instrument with a built-in grievance mechanism in the form of National Contact Points (NCPs). BIAC considers responsible business conduct as promoted by the Guidelines an essential part of an open investment climate and in the best interest of business.

However, a number of issues need to be carefully watched: First, we need to ensure a shared understanding of the NCP process as a fundamental platform for mediation and conciliation to use the potential this mechanism is providing. Close cooperation among BIAC member organizations is essential, among others as some cases involve more than one

NCP. Second, discussions on the ‘proactive agenda’ projects need to be carefully followed to ensure that they do not introduce prescriptive guidance that would go beyond the Guidelines. Third, an excessively broad interpretation of the Guidelines in the area of supply chain responsibilities needs to be avoided as this would be counter-productive and could jeopardize the broad-based support for the Guidelines in the business community. And finally, BIAC continues to underline the importance of continued outreach and cooperation with key emerging economies which are not yet adherents to the Guidelines with a view to foster a global level playing field.

Phase 4 review of the OECD Anti-Bribery Convention

More than 15 years after its entry into force, the OECD Anti-Bribery Convention remains a landmark in the global fight against corruption and bribery. The Convention is the only international legally binding instrument that specifically addresses the bribing of public foreign officials and has become a recognized international standard. So far, all OECD countries as well as seven non-member economies have ratified the Convention. While not yet truly global, the 41 parties to the Convention represent a significant proportion of global trade and outward foreign direct investment.

Countries’ implementation and enforcement of the Convention are monitored through a rigorous peer review system, which has so far taken place in three phases. Continued monitoring of a correct implementation and enforcement of the Convention, where necessary, should therefore remain high on the OECD agenda going forward. However, peer reviews often focus on the number of cases or convictions. Going forward, BIAC recommended that they should also address questions such as whether the parties of the Convention are encouraging an effective dialogue with business, whether the parties are supportive of modern anti-corruption measures, or whether they encourage and incentivize compliance efforts and reward voluntary disclosure. Looking beyond a possible phase 4 review, BIAC also encourages the OECD to pay due attention to several longer term issues, such as addressing the demand side and seeking continuous expansion of adherence to the Convention. BIAC highlighted its key messages both at the annual consultation with the OECD Working Group on Bribery and the high-level launch event of the new OECD Foreign Bribery Report in December.

A new focus on health

The OECD work on health will continue featuring among others the ‘Economics of Prevention’ program over the next two years with projects that will recommend policy options for governments to address the costly effects of chronic diseases—cardiovascular diseases, diabetes, cancer, and respiratory illnesses. Part of this work has focused on tackling some of the risk factors associated with these diseases, recommending for example the imposition of fiscal measures on food, soft beverages, and alcoholic beverages. To provide a comprehensive approach on policy options and initiatives to reduce the cost and incidence

of chronic diseases, business is strengthening its work with the OECD to provide evidence-based studies and consolidate mutual feedback regularly.

This work will be pivotal as the OECD has received an unprecedented grant from the United States National Institute of Health to conduct a 5-year project to build an integrated policymaking support platform to give OECD governments options to curb the consumption of alcohol. Given the policy considerations of this project and other related projects, BIAC is invited by members to step up efforts to come to a more balanced approach concerning future work on alcohol, obesity, and nutrition policy.

BIAC's work on health currently covered by a task force will follow a two-step strategy. First, BIAC will aim at strengthening industry's response to the ongoing OECD work on the aforementioned topics—including a more targeted approach to communications. Second, with the support of members and the industry, BIAC will showcase the role of the private sector as an innovative partner for governments in the areas of health and prevention. Potential projects include road safety actions from the alcohol industry, workplace wellness programs from the research-based pharmaceutical industry, and public private partnerships from the medical devices sectors, among others.

The Post-2015 Development Agenda

The United Nations is leading intergovernmental negotiations to develop a set of Sustainable Development Goals (SDGs) by 2015 that will shape global development for decades to come, now that the Millennium Development Goals are due to expire next year. Working with other private sector organizations in the Global Business Alliance, BIAC is leveraging our views and expertise to the UN fora. We call for the SDGs to put greater emphasis on the fundamental economic and institutional conditions indispensable for growth and development, drawing upon OECD data and analysis as needed.

At the same time, unless urgent action is taken to generate the necessary financial means to make sustainable development a reality, global efforts to realize the SDGs will fall short of expectations. Mechanisms to mitigate investment risks are needed. BIAC welcomes the OECD's efforts to understand the entirety and type of financing available for development, including but not limited to aid. The ongoing modernization of the OECD measure for official development assistance (ODA), and the proposed new comprehensive measure of "total official support for development", could spur greater use of market-based tools (such as guarantees and export credits) for the benefit of companies and development.

Deepening China-OECD Cooperation

The OECD relationship with China is approaching an important juncture. Next year will mark the 20th anniversary of China-OECD co-operation, while 2016 may be the year of China's G20 Presidency. In a forthcoming BIAC paper "Priorities for China-OECD Cooperation", BIAC argues that despite the long-standing history of the China-OECD relationship, there is

still much room for improvement. Compared to the OECD's cooperation with other major emerging economies, China appears to lag behind in several respects.

However, since the new Chinese leadership was appointed in 2012, engagement in OECD activities is picking up pace. Most remarkably, the National Development and Reform Commission (NDRC) has for the first time invited the OECD to contribute to the conceptual preparation of the 13th Five Year Plan. Building upon this momentum is essential. Looking ahead to 2015 and beyond, our forthcoming BIAC paper calls on the OECD to step-up its presence in China through its office in Beijing, and establish a regular program for policy dialogue in China on key policy reform issues.

Looking ahead: other priority projects for 2015 and beyond

OECD Ministerial on Employment: Proposed Revision of the OECD Jobs Strategy

The OECD Committee on Employment, Labor and Social Affairs (ELSA), will hold a next Ministerial meeting on 15-16 January 2016. The Ministerial discussions will take stock of policy lessons that can be learned for experience during the global financial crisis and recovery for labor market resilience, and how labor market policies can play a key role in promoting greater labor market inclusiveness.

Also important at this Ministerial, the OECD will discuss taking forward the next reassessment of the OECD Jobs Strategy in light of the recent crisis and current economic circumstances. The OECD Jobs Strategy comprises a series of recommendations for a supporting macroeconomic framework, and the supply and demand side of labor markets. BIAC supports a reassessment and will contribute to this project.

Climate change

In the run-up to the UN climate change conference in Paris at the end of next year, climate change will be high on the OECD agenda in 2015. The OECD is expected to provide substantive input to the UN discussions on preparing a meaningful agreement in 2015. The OECD, as a multi-disciplinary organization with economic focus and strong capacity in a wide range of areas including environment, trade, investment, innovation and financing, can make an important contribution by adding fact-based analysis to inform global discussions. There is also a need to ensure coherence between the low carbon economy road and other key objectives, such as resource efficiency, food security and access to water and energy. The work of the OECD/IEA Climate Change Expert Group to promote dialogue on and enhance understanding of technical issues in the international climate change negotiations will be particularly important.

OECD work on innovation, science, and technology

The OECD horizontal and cutting-edge work on science, technology, and innovation is business-friendly and will be featured in the spotlight with the organization of a Ministerial meeting in 2015 in Seoul, Korea. BIAC will leverage efforts through its Technology Committee to ensure BIAC has a prominent role in this Ministerial—including a seat on the Steering Group—and shows government ministers the pivotal role business plays in accelerating innovation and translating it into solutions that benefit populations and drive economic growth. Key themes for BIAC in its proactive involvement within this field include ensuring that Intellectual Property Rights regimes are valued and followed, encouraging research and development of new technologies across multiple industry sectors, and strengthening international cooperation to address global challenges including health and ageing populations.

BIAC Work on the Digital Economy – OECD 2016 Ministerial, Mexico

The OECD will organize a next Ministerial on the Digital Economy in 2016, to be hosted by Mexico in Cancun. In support of BIAC engagement to this Ministerial process, we will organize with USCIB/OECD a second joint conference in Washington D.C. on 10 March, 2015, which will focus on a topic central to the OECD Ministerial themes, emphasizing the role of ICT not only in the digital space, but across all sectors.

OECD policy work addressing the digital economy covers the range of issues supporting the digital ecosystem including for example online security and privacy, communications infrastructures regulation and policies, internet governance, digital skills, and frameworks for online innovation (IP frameworks).