

ICC G20 Policy Consultation - 26 February 2013, Berlin

Summary of discussions

The following is a summary of discussions that took place at an ICC G20 consultation with German business leaders on the G20 policy agenda on 26 February 2013. About 70 participants gathered at the Embassy of the Russian Federation in Berlin for the three-hour exchange. The consultation was hosted by H.E. Vladimir M. Grinin, Ambassador of the Russian Federation to the Federal Republic of Germany. Also participating were representatives of ICC Finland, ICC Greece, ICC Sweden and ICC Italy.

Opening remarks

ICC Germany co-hosted and organized the event. The G20 consultation in Berlin was one of a series of similar ICC events held over the last two years. To date such consultations have been held in Mexico City, Hong Kong, Zurich, Doha, Istanbul, Washington DC, Beijing, Melbourne, Jakarta and Johannesburg. Future meetings during 2013 are planned in New Delhi, Melbourne, Canberra, Geneva, Doha, Riyadh, London, Buenos Aires, Perth, Brisbane, Sydney and Paris.

Ambassador Grinin and ICC Germany Chairman Manfred Gentz gave the opening remarks.

Ambassador Grinin described the G20 as one of the most promising new platforms for exchanging opinions and ideas among heads of State and government. He was of the view that the G20 had already proven its worth at the start of the global financial crisis, through collective action and leadership. He said that the Russian Presidency of the G20 would focus on measures to stimulate economic growth and job creation. Improving conditions for investment, fostering greater financial transparency and stabilization, stimulating international trade, and fighting anti-corruption would make a significant contribution to these goals.

Mr Gentz said that it was a telling symbol of the new "post-cold war" global order represented by the G20 that a meeting of this kind could be held at the Russian Embassy in Berlin. The G20 could play a key role in fostering greater global trade and investment with well-balanced regulation for fair competition, thereby improving living conditions across the world. In order to do so, the G20 would have to align its broad policy agenda with the central objectives of greening the economy, creating jobs and generating growth.

Keynote addresses were given by Pavel Chernyshov, Director, International Financial Markets, Ministry of Finance, Russian Federation, and Lars-Hendrik Röller, Director General, Economic and Financial Policy Division, and Germany's G8/G20 Sherpa.

Mr Chernyshov provided an overview of the Russian G20 Presidency's priorities regarding key elements of the G20's central finance work track, taking into account the outcomes of the February meeting in Moscow of G20 Finance Ministers and Central Bank Governors. He said that the Russian Presidency attached great importance to the continuity of policy development and would therefore seek to re-energize various existing G20 working groups. At the same time, it had proposed two new

issues: increasing the stability of sovereign debt to contribute to fiscal consolidation and economic confidence, and ensuring the long-term funding of investment, which he said was a joint task for business and government. On this topic, he explained that a study group had been created under the leadership of Germany and Indonesia to cooperate with intergovernmental organizations and identify gaps in infrastructure investment.

Lars-Hendrik Röller welcomed the consultation as an example of the outward-looking nature of the G20 process in taking views from a variety of stakeholders, business in particular. Mr Röller gave an outline of Germany's priorities in the G20 context, and focusing on the issues identified by the "business 20" ("B20") process. It was essential that the G20 follow through on its commitments on fiscal consolidation as this was a matter of credibility, and medium-term indicators would be useful in this respect. He said that Germany would be keenly interested in the "B20" recommendations on finance, and on financing for investment in order to set the right framework to maximize the contribution of private investment. While an EU-US FTA would be a positive step it should be complementary to the WTO. The G20 standstill until 2014 was a considerable achievement that should be extended. Continued exchange between the "B20" and the "L20" was an important element of the "B20" process. Furthermore, there should be ongoing dialogue between the G20 and "B20" in order to ensure cross-fertilization of the policy development process. "B20" Task Force Chairs had been invited to the G20 Sherpa meeting on 3-4 March and the "B20" Task Force on G20/"B20" Efficiency could play a useful role.

Bernhard Welschke, Managing Director, North and Latin America, and Global Governance, BDI (Federation of German Industries) gave an overview of the "B20" task forces and work programme, in which ICC as a global business organization was working closely with the "B20 coalition" of 16 national industrial federations, including the Russian Union of Entrepreneurs and Industrialists (RSPP). The purpose of the "B20" was to mirror the G20 governmental agenda but also to make recommendations on key issues for business. "B20" task forces had been created on the following topics: trade, investment and infrastructure, job creation and human capital, innovation and development, finance, transparency and anticorruption, and G20/"B20" efficiency. The task forces were currently developing their recommendations and this process was a journey where the challenge was to try to find the appropriate mix and balance in order to make the business input as useful as possible.

Policy discussion

ICC Secretary General Jean-Guy Carrier explained how ICC's role in providing input into the G20 was a natural extension of ICC's historic mission since 1919 of representing global business views and promoting world peace through world trade. ICC saw value in the G20 as a high-level platform and a continuous policy development process to which global business should seek to contribute "before G20 summits, during summits and after summits", in order to ensure a positive interaction between business policy recommendations and the G20 agenda. Developing tools and mechanisms to keep track of G20 outcomes and their implementation -- especially on topics of particular concern to business -- was a key feature of being able to measure the results of the business contribution.

Stefano Bertasi, Executive Director, ICC Department of Policy and Business Practices, introduced the discussion on trade, investment and infrastructure, and the G20's role in job creation by outlining the main outcomes of the Los Cabos G20 Summit and the preliminary recommendations developed so far by the B20 task forces on these issues.

The floor was opened to contributions from participants. Points made in the ensuing discussion moderated by Mr Carrier included the following:

- The availability (including fair competition) and affordability of trade finance especially for small and medium-sized enterprises in developing economies was essential to international trade and should be captured by the "B20"/G20 process.
- Greater convergence of financial regulation and its implementation were necessary to foster global economic integration and stability.
- Bilateral and regional trade agreements should be complementary to the multilateral trading system rather than substitutes, and avoid creating additional costs and distortions to international trade especially for SMEs.
- The Los Cabos B20 recommendations on anticorruption were a "jewel" that needed follow-up and implementation. It was encouraging to see that the Russian Presidency of the G20 and the B20 were engaged toward these objectives.
- Attention should be given to the dynamics of the international financial architecture by monitoring the short-term and longer-term interaction between rules.
- On several issues, such as job creation and human capita for example, one of the challenges the "B20" needed to consider was the delicate balance to be struck between strategic policy advice and detailed policy prescriptions.
- In order to provide effective input the "B20" was mindful of the need to consolidate its recommendations and focus on the most relevant items.
- The "B20" contribution could be particularly useful to the G20 in highlighting how to enhance the financing of SMEs through long-term investment financing for example.
- The impact of Basel regulations on fair competition, and the appropriate role of state subsidies in the financing of investment should be taken into consideration by the "B20"/G20 work.
- Inconsistency in the implementation of financial regulation and in differing levels of transparency and disclosure increased the fragmentation of the global financial system and should be avoided.
- One participant suggested that an intergovernmental organization should have the mandate to monitor the implementation of financial regulation in order to safeguard the stability of the international financial system.
- It was essential to relate B20 recommendations to key G20 objectives of creating growth and jobs to ensure that these would resonate with G20 governments.
- What was occurring in Greece was a useful testing ground for determining which policy measures were effective and which were not.
- Stimulating investment in infrastructure would have positive impacts on growth and job creation but what was needed was a more systematic approach to infrastructure investment projects and public-private partnerships to make them more effective.
- The B20 should seek to develop "authentic" business recommendations, with replicable examples if possible, relating to specific G20 priorities such as investment financing for example.

- The central role of SMEs in creating growth and employment should be recognized across the broad range of issue areas considered by the B20 and G20. Facilitating the financing of SMEs and their capacity to trade would have positive impacts, as would taking into account their limited capacity to absorb and implement new regulation.
- The EU-US FTA announcement increases the pressure to reach some outcomes at the WTO Ministerial in Bali.
- Monitoring of G20 outcomes by business is necessary, and the focus should be on implementation of existing commitments. The G20 should be encouraged to creating a positive business environment, and encouraging Russia to play a proactive role as a new WTO member.
- Key elements of the Doha Agenda should be moved forward and bilateral and regional trade agreements should be negotiated with a view to being integrated into the multilateral trading system.
- Ex-post monitoring of financial regulations and their implementation, including through a G20 peer review process would be helpful. However, peer review was seen as an ambitious objective and the G20 itself did not have the necessary capacity, other than by mandating intergovernmental organizations.
- The G20 had already taken significant “systemic” steps in financial regulation despite the informal nature of the G20, such as the institutionalization of the Financial Stability Board.
- The G20 should be considered a global public good. Under the Russian Presidency, progress would be sought on the following elements of the finance track: the rebalancing of IMF quotas, mid-term fiscal targets, Basel 3, and credit rating agencies.
- Input into the G20 represents a huge opportunity for business to seize.

Conclusions

Wilfrid Steinheuer, Director for International Monetary and Financial Policy, Federal Ministry of Finance, Germany offered some concluding remarks. He recalled that the key objectives of the G20 were to create jobs and economic growth, and that a stable financial system was a necessary precondition to these objectives. The Financial Stability Board had been created to consider not only unintended but also intended consequences of financial regulation, and the G20 had been elevated to the level of heads of State and government because of the danger to the world economy that was created by the global financial crisis. Stable macroeconomic frameworks were essential to jobs and growth. The financial and macro dimensions also had important impacts on trade and investment, such as through exchange rate policy and the unintended consequences of monetary policy (such as the issue of liquidity in IMF surveillance). He welcomed the input of business as observer in the implementation processes.

Mr Carrier also explained that the primary business input to the G20 process is being orchestrated by Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RSPP), who has been appointed by Russian President Vladimir Putin to lead business policy task forces during the Russian G20 cycle. The discussion topics were derived from priorities expressed by the Russian government and mirror the ongoing efforts by CEO-led task forces working collectively under the

