

ICC summary of the St. Petersburg G20 Leaders' Declaration

Overview

Far from the failure described by many because of Syria, the G20 Leaders' Summit in St. Petersburg maintained a focus on shared economic objectives to strengthen and re-balance the world economy and create millions of new jobs.

Among the detailed commitments set forth was the G20 declaration's call to achieve a trade facilitation agreement at the World Trade Organization (WTO) Ministerial Conference in December. This standalone agreement could increase global GDP by US\$960 billion annually, generate US\$1 trillion in world export gains, and thereby create 21 million new jobs, according to a recent study commissioned by the International Chamber of Commerce (ICC) and conducted by the Peterson Institute.

The untold story from St. Petersburg is the steady progress G20 leaders are achieving between Summits on their shared economic agenda to increase sustainable growth and encourage job creation.

The work carried out by G20 officials over the last year has produced agreements on trade, trade finance, protectionism, taxation, anti-corruption and other measures central to the global business agenda. The substantive nature and the deep degree of policy stewardship embodied in the Leaders' Declaration is evidence that the annual Summit is only the most visible part of an ongoing, collaborative and productive process that has evolved since the G20's inception at head of state level in 2009.

Special session of the G20 leaders summit

For the first time, the G20 created a [special session for "social partners"](#) within the framework of the G20 Leaders Summit. While the meeting was voluntary to the heads of government, the "semi-official" meeting represented a significant step forward in the G20's recognition of the role of international business.

An ICC delegation participated in the special session, which included the select group of Business-20 representatives and 9 G20 leaders (Japan, Italy, France, Germany, Indonesia, United Kingdom, Russia, Mexico, Netherlands and the EC). The meeting also featured the heads of key intergovernmental organizations, including IMF, World Bank, WTO, OECD, etc.

Members of the ICC delegation participating in the meeting included: Harold (Terry) McGraw III, ICC Chairman and President, Chairman, President and CEO of McGraw Hill Financial; Marcus Wallenberg, Chairman of the ICC G20 Advisory Group and Chairman of Sweden's SEB, Alejandro Ramirez, CEO of Mexico's Cinépolis and Jean-Guy Carrier, ICC Secretary General.

The inclusion of the ICC and CEO members of the ICC G20 Advisory Group in this delegation reflected the increasing recognition of ICC's role as the voice of international business throughout the process and from Summit to Summit.

G20 leaders themselves were clearly confident about the value of their deliberations and conveyed highlights of their work programme to business leaders invited to a special session for social partners.

- During the meeting, French President Francois Hollande told business leaders: "Agreements reached between G20 governments have the objective of creating economic growth and jobs, particularly for the young. We have also given a strong signal on trade, and there is a convergence of interests to agree."
- German Chancellor Angela Merkel emphasized that the G20 had agreed strong measures to fight protectionism, which she said is the worst enemy of jobs and of growth.
- President of the European Commission José Manuel Barroso highlighted the importance of the G20's extension of the stand-still on protectionist measures to 2016 and the G20's consensus to "get a deal done" at the December WTO Ministerial Conference in Bali.
- UK Prime Minister David Cameron said the G20 take business issues seriously. The measures on tax and transparency agreed by the G20 will level the playing field. "It is pro-business to be transparent on the ownership of companies", he said. The G20 governments have agreed to improve in the short term the sharing of tax information as part of a series of measure to fight tax evasion.

ICC engagement in the G20 process

ICC has been promoting policy recommendations to the G20 on these issues for several years. In this regard, it's both rewarding to see progress and gratifying to receive endorsement from G20 leaders on the crucial role of Business-20 contributions. The special session for social partners, held within the framework of the G20 Leaders' Summit, represented a significant development in the ongoing government-business dialogue in the G20 since Korea sponsored the first Business-20 Summit in 2010.

For the fourth consecutive year since Seoul, ICC and CEOs of the ICC G20 Advisory Group have served as a strategic partner in the Business-20, holding leadership positions in the policy development process, publishing recommendations and progress reports on G20 implementation, and meeting with G20 leaders, sherpas and government officials.

Remarks from UK Prime Minister David Cameron, reiterating that the G20 takes business issues seriously, are encouraging. This validates our mission, as the voice of international business, to press for the inclusion of business priorities in deliberations by G20 leaders.

ICC views on the G20 Leaders' Declaration

The work carried out by G20 officials over the last year has, *inter alia*, produced agreements on trade, protectionism, taxation, anti-corruption and other measures central to ICC's policy agenda and which have the potential to generate millions of jobs and stimulate growth in the world economy. It is for these reasons that global business attaches great importance to the G20, especially as so many of today's major economic problems are global in nature and require a global approach to dealing with them.

The following sections delineate ICC's initial views on the substantive outcomes from St. Petersburg on the elements of the G20 agenda that are central to ICC's work.

TRADE

International trade and investment are the main instruments linking nations together economically and are the prime engines for spreading prosperity and creating jobs. Protectionism undermines the benefits of trade and, therefore, ICC has routinely called on the G20 to eliminate measures that create barriers to trade. To this end, the G20's agreement to freeze the introduction of protectionist measures by extending the standstill agreement until 2016 is a significant achievement amidst different perspectives on trade, and one that, due to the resolve and commitment of G20 nations, will stabilize conditions to

generate growth and more jobs. But G20 countries must not only avoid introducing new protectionist measures, they must commit to removing them. ICC believes that the G20 has a clear leadership role in opening markets, and that regular discussions on the impact of such measures by G20 sherpas and trade ministers would be a useful mechanism for keeping markets open. The benefit of open markets to the global economy is significant, and ICC-commissioned research has found that if G20 countries were to reduce protectionist measures by half we could see global GDP increase by as much as \$7 trillion.

Moreover, an open, rules-based, transparent and non-discriminatory WTO-based multilateral trading system is the best guarantee to deliver strong and sustainable growth. ICC urges all G20 leaders to commit to finalizing a WTO trade facilitation agreement at the 9th Ministerial Conference of the WTO in December 2013 in Bali. Such an agreement could see world GDP increases of another \$960 billion annually – along with more than \$1 trillion in world export gains and 21 million new jobs. This will not only provide a much needed boost to the global economy but also create positive momentum for advancing multilateral trade negotiations, including some agriculture and development issues that could be agreed in Bali, as envisaged by the G20 and recommended in ICC's World Trade Agenda business priorities.

In the face of proliferating Regional Trade Agreements (RTAs), the timely recognition by the G20 of the need to ensure consistency between RTAs and WTO principles and rules for the multilateral trading system provides essential leadership to the world's trading partners. ICC welcomes the recognition by the G20 of the need for WTO members to continue their efforts to ensure consistency between Regional Trade Agreements (RTAs) and WTO principles and rules, and to advance their discussions of the systemic implications of the increasing number of RTAs on the multilateral trading system. This is all the more necessary with the emergence of preferential trade pacts between large trading blocks and in a world where trade is increasingly organized on the basis of global supply chains.

INVESTMENT

While ICC is encouraged by the recognition of G20 leaders on "the key role of long-term investment for sustainable growth and job creation, as well as the importance of putting in place conditions that could promote long-term financing for investment, including in infrastructure and small and medium sized enterprises (SMEs)", more needs to be done in order to address the fall in FDI following the global economic recession, improve underlying investment conditions and enable long-term project financing. The establishment of a high-standard multilateral framework for investment, led by G20 countries and based on the ICC Guidelines for International Investment could help restore FDI flows by as much as 25% and address impediments to the mobilization of private capital.

ICC endorses the call by G20 leaders on Finance Ministers to "identify measures by the next Summit to facilitate domestic capital market development and improve the intermediation of global savings for productive long-term investments, including in infrastructure and improve access to financing for SMEs". ICC stands ready to work with the G20 and intergovernmental organizations to facilitate private sector involvement towards the realization of these objectives and emphasizes that improving infrastructure development is an area where G20 leaders can make a significant contribution to help deliver jobs and growth. Thus ICC welcomes the recognition of the importance of infrastructure project preparation and development. In the lead-up to Australia, ICC encourages G20 leaders to mandate multilateral development banks and international financial institutions to frame and promulgate global project preparation guidelines for sustainable infrastructure projects, including small- and medium-scale projects, with input from the private sector.

ANTI-CORRUPTION

ICC appreciates the G20's acknowledgement of the leadership role it can play in this area and its resolve to enhance transparency and close implementation and enforcement gaps. In light of the G20's expression of the need for partnership between government, business and civil society, ICC has for many years lead the fight of global business against corruption, and will continue to contribute tools and solutions towards reducing corruption in all its forms. We applaud the continuation of the partnership and dialogue between the G20 Anti-Corruption Working Group and the Business-20 group on anti-corruption where ICC leads work on several tracks. Moving forward, ICC urges G20 leaders to honor commitments for the complete ratification of the UN Convention against Corruption (UNCAC).

TAXATION

ICC welcomes the G20 endorsement of the OECD action plan which identifies a set of domestic and international actions to address the problems of base erosion and profit sharing (BEPS). ICC concurs with findings in the OECD report that unintended double non-taxation should be addressed by governments. ICC strongly opposes tax fraud and tax evasion and considers that such behavior cannot be tolerated. Today's tax rules applying to cross-border transactions in an integrated global economy are based on the non-aligned domestic tax rules of more than 200 countries. This situation creates barriers to trade and investment, and has a negative effect on economic growth and job creation. As the G20 takes its BEPS work forward, it is critical that it work closely with the private sector to develop a tax system that promotes the transparent and non-discriminatory treatment of foreign investment and earnings and eliminates obstacles to cross-border trade and investment.

ENERGY

ICC is pleased that the G20 continues to address critical issues related to cross-border energy and the challenge of climate change. The extended mandate for the G20 Energy Sustainability Working Group (ESWG) is important to the G20's ability to address cross-border sustainable development challenges, clean energy, and energy efficiency. A key priority for the G20 should be to address recurring business recommendations on energy efficiency, especially given their potential to spur investments and reduce economic leakages caused by inefficient energy consumption. Energy efficiency improvements have the potential to generate \$1 trillion in annual energy cost savings in the OECD alone.

Conclusions

ICC attaches great significance to the G20's continued acknowledgement of the importance of business input to the G20 agenda. This year's special session for "social partners" and the formal engagement with business leaders highlighted the steady improvement in government-business dialogue in the G20 since Korea sponsored the first Business-20 Summit in Seoul in 2010. But more can be done by the G20 to tap business expertise.

As the voice of international business, ICC has a clear stake in the success of the G20 – and, through our CEO-led ICC G20 Advisory Group, we are willing to play an increasing role in delivering high-level business input to G20 policymaking, partnering with governments to implement commitments, and validating the G20's actions through increased international trade and investment, economic growth and job creation.

While the private sector is keen to invest, it is only in deep collaboration with government that the necessary conditions for investment can flourish. This process must be undertaken in a way that does not impede the very markets that deliver economic growth. We ask that policy-makers consult with companies who have the expertise and understand the practical consequences on the economy, on jobs.

