



**International Chamber of Commerce**

*The world business organization*

# **Business and the global economy**

*ICC statement  
on behalf of world business  
to the Heads of State  
and Government attending  
the G8 Heiligendamm Summit,  
6-8 June 2007*

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# Business and the Global Economy

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*The International Chamber of Commerce (ICC), the world business organization, is pleased to submit this statement to the Heads of State and Government attending the G8 Summit at Heiligendamm, Germany (6 - 8 June 2007). The statement focuses on four issues of crucial importance to world business at the current time.*

## 1. Doha trade negotiations: a last opportunity

*Vital roles of multilateral trading systems.*

World business, as represented by ICC, holds firmly to the conviction that the rules-based multilateral trading system, managed through the World Trade Organization (WTO), is one of the central pillars of international economic co-operation, with an impressive record of achievement. It has made an enormous contribution to liberalizing world trade and to giving traders and investors the confidence to undertake activities that create prosperity and jobs and widen consumer choice. It also plays a vital role in helping keep in check the ever-present threat of protectionism, a particularly important factor at the present time when major imbalances in the world economy are fuelling protectionist sentiment.

*Suspension of Doha dismayed business*

It is therefore with great regret that, once again before a G8 Summit, ICC must express its deep concern that the Doha Round of trade negotiations has not been successfully concluded - five and a half years after it was launched. Indeed, the situation seemed to deteriorate as 2006 wore on. Business was quite dismayed when the negotiations were suspended in late July, only days after G8 leaders meeting in St. Petersburg declared their strong commitment to completing the round – which the official Chair’s Summary rightly described as “a historic opportunity to generate economic growth, create potential for development and raise living standards across the world”.

*A final, narrow window of opportunity*

ICC has warmly welcomed the decision of WTO member governments early this year to restart the negotiations following initiatives at the highest political level. It seems that a final and very narrow window of opportunity has opened up to forge an agreement in the weeks ahead, even though the US Congress will have to be called upon to extend the president’s Trade Promotion Authority following the numerous missed deadlines that have characterized the history of the round.

*A good deal can still be struck*

ICC believes a good deal can be struck even at this desperately late hour. Though painfully slow, significant progress has been made during the several years of negotiations. There are many hard-won, trade-enhancing measures already on offer. What is needed now is rapid progress on the contours of a balanced package of measures that substantially improve market access in agriculture, industrial products and services, advance the important task of trade facilitation, and strengthen WTO rules.

*High cost of Doha round failure*

None of the eight previous rounds of multilateral trade negotiations in the decades since World War II has ended in failure. If the Doha Round becomes

the first, the cost will be high and the repercussions will be far-reaching. The WTO system will be significantly weakened and, with it, the protection that WTO rules give to poorer and smaller countries. The already potent forces of protectionism will claim a famous victory. Current trends will accelerate to create a complex web of bilateral and regional trading arrangements, which are not a substitute for non-discriminatory global rules.

*Multilateral system  
at stake*

In blunt terms, a failure of the Doha Round will present risks of a longer-term systemic nature. A highly negative signal will go out to investors, traders and consumers that, even in the face of a fragile and uncertain world economy with disturbingly large imbalances, governments seem no longer able to work together to keep up to date the multilateral framework for commercial exchanges among nations that has served mankind so well for the past 60 years. That is the true magnitude of what is at stake.

*Need for strong  
leadership from G8  
Summit*

World business continues to attach overriding importance to seeing a deal finally done and the Doha Round completed. We are under no illusion that the challenge is daunting at this desperately late hour and with so narrow a window of opportunity. We believe, however, that success is still within reach providing that the heads of state and government attending the Heiligendamm Summit supply what has been missing so far: decisive leadership in deeds as well as words from the highest political level to make the compromises and break the logjams that have bedeviled the talks to date in some prominent and politically very sensitive areas.

*...and an intense  
diplomatic effort*

We therefore call upon the G8 leaders - as a matter of singular urgency - to devote their personal attention to an intense diplomatic effort among themselves and with other world leaders to knock into shape an ambitious and balanced global accord to expand trading opportunities and restore confidence the world over that multilateralism in trade policy can look forward to a future as beneficial to mankind as its past.

## **2. Investment protectionism**

*Worrying rise of  
protectionist barriers  
to foreign investment*

Another form of protectionism has begun to stalk the global economy with a renewed vigour, namely, *investment* protectionism where governments introduce or threaten measures to block or impede the flow of cross-border investment under the pretext of protecting so-called strategic sectors of economic activity or of maintaining national security. Oddly, countries that have long promoted and benefited from foreign investment are now raising politically-motivated barriers to foreign investment in sectors as varied as energy, financial services, steel, food, tobacco, and ports.

*Foreign investment  
plays a key role on  
raising global living  
standards*

ICC deplores this development. We strongly believe that foreign investment has been a key factor - and continues to play a key part - in raising economic growth, employment, and living standards throughout the world. Foreign direct investment in particular plays an invaluable role in transferring not only capital but also technology, know-how and management skills. Cross-border investment - like cross-border trade - is crucial to the goal of spreading the

benefits of globalization more widely.

*G8 should set a good example*

Needless to say, governments of all sovereign states reserve the right to regulate. But it is essential that they do so in a manner that does not discriminate against or impede foreign investment out of protectionist motivation. Some governments have clearly gone too far in recent years, including governments represented at Heiligendamm. ICC urges the G8 governments to set a good example to the rest of the world by undertaking to roll back the tide of investment protectionism and to welcome market-driven foreign investment as a source of prosperity in an interdependent world economy.

### 3. Energy policy

*Challenge of meeting global energy demand in a sustainable manner*

ICC welcomes the inclusion of energy efficiency on the agenda of the Heiligendamm Summit following the focus on climate change and energy security at Gleneagles and St. Petersburg. Clearly, improving efficiency in the production and use of energy is a key factor in the great challenge to mankind of satisfying a rapidly-growing global demand for energy in a sustainable manner. Energy efficiency brings economic and environmental benefits. Developed countries need to maintain their energy supplies and find more efficient ways of producing and consuming energy; developing countries naturally aspire to the higher living standards that come from economic growth and access to modern energy services. Rising demand for energy is both a source and a result of economic growth. Access to reliable and affordable energy provides the basis for heat, light, mobility, communications, and productive capacity in modern societies.

*Carbon-based fuels will remain dominant energy source*

While part of the answer to meeting the 21<sup>st</sup> century's energy needs will be a greater diversification of energy sources - which includes the growing importance of renewables - carbon-based fuels and nuclear power are expected to remain the dominant energy sources for the foreseeable future. Given this outlook, growing energy demand is likely to place serious strains on the environment, with climate change and local air pollution generally considered the biggest concerns.

*Methods exist to increase energy efficiency; and technological innovation promises continuing improvement*

Tried-and-tested, cost-effective methods to improve energy efficiency are available today, such as stringent national building codes. And very many companies have well-established energy management systems that have demonstrated impressive savings in energy use. Energy efficiency makes sense to business in a wide range of sectors for compelling reasons, such as cost reduction, smaller environmental impacts, greater affordability and enhanced competitiveness. Moreover, technological innovation can also be relied upon to bring continuing improvements in energy efficiency.

*Investment in new technology requires favourable policy framework*

Improvements in energy efficiency on the scale required, however, will demand a favourable policy and regulatory framework that works with market forces, permits transparent price signals, and encourages open trade and cross-border investment conducive to technology transfer. Furthermore, essential conditions

to ensure substantial investment in innovative new technologies are safety for contracts, protection of intellectual property rights, transparent governance, fair competition, and laws against corruption that are enforced.

*Concern at lack of international consensus on how to tackle climate change*

Deep differences continue to exist among countries and regions about the most effective ways to address climate change. Business is very concerned that the lack of a global consensus, and of the stable policy frameworks it would help generate, is discouraging technological innovation and the investment that has to be made today to secure energy supplies and reduce greenhouse gas emissions over the longer term. The international community must work in concert on effective ways to make progress that include all countries and regions and make use of all energy policy options leading to a sustainable future. ICC remains committed to the UN Framework Convention on Climate Change (UNFCCC) and believes that it provides a useful structure in which countries across the world can co-operate to develop measures to address climate change.

*International progress to improve energy efficiency*

ICC applauds the various initiatives of the G8 on energy efficiency. We also support the programmes of the International Energy Agency to identify and disseminate best practices for appliances, buildings, industry and surface transport.

#### **4. Intellectual property and innovation**

*Counterfeiting and piracy are a threat to welfare*

ICC welcomes the fact that product counterfeiting and copyright piracy has become a regular topic on the agenda of the annual G8 Summit meetings. We believe this attention at the highest level of government rightly reflects the gravity of the threat this phenomenon poses to economic and social welfare right across the world.

*An unlawful parallel enemy*

Counterfeiting and piracy have become a global epidemic. Virtually no sector of industry is untouched today by this illegal – and often dangerous – activity. The internet is being used for massive copyright theft. In one country after another, a significant unlawful economy is growing in parallel with the lawful one – a black economy based on stealing, exploitation, tax evasion, and disregard for laws and regulations adopted by society.

*Innovation requires IP protection*

ICC is deeply disturbed by this rapidly spreading phenomenon since it believes strongly that the protection of intellectual property is a vital element in encouraging research and innovation, international trade and investment, and sound economic growth and development.

*The multiple dangers of IP piracy*

Counterfeiting and piracy deter inventiveness and creativity, which underpin the knowledge society we live in today; they deprive governments of tax revenue; they undermine laws designed to protect the interests of employees; and they compete unjustly with legitimate economic activities and jobs. They also weaken consumer confidence in the quality assurance of branded products and pose serious health and safety risks in areas such as food, medicines, car parts

and toys. Further, the relatively easy profits to be made from counterfeiting and piracy attract organized crime networks interested in funding other criminal activities and lead to a misuse of the international financial system for money laundering purposes.

*Enforce the laws* The last four G8 summits have acknowledged the growing need for stronger measures to fight counterfeiting and piracy. However, deeds have fallen far short of words. We in the business community urge the leaders meeting in Heiligendamm to commit their governments to take effective measures to ensure that laws against such activity are enforced with vigour, determination and effectiveness.

*Business will help governments design programmes to combat IP piracy* In particular, governments should give higher priority to fighting counterfeiting and piracy by gathering more accurate data on the extent of the problem, orchestrating campaigns to raise public awareness of the damage it does, improving cross-border cooperation and training of national enforcement agencies, and exchanging information and best practice. ICC has already launched its own initiative known as BASCAP – Business Action to Stop Counterfeiting and Piracy. Through BASCAP, world business has organized itself to contribute, on its own and in collaboration with governments, to the elaboration and implementation of effective programmes.

*Need for more cooperation among governments* ICC supports the recent promotion by the World Customs Organization of a new framework of standards on border control. But it urges much more cooperation at an intergovernmental level to encourage, through peer review, a more proactive enforcement of laws against counterfeiting and piracy, better coordination between national administrations responsible for police, justice, customs, taxation, etc., and the allocation of much bigger resources to make real headway in tackling the problem. ICC is also following with interest a number of current initiatives aimed at developing an international instrument to hasten progress towards these ends. We urge the G8 governments to take a lead in exploring the potential of such a path.

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## **The International Chamber of Commerce**

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, arbitration and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 130 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.

For information on how to join ICC, visit the ICC website ([iccwbo.org](http://iccwbo.org)) or contact the ICC Membership Department in Paris.



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