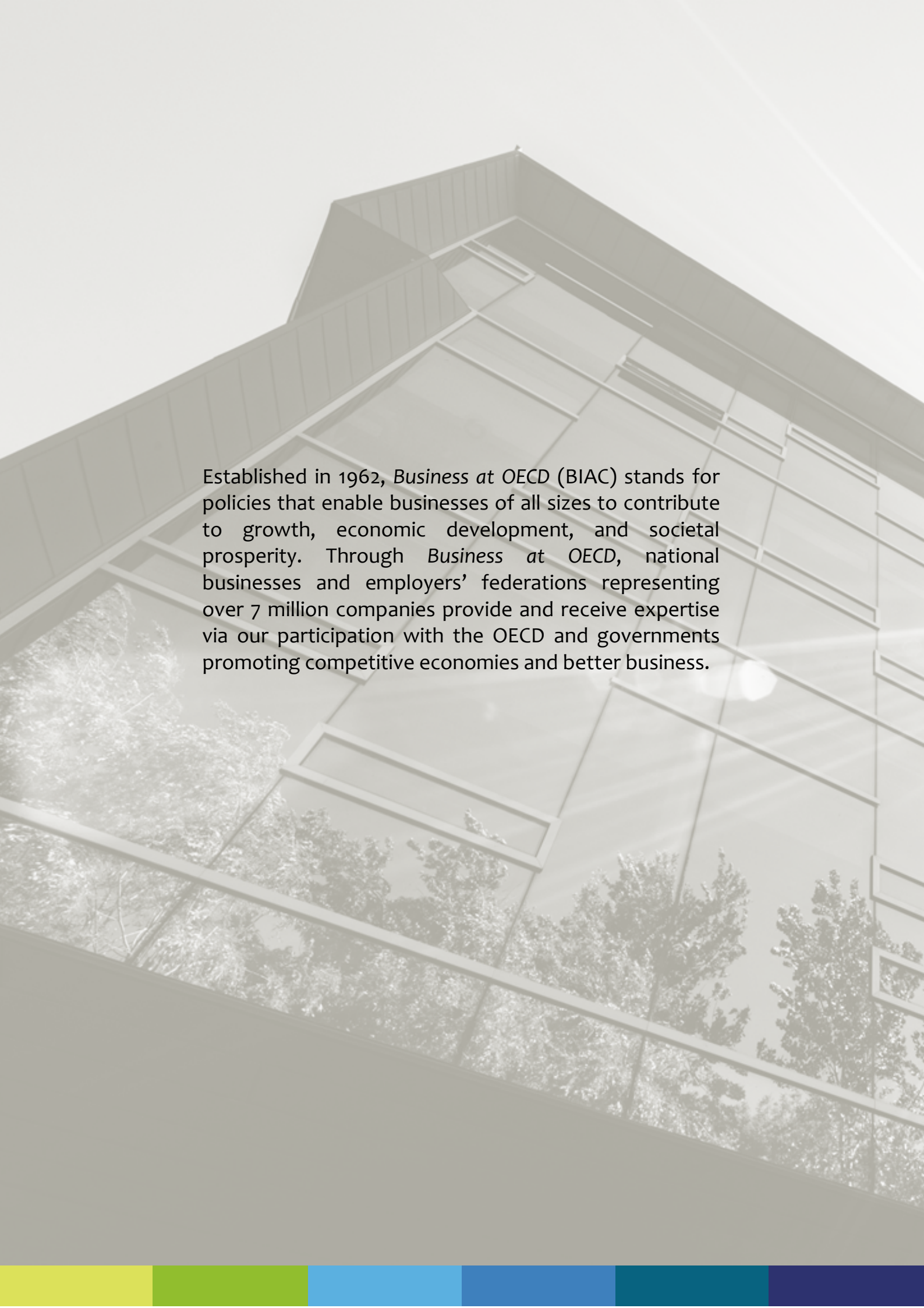


Exiting crisis mode: Addressing business recovery, risks and realities

*Recommendations from the private sector affirming
the role of the market economy*

Annual Consultation with OECD Leadership and Ambassadors | 22 February 2022



Established in 1962, *Business at OECD* (BIAC) stands for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 7 million companies provide and receive expertise via our participation with the OECD and governments promoting competitive economies and better business.

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Key messages

Exit crisis mode

- **Affirm the role of competitive markets and private sector led growth:** The OECD should advance policies that stimulate entrepreneurship and sustainable enterprise to exit the current “crisis mode”. An open and conducive business environment is critical for companies, both large and small, to plan, create jobs, and innovate. The OECD should address obstacles to business-led growth, which is also dependent on a well-functioning public sector. As the current high level of government intervention in the economy cannot be permanent, the OECD should provide guidance on transition strategies for a responsible opening of our economies, and advance the evidence base supporting the benefits of a market-based system centered on the “real economy”.
- **Tackle distortions to supply chains and restore trust in open markets:** In light of the economic disruptions from Covid-19 and containment measures, global supply chains in key sectors have come under significant pressure. The OECD should underline the robustness of an open trade and investment system in times of crisis, and be an impactful advocate for multilateralism and effective international cooperation. Removing obstacles for global supply chains, reducing barriers to trade, ensuring safe international mobility, and levelling the playing field are priority issues the Organization should effectively promote.
- **Address labor market needs to promote a job-rich recovery:** The OECD should address labor shortages and skills mismatches, remove unnecessary barriers that hamper labor mobility, and support dynamic and more responsive labor markets to encourage job creation. Our recommendations on employment policy point to ways in which governments can maximize participation in labor markets, support skills and employability, and promote inclusion and diversity.
- **Advance the ongoing digital transformation:** As digital technologies continue to be critical in navigating an exit from the crisis, the OECD should advance consistent and coherent policy frameworks for data-driven innovation and emerging digital technologies, such as Artificial Intelligence and Blockchain. OECD standards and related evidence on digital policy are critically important to enhance trust, support cross-border data flows, advance breakthrough innovation, applications and uptake of digital technologies across sectors for an inclusive digital transformation of our economies and societies.
- **Promote health resilience and ensure better preparedness:** Given the importance of making health systems more resilient, the OECD should provide effective, evidence-based, multi-disciplinary advice. The Organization should share best practices on government responses to the pandemic, including on supporting innovation, addressing health preparedness and security efforts, and effective immunization. International coordination on vaccination, including in developing and emerging economies, is particularly important.

Address business recovery, risks and realities

- **Accelerate a strong economic recovery supportive of climate goals:** The OECD should provide guidance on monetary and fiscal support programs for hard-hit sectors, and avoid that such measures become market distortions. It should advocate for a comprehensive pro-growth structural reform agenda, and promote policies that yield “double dividends” towards a green transition. As frameworks and policies are developed to achieve the commitments of the Paris Accord and progress toward net-zero economies, the OECD has a unique role to play to coordinate initiatives and avoid regulatory fragmentation across jurisdictions that create significant inefficiencies for business. The OECD should ensure

solutions are market-based, formulated through engagement with business, and take into account social costs as well as the environmental benefits of measures. Increased productivity and economic growth are critical to avoid financial stability risks that might result from pandemic-oriented fiscal and monetary policies. The OECD should also reflect increased public sector vulnerabilities and inflation risks.

- **Reduce business risks and work to prevent future crises:** The OECD should play a critical role to better understand, anticipate, and address potential future economic disruptions. The Organization should ensure that member countries learn the lessons from the crisis based on facts and objective analysis. We need practical and effective policy solutions that address cross-cutting business risks in areas such as corruption, protectionism, illicit trade, supply disruptions, inflation, cybercrime, and climate risks.
- **Address private sector realities:** The OECD should identify and address the challenges that impact business growth, strategies, and operations. Critical to this will be OECD work, with the input of business, to advance effective implementation of pro-growth international tax rules, reduce regulatory burden, rigidity and fragmentation, address private sector skills demands, safeguard innovation and intellectual property, and commit to open markets.

Reinforce the value of the OECD for business

- **Reinforce cross-cutting OECD horizon scanning:** The OECD should further reinforce its strategic foresight function across Committees, connect the dots between policy areas, and effectively communicate economic risks and their impact on businesses to ensure a more effective response to unforeseen emergencies. Cross-cutting OECD horizon scanning should result in action-oriented solutions to help governments better prepare for potential economic and social disruptions, and facilitate concerted responses.
- **Ensure the relevance and impact of OECD standards:** OECD standard-setting is one of the Organization's most prominent functions to support policy-making. The Organization should ensure that countries do their best to implement it. To ensure accountability, government deviations from OECD commitments should be given highest attention to avoid undermining their relevance.
- **Widen global reach to level the playing field:** OECD accession and global engagement processes should encourage countries to improve their business environment and engage in necessary reforms that open their markets to the global economy. Based on mutual benefits, the OECD community should encourage more non-Member economies to follow OECD standards in key areas that impact business. Regarding China, the OECD and governments should seek credible commitments to level the global playing field. Economic coercion must be avoided at all cost.
- **Strengthen communications:** The OECD should ensure that its deliverables allow all relevant stakeholders to understand its key takeaways. Such efforts should allow the OECD to gain visibility and impact, help convey the strategic messages of the Organization and contribute to build trust. We stand ready to identify ways to further leverage our network of national business organizations to communicate and debate OECD findings and recommendations.
- **Promote best practice stakeholder collaboration:** Building on 60 years of successful partnership, policy recommendations should be developed in close cooperation with *Business at OECD* (BIAC), as we deliver consensus-based, representative private sector perspectives and evidence across policy issues. The transparent, representative process of the institutional stakeholders, *Business at OECD* and TUAC, further underpins the legitimacy and relevance of the OECD as a consensus and evidence based organization.

Policy Paper

Exit crisis mode

Affirm the role of markets and private sector led growth

Two years after the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic, unprecedented collaboration between the public and private sector has yielded significant achievements: close to 50% of the global population had been fully vaccinated at the beginning of 2022; output in most OECD countries has now surpassed its late-2019 level and is converging on its pre-pandemic path; employment and participation rates are projected to pick up gradually with OECD-wide unemployment falling to just over 5%, below the pre-pandemic rate.

Yet, the toll of the COVID-19 pandemic to date is incalculable. In addition to lost lives, health impacts and social hardship, some estimates assume over \$10.3trn in forgone output. And the pandemic's implications for global value chains may last well after the crisis dominated headlines.

As we enter the third year of the global health emergency, further waves of infection and new virus variants should not prevent a gradual return to a stable, predictable and open business environment that enables private sector led growth. The goal must be a continuous and responsible opening of our economy and societies, while keeping our populations safe.

A thriving private sector requires a holistic, coherent and reliable governance framework. Planning certainty and a clear perspective for doing business is needed at home and internationally. Stop-and-go approaches should be avoided.

The OECD should advance policies to ensure an enabling environment for business that is conducive to sustainable enterprise and supports SMEs as the basis for private sector led growth. It should provide governments with evidence and guidance on effective transition strategies, policies and practices that re-affirm the primacy of the private sector to ensure sustainable economic activity.

Recognizing that the current extraordinary level of government intervention in the economy cannot be permanent, the Organization should provide guidance on transition strategies and evidence supporting the benefits of a market-based system based on the “real economy”. In this context, it should be a top priority to ensure competitive neutrality and re-establish a more global level playing field.

Tackle distortions to supply chains and restore trust in open markets

The economic fallout from Covid-19 has brought into focus the need to strengthen supply chain resilience. Since the early phases of the pandemic, global supply chains have been confronted with significant disruptions caused by Covid-19 as well as government containment measures. At the same time, businesses have been facing demand surges for Covid-19 related goods and services, and widespread changes in demand patterns caused by the ‘new normal’. Where shortages occurred, these were often caused by unprecedented demand, rather than collapsing supply.

Our companies see it as a priority to better anticipate, earlier prepare and faster adapt their operations to ensure business continuity. Yet, the economic fallout from Covid-19 has highlighted once again that a predictable regulatory, trade and investment policy environment is indispensable to alleviate uncertainty about the framework conditions in which global supply

chains operate. As we enter into the third year of the global pandemic, continuous disruptions are weighing in on already stressed supply chains. More focus must be placed on the robustness of the framework conditions for cross-border trade and investment.

As the estimated trade coverage of ongoing COVID-19 trade restrictions was almost double (USD 88.4 billion) that of trade-facilitating measures (USD 48.2 billion) at the end of 2021¹, the Organization and governments should ensure that restrictions adopted during the pandemic are rolled back in a timely manner – especially those that do not follow a scientific rationale and pose discriminatory barriers. Further, investment screening processes should be clearly defined and aligned with the general principles of non-discrimination, transparency, predictability, proportionality and accountability, as set out in the *OECD Guidelines For Recipient Country Investment Policies Relating To National Security*.

In our market-based economies, governments can work closely with the private sector to enable more resilience, but they should not control or hinder integrated supply chains. The OECD should counteract efforts to re-shore global value chains, localize production and decouple our economies, which may be disguised as pandemic response measures. Instead, the Organization should continue to highlight that more diversification – and not less – increases the scope for businesses to cushion shocks, particularly those that may originate domestically. It is critical that the OECD ensures that its evidence-based analysis in this area resonates with decision-makers beyond the trade and investment communities.

The movement of international business personnel and services mobility should be as free and predictable as possible within necessary safeguards. Building on the OECD initiative for safe international mobility during the COVID-19 pandemic, a coordinated, coherent and cooperative approach is needed to roll back a global myriad of regional, national and sub-national travel restrictions. The OECD should continue to support and encourage multilateral efforts aimed at setting common standards to enable safe international mobility – among OECD countries and beyond.

Address labor market needs to promote a job-rich recovery

In addition to amplifying supply chain disruptions, COVID-19 has amplified labor shortages and pre-existing skills mismatches, preventing key industries from regaining momentum. The OECD should support governments in establishing a coherent and balanced overall strategy to ensure the needed labor supplies in the medium and long-term. This strategy should significantly shorten job filling times, reduce long-term unemployment, enable diverse forms of work and promote workers' transition to high growth sectors. As hiring from non-employment decreased 12% during the pandemic², it is particularly important to use all labor market potentials optimally and ensure people are enabled to participate.

In our domestic economies, the pandemic created the necessity, opportunity and incentive to advance to new ways of working. As workers and businesses leverage new technological tools that create more digitally enhanced workplaces and labor markets, existing labor market institutions need to be reformed. The OECD should support dynamic labor markets, establishing regulatory frameworks that promote diverse forms of work, while providing adequate social protection for all diverse contractual forms of labor relations, and establishing schemes that better integrate employment, lifelong learning, and work transitions. Social security mechanisms that prevent transition should be reformed.

¹ OECD, WTO, UNCTAD (2021): [Report on G20 Trade and Investment Measures](#).

² OECD (2021): [Labour Market Transitions Across OECD Countries](#).

Advance the ongoing digital transformation

While the digital transformation of our economies and societies has taken a significant leap forward during the pandemic, more can be done across sectors and business models. OECD standards and related evidence on digital policy are critically important for business to enhance trust, support cross-border data flows, and advance breakthrough innovation, applications and uptake of digital technologies across sectors and advance an inclusive digital transformation of our economies and societies.

We look to the OECD to deliver consistent, cross-cutting, and coherent digital policy frameworks for data driven innovation and emerging digital technologies, including Artificial Intelligence and Blockchain. OECD policy guidance should furthermore support the creation and maintenance of innovative, resilient, safe and secure communications systems, networks and digital content. The OECD Going Digital Project integrated policy frameworks provide an important basis for a sound multi-stakeholder approach to digital policy that is forward looking and equips business, governments and individuals to realize the benefits and more effectively address challenges of the digital transformation.

Promote health resilience and ensure better preparedness

Private enterprises across all sectors have played an indispensable role in the response to the COVID-19 crisis. In this context, it is critical that the OECD underscores the need for continued investment in the resilience of our health systems. The OECD has an important role to foster cross-disciplinary discussions bringing together finance, employment, innovation, and health perspectives to strengthen healthcare systems and productivity.

More than ever, we need effective international cooperation to ensure that no one is left behind. Whilst extraordinary achievements have been made with 11 billion vaccine doses produced by the end of 2021³, more can be done to ensure that private sector-driven innovations reach all priority populations in OECD countries and beyond. Vaccine equity can be a reality if all stakeholders work together to step up vaccine distribution, optimize production, eliminate relevant trade barriers, further support country readiness with urgency, and safeguard an intellectual property (IP) system that drives continued innovation. The OECD should look at the research and development (R&D) incentives positively and coherently across Committees and stress the importance of intellectual property as an indispensable driver of innovation. Partnerships with the private sector hold the key to making progress—including on health preparedness and health systems strengthening.

³ IFPMA (2021): [Covid-19 Global Biopharmaceutical Industry Commitment](#).

Address business recovery, risks and realities

Accelerate a strong economic recovery supportive of climate goals

Unprecedented efforts of governments and central banks reduced the economic fallout of the pandemic, and inventive labor market policies kept workers in place for a quick restart. Strong policy packages for recovery and growth were adopted and continue being rolled out in many countries, often strengthening public investment beyond repair, and fostering the digital and green “twin transition”. It is clear that some sectors will take years to get back to their pre-pandemic normal, especially those primarily affected by repeated lockdowns – such as tourism, hospitality, transport or retail. Many in those industries are small businesses, and their recovery may take even longer, if at all.

The OECD should continue to provide guidance on recovery packages, and ensure that second wave policies strongly leverage private sector investment. While necessary and well-targeted fiscal support programs remain important, they must be administered in an efficient manner with commercially meaningful timeframes. Excessive bureaucracy delays the implementation of programs and projects in key sectors for the economic recovery and transition

The impact of the pandemic varies across sectors, and it is critical to avoid that today’s support measures become the market distortions of tomorrow. While it is essential to help our economies adapt to unprecedented challenges, the OECD should continue to underscore that pandemic support measures should be designed in a targeted, risk-proportionate, transparent, WTO-compliant, and temporary manner, ideally with sunset clauses and clear “exit strategies”.

While monetary policy has provided central support for the recovery, it also created shortages and fueled inflation. As central banks are changing course, tightening must be done well and be communicated clearly to keep inflation under control while avoiding over-adjustment and recession.

To address the economy-wide effects of the pandemic beyond hard-hit sectors, governments must focus on pro-growth structural reforms to foster strong business-led economic growth. We reiterate our call for the OECD to advocate for a comprehensive, pro-growth, pro-trade, pro-investment, and pro-innovation agenda. This should help companies to deleverage and boost their solvency, reduce administrative burden and red tape, liberalize international trade and investment, advance international standard-setting, and promote structural transformation through infrastructure and digitalization. To guide urgently needed reforms, the OECD should compile and publish annually a new *Better Business Index*.

Where possible, recovery policies should also contribute to achieving sustainability objectives to safeguard our prosperity for the longer term. The OECD should continue to highlight how pro-market reforms to strengthen economic growth, jobs and livelihoods can yield “double dividends” towards the achievement of important long-term policy objectives – such as fostering a green transition, ensuring energy security – for example by liberalizing green trade.

The OECD should also underline private sector roles and contributions to the implementation of the Paris Agreement, and support the development of environmentally effective and economically efficient 2030 and 2050 country roadmaps to enable business strategies, long-term planning, and investment.

Building on its green recovery database highlighting “environmentally positive” commitments, it will be critical for the OECD to also assess implementation of such commitments, track spending progress, and contribute to a more level and “greener” playing field.

However, we recall that public pandemic-oriented fiscal and monetary policies have already substantially increased government budget deficits and debt, which bears significant risks for

financial stability, if deficit levels remain unchanged and government policies do not significantly spur increased productivity and economic growth. A strong economic recovery based on a healthy “real economy” must therefore be the top priority.

Reduce business risks and work to address future crises

The COVID-19 crisis has delivered the biggest economic crisis in recent memory - the latest in a series of economic shocks – and has also amplified many risks for the global economy. We cannot afford to be taken by surprise again.

We call on the OECD to help governments more effectively understand, anticipate, prevent and address potential future disruptions. The OECD should ensure that all member countries undertake a full and independent post-mortem review of their pandemic response, with recommendations for future health crises.

Yet, a monolithic approach to risk management exclusively based on the experiences of the pandemic should be avoided, as business sectors vary in their level of exposure to different risks. We call on the OECD and governments to effectively address the following cross-cutting business risks:

- **Nationalism, unilateralism, and protectionism:** Increasing trends towards economic nationalism, unilateralism, and protectionism amplify supply chain risks. The OECD should continue to emphasize the importance of multilateralism to address global challenges, and support WTO reform with urgency. The OECD’s role should be to effectively emphasize the benefits of open markets, contribute whole-of-government recommendations to WTO negotiations, pinpoint the effective implementation and enforcement of existing multilateral trade rules, and enhance its advisory role to help shape the strategic direction of international trade and investment through its engagement with the G20. Based on shared values, like-minded OECD Member countries should speak with one voice, when possible also at the WTO and other fora facilitating international economic cooperation.
- **Supply disruptions:** While global supply chains have adapted to unprecedented changes in demand, it remains critical to address existing bottlenecks. To illustrate, in four industries (automotive, pharmaceuticals, aerospace, and computers and electronics) material disruptions lasting a month or longer occur every 3.7 years on average, with shorter disruptions happening even more frequently⁴. As diversification increases the scope for business to cushion shocks, the OECD should analyze mechanisms to support the emergence of diversified sources of products and services in selected industries, for example for critical minerals and metals. To increase resource efficiency and advance towards a more circular economy, OECD and governments should facilitate trusted cross-border movements of products, services and materials at the repair, reuse, remanufacturing and recycling stages of the product lifecycle. To resolve supply chain bottlenecks in selected industries, which may contribute to rising prices, public-private cooperation proves to be one unique tool to improve market conditions.
- **Climate risk:** The increasing frequency and magnitude of extreme weather events⁵ emphasizes the urgent need for effective climate change adaptation and mitigation. Turning political commitments into action, OECD and government strategies should be based on active and substantive engagement with the business community to set the right

⁴ McKinsey Global Institute (2020): [Risk, resilience, and rebalancing in global value chains](#).

⁵ According to the [McKinsey Global Institute \(2020\)](#), forty weather disasters in 2019 caused damages exceeding \$1 billion each—and in recent years, the economic toll caused by the most extreme events has been escalating.

priorities for the green economy transition. Through its work, the OECD should help catalyze environmental innovation and its deployment, caution about trade and buy local restrictions for environmental goods, incentivize green private investment, upgrade low-emission, energy-efficient and climate-resilient infrastructure, advance sustainable finance frameworks, and ensure that our workforce is prepared for a green transition. As carbon markets and pricing are considered important mitigation tools, a clear assessment of different options and their impacts on business and consumers – particularly low income households - is needed. Abrupt policies and timeframes should be avoided. The OECD should also continue to underline that sustainability initiatives must be implemented in a complementary manner with existing trade relationships and the rules-based multilateral order. Liberalizing trade in environmental and low-carbon goods and services provides an opportunity to foster diverse sources of environmentally-friendly solutions.

- **Inflation:** During the recovery, the cost of many goods and services has gone up and has stayed high. If high inflation levels persist, this poses a significant risk for the global economic recovery. Soaring and volatile energy prices remain a significant concern for employers, business and consumers endeavoring to rebuild from the economic downturn. The OECD should collaborate with the IEA to highlight ways to address energy price volatility and increases, and caution about policy actions that impose additional burden in the context of the pandemic recovery. As food price inflation is increasing market uncertainty, and can lead to malnutrition and health related issues particularly in emerging markets, the OECD should strengthen transparency in global food markets, exposing bottlenecks, avoiding agro-food trade restrictions, and encourage coordination of policy action in response to supporting the resilience of food systems.
- **Cybercrime:** Since the onset of COVID-19 there has been an increase in malicious activity including hacking, ransomware, phishing, malware, piracy and counterfeiting, which has been shown to match the worldwide spread of COVID-19. With an increasingly mobile workforce, the security of business information being accessed over a range of devices, as well as the security of the Internet of Things (IoT), are important issues for continued policy consideration. Working with business, OECD should continue to build the evidence base for digital security guidance and best practice, and serve as a lead organization for international cooperation on digital security together with relevant organizations and businesses. Reviews of the *OECD Guidance on Digital Security Risk* should take into account experience from the COVID-19 crisis, and the *OECD Global Forum on Digital Security and Prosperity* should reinforce the importance and value of multi-stakeholder cooperation to mitigate global digital security risk, including with OECD non-Member economies and relevant international organizations, such as the G7 and G20.
- **Corruption risks:** The COVID-19 crisis has exposed new corruption risks, both in the early phases of the pandemic, where there was a large pressure on public administration to accelerate decision-making and emergency public procurement, but also in the recovery, where public authorities need to ensure sound deployment of large support programs. The OECD should elevate its efforts on public and private integrity, and consider how authorities can be better prepared, also building on the learnings from private sector efforts with regards to the adoption of sound internal controls and robust emergency protocols or embracing digital technologies. The implementation of existing anti-corruption instruments remains crucial.
- **Illicit trade:** Demand surges and trade restrictions for certain goods in response to the pandemic have increased opportunities for criminals to benefit from illicit trade especially across on-line marketplaces, including pharmaceutical and healthcare products, fast-moving consumer goods, and excisable goods. The OECD and Member governments should acknowledge illicit trade as a cross-sectoral and multi-disciplinary market and supply chain

security risk, embark on robust Anti-Illicit Trade actions by promoting concrete policies, effective law enforcement, and cross-border cooperation with a strong focus on e-commerce platforms, vulnerable high-risk sectors, maritime containerized shipping, and parcel trade transport, and by implementing the *OECD Recommendation on Free Trade Zones*.

- **Antimicrobial resistance (AMR):** Given the recent exits of private capital and expertise in antibiotic discovery and development, governments should urgently move forward with efforts to address antimicrobial resistance. The OECD should encourage concrete incentives to address market inefficiencies affecting investments in new antibiotics R&D, such as increased “push” funding, and explore novel approaches such as *Market Entry Rewards* and *Transferable Extended Exclusivity* vouchers. Collective expertise and partnership are essential to avoid the next global health challenge.

Address private sector realities

While economic output in most OECD countries has now surpassed where it was in late 2019, several long-term considerations decisively impact business growth, strategies and operations.

We call on the OECD to effectively help address the following priority issues as part of its future work program:

- **Implementing international tax rules:** A pro-growth tax policy is critical to achieving a sustainable recovery from the COVID-19 crisis. In this context, the development of effective implementation guidance for the *OECD/G20 Inclusive Framework agreement on the taxation of digitalizing economy* with the appropriate engagement of business remains a top priority, and must be workable for both tax payers and tax authorities alike. Implementation of the OECD global tax standards and enhanced cooperation between tax administrations and taxpayers should advance greater tax certainty and trust between taxpayers and administrations, foster a level playing field that promotes cross-border trade and investment, and facilitate tax dispute prevention and resolution. Increased focus is also needed on the digitalization of tax systems for both business and governments.
- **Reducing regulatory burden, rigidity and fragmentation:** The burden of compliance in many sectors causes material and increasing costs to the economy, and particularly impacts SMEs. The OECD should measure the cost and risks of regulatory burden in highly regulated sectors - and emphasize related impacts with a view to improving regulatory management processes and eliminating unnecessary rules. It is critical that regulatory management adapts to dynamic conditions of the digital economy, changing technologies and innovation. In this context, the OECD should advocate for the full implementation of its *Principles for agile regulatory governance to harness innovation* to ensure regulations are fit for future. The Organization should also continue to emphasize how more international regulatory coherence and better cooperation can save time and money for business and governments, strengthen competition, and promote regulatory objectives – including health and safety, privacy and security, and financial stability.
- **Advancing international policy coherence:** The proliferation of diverging national standards and policies can result in duplicative, conflicting, and cumbersome burden for business, and also reduces economic resilience. The OECD should advance good practices built on facts and evidence and foster policy coherence. As an example, technological fragmentation in the digital ecosystem entails significant risks, and the development and adoption of common standards should be promoted as a vital instrument to foster interoperability and to open strategic value chains in favor of a diverse and innovative

ecosystem. Further, achieving the goals of the Paris Accord is another area where OECD work to foster policy coherence will be fundamental.

- **Safeguarding innovation and intellectual property:** The provision of an enabling policy framework for the private sector that facilitates the necessary financial flows, innovation, and entrepreneurship, and that encourages the uptake of innovation and diffusion of technology is essential for innovation to unlock productivity growth. An important aspect of such an enabling framework is an adequate and effective intellectual property rights (IPR) regime to incentivize investment in research and development and encourage the creation and adoption of new technologies across industries. Intellectual assets (including patents, copyrights, and trademarks) are increasingly important to the efficiency of capital markets, investment decisions, and entrepreneurship. Patent regimes should be robust and transparent to maintain the balance between exclusive protection for a defined period and disclosure of IP, in accordance with internationally-established IPR policies.
- **Ageing and demographic change:** Absent policy changes, ageing pressures could increase the public debt burden by an average of 180% of GDP in G20 advanced economies and 130% of GDP in G20 emerging economies over the next three decades⁶. On this basis, the OECD should continue to advocate for necessary reforms that ensure the long-term sustainability of pension systems, assess current retirement arrangements, support a job-market environment that enables those who retire later to find jobs, and foster efficiency increases for the delivery of health services.
- **Adapting education systems for a more resilient future:** Even before the COVID-19 crisis, more than 35% of workers in the OECD area experienced under- or over-qualification. As digitalization and automation continue to shape the workplace, only 40% of workers in jobs that face significant risk of automation engage in training. It is critical that OECD work helps redesign education curricula and training systems to align with the new in-demand jobs of the future, including those brought on by digital transformation and green transition. The OECD and governments should further engage with employers to develop solutions for matching talent to private sector demand, redesign education curricula to foster new technologies, engineering, and entrepreneurship, invest in the digital infrastructure and capacity of our education and learning systems, and elevate the teaching profession to prepare people to learn for life, change and adaptation.
- **Ensuring trust in business:** Businesses are subject to increasing expectations to live up to the highest standards of conduct in all operating areas, be it related to the environment, tax, good governance or responsible business conduct more broadly. At the same time, according to the Edelman Trust Barometer (2022), business is recognized as the most trusted institution globally, which reinforces the need to work jointly when exiting the crisis. Recognizing that businesses across the board have made large investments to address expectations, the actions of some companies should not undermine the efforts of the many. To that end, we need the OECD to emphasize positive examples and best practices and beyond this, foster a better understanding of society for the role that the private sector plays in the recovery providing jobs, fostering innovation and laying the basis for future competitiveness and growth.

⁶ OECD (2019): [Fiscal challenges and Inclusive growth in ageing societies](#).

Reinforce the value of the OECD for business

Reinforce cross-cutting OECD horizon scanning

The COVID-19 pandemic has led to the largest economic and social crisis since the OECD was founded over 60 years ago. How can we prevent this from happening again? As the current crisis is only the latest one in a series of economic shocks, the OECD should harness its cross-disciplinary expertise and convening power to holistically assess future risks and realities. To this end, we call on the OECD to significantly strengthen its strategic foresight function, inform policy-makers about economic risks and their potential business impacts, and effectively mitigate future emergencies. Cross-cutting OECD horizon-scanning should result in action-oriented solutions to help governments prevent future economic and social crises, and facilitate concerted responses. Such work should draw on the experiences of what has worked and what has not worked with the goal of preventing future disruptions. This should also be done in part by embracing data driven technologies to enable more informed and timely policy development and innovation.

Ensure relevance and impact of OECD standards

The value of the OECD can only be realized if governments are willing to put the Organization's evidence into practice. *Business at OECD* and its Members appreciate the impressive range of instruments and the deep knowledge of the Organization to support governments in their efforts to establish and maintain rules-based and market-oriented economies. To this end, OECD standard-setting is one of the Organization's most prominent functions to support policy-making. To ensure accountability, government deviations from OECD commitments should be given great attention to avoid undermining of their credibility. Close consultation with the *Business at OECD* network can be a powerful system for ensuring the relevance and impact of OECD standards.

OECD standards underpin the shared values of Member countries as well as adhering non-Members, help countries implement OECD good policies and practices, and often provide a mechanism to guide country progress in doing so. Effective implementation is key with a view to strengthening the level playing field and fostering policy coherence. This is particularly important in areas where a certain degree of heterogeneity among OECD countries persists.

Widen global reach to level the playing field

The business community also appreciates the OECD acquis as critical benchmark for non-OECD countries during the accession process. *Business at OECD* welcomes the opportunity to further broaden the impact of established good practices for the governance of markets. While the case for each country will be different, a thorough assessment of the current economic and legal environment, in particular the ability, capacity, and willingness to fully apply the body of OECD instruments and principles, as well as a commitment to open markets should guide the accession negotiations. The accession process should encourage countries to improve their business environment and engage in reforms that are necessary to foster an open economy.

Utilizing the wealth of data and best practices, the OECD should also contribute to the realization of inclusive and sustainable economic growth beyond accession countries. Increased cooperation with non-OECD economies should be based on mutual benefits, and focus on spreading good practice and standards. More non-Member economies should be encouraged to follow core OECD standards in areas such as taxation, economic governance, public procurement, digital economy policy, export credits and responsible business conduct, among others, including through the provision of capacity building support, where appropriate. We further acknowledge the

important role of a sound infrastructure basis for future growth and competitiveness and, in this context, we follow discussions on the OECD Blue Dot Network (BDN) initiative.

Fifteen years after the OECD Council at Ministerial level adopted a resolution in 2007 to strengthen the cooperation with China as a ‘key partner’ through a program of enhanced engagement, *Business at OECD* and its Members call on the OECD to reinforce its efforts and seek credible commitments from China to level the global playing field. Considering that China’s complex role as cooperation partner, economic competitor and systemic rival concurrently varies across policy areas, clear priorities and differentiated approaches may be necessary to effectively progress towards concrete results, particularly in areas where challenges may persist.

Where competitive distortions caused by the nature of China’s hybrid economy continue to negatively impact business - including in OECD home markets, in China, and in third country markets - relevant OECD Committees should consider strengthening the evidence-base and facilitating dialogue among like-minded countries on how to effectively address such distortions. It is vital that like-minded OECD countries speak with a common voice where companies from individual members are exposed to significant economic pressure, and their positions within global supply chains are targeted. Economic coercion must be avoided at all costs.

In this context, we emphasize the fundamental importance of maintaining a predictable regulatory, trade and investment policy environment for OECD business operating in global markets and with overseas partners, and the significant risks that detrimental unilateralism, protectionism and systemic decoupling entail.

Strengthen OECD communications

Stakeholders leverage social media to disseminate messages and recommendations that impact policymaking at all levels. As a beacon of evidence-based policy guidance and producer of facts, the OECD has an important role in these global debates. Business acknowledges that governments represent the OECD’s main audience, yet we encourage the Organization to communicate its deliverables in a way that enables all stakeholders to understand the takeaways from OECD’s research in a clear and non-technical way. This will help the OECD gain further visibility and impact, and also help businesses convey the strategic importance of the OECD to their respective stakeholders.

Promote best practice stakeholder engagement

As governments and policy makers face increasingly complex, dynamic policy challenges, collaboration between governments and the private sector to provide reliable, on-the-ground evidence and priorities is more important than ever. Building on 60 years of successful partnership, policy recommendations should be developed in close cooperation with *Business at OECD*, as we deliver consensus-based, representative private sector perspectives and evidence across policy issues. The transparent, representative process of the institutional stakeholders, *Business at OECD* and TUAC, further underpins the legitimacy and relevance of the OECD as a consensus and evidence based organization.

Annex: Recommendations for OECD work in priority areas

Taxation

- Implement the OECD international tax standards in a manner that ensures fair and growth-oriented taxation according to value creation and to enhance tax certainty, including tax dispute prevention and resolution, benefitting companies large and small as well as tax administrations;
- Advance a sustainable multilateral consensus on guidance and implementation of the OECD/G20 Inclusive Framework Project on the taxation of the digitalizing economy, as well as an efficient Implementation Framework and guidance on minimum taxation with appropriate business engagement;
- Ensure that the OECD tax and environment agenda is cross-cutting and broad in scope, and that it takes into account the potential impacts on innovation, growth and employment;
- Address the tax treatment of an increasingly mobile workforce with a focus on implications of cross-border teleworking during the recovery from the COVID-19 pandemic;

Open markets

- Support government efforts on [Building Back Better Trade](#) in response to the COVID-19 pandemic, strengthening the core principles of trade policy, addressing specific issues of concern, and advancing trade policy for the 21st century;
- Engage with Member and non-Member countries and develop a strong messaging around the importance of open investment regimes, transparent and predictable investment policy making - including non-discriminatory, transparent, predictable and proportionate investment screening - and work to foster conducive environments for private investment, which will play a key role in building the foundations for future growth;
- Elevate and promote concrete policies to counter illicit trade with a strong focus on maritime containerized shipping, parcel trade transparency, e-commerce platforms and on-line marketplaces. Advance public-private partnerships to counter illicit trade across strategic markets, ports, and free trade zones (FTZs) including synergies with G20/B20, APEC, WCO, and other multilateral and regional efforts;

Sustainability, environment and climate change

- Ensure progress towards economically efficient and environmentally effective implementation of the Paris Agreement, including by evaluating climate action, benchmarking and good practice sharing, and the further development of the OECD International Programme for Action on Climate; work to ensure coordination and collaboration among OECD and G20 to avoid policy and regulatory fragmentation that could create inefficiencies and unintended consequences;
- Work towards greater resource efficiency and advance towards a more circular economy, and develop and promote policy guidance that enables business to build more efficient

supply chains at the repair, reuse, remanufacture, and recycling stages of product lifecycles, among others;

- Foster coherent, science based chemicals management systems that evaluate and mitigate potential risks of chemicals, limit the time it takes for chemicals to reach the market, reduce regulatory fragmentation, and minimize duplication and resources needed for testing and assessment.

Health

- Shift the paradigm in OECD health work, looking at health as an investment. This tenet is all the more obvious following the COVID-19 pandemic. The OECD should coordinate between the Science, Technology, Innovation and Health Committees and pursue a more coherent narrative—it is currently not the case;
- Promote partnerships with the private sector, which hold the key to achieving behavioral change and can reduce costs and population risk factors related to chronic illnesses and promote mental wellbeing. OECD work should assess how the best-in-class partnerships work and encourage them;
- Tackle incentives for companies to address Anti-Microbial Resistance (AMR). Without action, AMR will claim 10 million lives annually by 2050. This can be prevented and the OECD has a role to play in this regard;

Digital transformation

- Advance coherent and globally interoperable data policy frameworks that facilitate more responsible data sharing and collaboration, enforceable cross-border data flows with trust and data driven innovation;
- Deliver high-level OECD principles addressing the critical issue of government access to personal data with input from business and the relevant stakeholders, given the potential negative economic impacts of compelled government access and data localization;
- Formulate policies through multi-stakeholder collaboration that foster sustainable investment in open and secure digital infrastructure with high quality and capacity;
- With the engagement of business, foster practical solutions for advancing digital technology and reducing the digital divide, including for enhanced access to education, training, upskilling and increased technology adoption as part of capacity building for SMEs;

Employment, youth, skills and education

- Engage in multi-stakeholder dialogue to remove unnecessary barriers that hamper labor mobility and tackle labor shortages. At the same time, the OECD should provide analysis on the implications of new working styles such as telework and remote work on tax and social security systems, so that governments, employers, and employees can address any legal concerns when establishing more flexible work arrangements;
- Provide guidance on how to establish flexible education systems, which combine education and professional work experiences so that youth can access education and workplace learning, and enter the labor market. To this end, we call on the OECD to ensure the

forthcoming OECD Recommendation on Youth encourages and enables entrepreneurs to hire young people through effective labor market policies;

- Identify options for a common and trusted framework for skills and credentials recognition that accommodates rapid change and adapts to shifts in demand for skills. Public-private collaboration is key to develop financing and investment projects that support adaptation and resilience options for communities whose jobs might become obsolete as societies address emerging issues such as climate change;
- Deliver cross-cutting evidence and analysis of concrete measures being taken and lessons learned with respect to education, curricula, teachers, and the digital transformation of education and learning systems in the COVID-19 crisis, including a focus on digital, soft skills and competencies, while fostering cross-cutting and multi-stakeholder approaches and cooperation on education policy across relevant ministries;

Economics and finance

- Ensure that public support to the ongoing green and digital transitions prioritizes increasing productivity and fostering economic growth. In this sense, it is crucial that government-funded programs are targeted and regularly reviewed, and that public-private cooperation increases the effectiveness of government-funded programs;
- Stabilize domestic debt and deficit levels. Avoiding excessive indebtedness will improve governments' financing conditions and be crucial for recovery and long-term sustainability;
- Restore global value chains and avoid persisting supply bottlenecks in sectors such as semiconductors. Since supply shortages do not match current rising employment and GDP levels, it is crucial to avoid them leading to higher input costs, pushing up delivery times, and slowing global trade;

Responsible business conduct and anti-corruption

- Broaden efforts on integrity, including prevention, adoption of internal controls and sound reporting channels, as well as robust emergency protocols and explore the potential of digital technologies for the fight against corruption in both public and private sectors;
- Strengthen awareness raising and outreach for key OECD standards, such as the OECD MNE Guidelines, the OECD Anti-Bribery Convention and the OECD 2021 Anti-Bribery Recommendation, to level the global playing field, while emphasizing the key role of governments to provide sound, coherent framework conditions for business efforts and address the root causes of RBC challenges;
- Ensure sound implementation of existing RBC instruments, supplemented by targeted practical materials and capacity building programs supporting companies' efforts to implement RBC along their supply chains, paying due attention to pertinent practical challenges on the ground, specifically for SMEs, recognizing that there is no one size fits all.

SMEs, innovation and entrepreneurship

- Foster SME access to diversified sources of finance, including through capital markets, equity funding, FinTech development, crowdfunding, and improved cross-border access to

finance for SMEs and in this context, communicate, monitor and evaluate new financial support mechanisms for better targeted support to SMEs;

- Support SMEs to innovate and invest in sustainability, fostering a pro-innovation regulatory environment, infrastructure to support business development, and a skills base, with due attention to financial literacy, digital skills, and the skills needed for greener economy;
- Advance SMEs digital uptake as a part of a comprehensive strategy for SMEs, which governments should pursue, supported by targeted incentives, enhanced digital infrastructure, digitalized public services and upskilling and reskilling programs;

Corporate governance and competitive neutrality

- Ensure private sector involvement in the review of the G20/OECD Corporate Governance Principles and take stock of best practices from companies to address the emerging issues such as capital market functions, ESG risks, and the role of the Board;
- Continue to promote the level playing field between State-Owned Enterprises and private companies through additional adherence to instruments such as the OECD Guidelines on Corporate Governance of SOEs and the OECD Anti-Corruption and Integrity Guidelines for State-Owned Enterprises;
- Maintain competitive neutrality and promote ways to limit government intervention in open markets, including in the context of the COVID-19 crisis.



Business at OECD (BIAC)
13-15, Chaussée De La Muette – 75016 Paris
Tel: + 33 (0) 1 42 30 09 60
@BusinessAtOECD | businessatoecd.org