

Security, Sustainability, Successful Business

**Private Sector Advice for the OECD to
Strengthen the Real Economy in 2023**

Annual Consultation with OECD Leadership and Ambassadors
20 February 2023



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 business and employers' federations representing about 8 million companies provide and receive expertise via our participation with the OECD and governments promoting competitive economies and better business.

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Contents

1.	Introduction: Security, Sustainability, Successful Business	4
2.	Addressing Immediate Economic Constraints	6
3.	Gaining Momentum on Long-Term Objectives	7
4.	Setting Standards for a Pro-Business Environment Globally	9
5.	Conclusion: Affirming the Role of Markets and Business	12
	Five Specific Proposals to Maximize OECD Value for Business in 2023	13

1. Introduction: Security, Sustainability, Successful Business

The 2023 *Business at OECD* (BIAC) consultation with OECD Ambassadors and Leadership takes place at a time of incredible stress in world affairs: Almost one year has passed since the Russian regime started its unprovoked, illegal war against Ukraine. This has brought insurmountable human suffering upon the people of Ukraine, and escalated humanitarian and economic crises globally. As our economies face continued challenges, strive to leave the pandemic behind and address climate change, an unsettled world order significantly threatens our capacity to make collective progress on these common fronts.

The engine of societal progress, the world economy, is paying a high price for an increasingly unstable rules-based international system. While impacts vary across countries, the needle is moving back from Covid-19 recovery toward slowdown¹:

- Global economic growth is projected to slow to only 2.2 percent in 2023, with global incomes at least USD 2.8 trillion lower compared to OECD's pre-war forecasts;
- Inflation in OECD economies is high and expected to remain at 6.6% in 2023, with skyrocketing energy prices, volatile food and commodity markets, exacerbated by bottlenecks and labor shortages across many sectors;
- Business uncertainty and risks, including from rising interest rates, tighter global financial conditions, and substantial asset repricing, are also significant.

2023 will be a difficult year for many businesses. Still, the OECD private sector remains committed to bear an important share of the burden to defend our common values, international security and rules-based order, and we continue to support effective government action towards these goals. At the same time, our primary role to sustain business activity and ability to create jobs in the real economy serves as the greatest contribution we can make to support our societies. We underline that the wealth and sustainability of our countries rely on successful diplomacy, meaningful international cooperation, and effective multilateralism in support of open economies.

The OECD's mission as a pathfinder and promoter of policies that stand for peace, democracy, rule of law, and individual liberty is more important now than ever. The OECD business community shares an abiding faith, rooted in experience, that the real economy is the lynchpin of global well-being, the essence of connectivity, and enabler of mutual benefit. The OECD's primary role should be to protect and nurture this – the real economy – as a fundamental factor in the world order.

To this end, it is imperative at this juncture that the OECD works closely with business to effectively address three cross-cutting challenges:

- **Security:** In many countries, additional and reinforced national security measures and more inward-looking government agendas intend to reduce dependencies and protect critical industries. However, it must be clear that diversified global value chains and open, strong, resilient economies mean national security for all of us, while protectionism and economic decoupling are counterproductive and have unintended consequences. Discussions on national security interests – including those with a focus on digital security – should not be

¹ [OECD Economic Outlook: November 2022](#)

held in isolation. Coherent cross-cutting OECD policy recommendations are needed and must be effectively conveyed, including to the security community.

- **Sustainability:** A cooling of international relations must not put at risk urgently needed progress on climate change, or other pressing environmental, economic and social sustainability issues. As significant 'implementation gaps' between government commitments and actions persist on many sustainability challenges, and especially on the environment, the key to success lies in addressing such challenges as a market opportunity rather than an expensive problem. To this end, we need the OECD and governments to work more closely with the private sector to understand challenges and opportunities on the ground. Our long-term objectives can only become a reality, if governments enact coherent and manageable policy frameworks that effectively mobilize private sector funding and investment to support sustainability action.
- **Successful business:** The current economic slowdown and surging prices leave businesses of all sizes struggling to keep their heads above choppy financial waters. There is a new sense of urgency to improve competitiveness, ensure business continuity and safeguard employment opportunities in many countries. Working with business, the OECD should reinforce its capacity across Committees to respond to economic urgencies in a more timely manner. As energy is the backbone of our economies, it is critical that the Organization further strengthens its cooperation with the IEA, and mainstreams energy discussions across the house to effectively provide whole-of-economy recommendations at this critical point in time.

In light of multiple crises, the Organization should also apply a focused approach to addressing the economic issues faced: The key challenge for the OECD in 2023 will be to convince policy makers that - in our market-based democracies - rising government intervention must not be made permanent. The OECD and governments must not lose sight of the central role of the private sector for our societies; following the approaches of state-led models is not the answer. Instead, we must once again showcase that individual initiative and private entrepreneurship provide citizens with opportunity and enduring prosperity worthy of imitation. With this, our common values will also earn the goodwill of societies in non-likeminded countries.

Effective multilateralism must remain an indispensable instrument to enable mutual economic benefit. We continue to underline – as in previous years – that business needs a reliable and trusted multilateral trading system, centered on a modernized World Trade Organization that effectively discusses, agrees, implements, and enforces trade rules. The OECD should continue its strongest efforts to help forge an improved path for multilateralism, and it is high time that the OECD's evidence on the benefits of open markets is also more publicly visible.

Business at OECD (BIAC) stands ready to work with the OECD and governments to place private sector-led growth and competitiveness back at the heart of their respective agendas. To strengthen the real economy in 2023, the following sections further outline our priority recommendations to (1) address immediate economic constraints, (2) gain momentum on long-term objectives and (3) set standards for a pro-business environment globally.

2. Addressing Immediate Economic Constraints

Across OECD countries, business operations are currently constrained by significant immediate on-the-ground challenges, including surging prices, supply chain bottlenecks, as well as skills and labor shortages. Resolving these issues is an indispensable basis to gain momentum on long-term objectives and should therefore be a priority for the OECD in 2023.

The Russian regime's war against Ukraine has significantly aggravated **inflationary pressures**, including in energy, agriculture and food markets. But price increases were already visible in most G20 economies well before due to tightening energy markets in 2021, persistent supply constraints, rising freight costs, and increasing skills and labor shortages. When analyzing the high levels of inflation, OECD should not only make solid predictions about future developments, but also effectively act on the root causes of price inflation to reduce the corresponding negative impact on business. In the current scenario, it is paramount for the Organization to ensure that rising interest rates and an increasing debt burden do not result in fiscal policies that further depress economic growth, or lead to financial vulnerabilities.

Enabling the resilience of **supply chains** is a critical requirement to stabilize prices. In our market-based economies, governments should work closely with the private sector to advance transparency and traceability throughout global and complex supply chains and explore options for increased diversification and substitutability. However, building supply chain resilience must not result in supply chain protectionism; neither should it result in market fragmentation, or abuse the concept of protecting national security to justify "beggar thy neighbor" trade and investment practices. Instead, an open rules-based trade and investment system should form the indispensable basis for the promotion of our responsible business conduct standards on a global level. But operations within supply chains should not be burdened with unrealistic demands for corporate responsibility, due diligence and reporting requirements, including in areas beyond individual companies' control. We also look forward to sharing with the OECD and governments in 2023 our joint thoughts on a strategy for dealing with non-likeminded governments. As the rules-based multilateral trading system has now been under pressure for years, we call on the OECD to continue to support WTO reform with urgency. More work is needed to advance our trade and investment agenda for the 21st century, including on digital trade. In light of the current "cost-of-living crisis", the OECD should advocate an open trade, investment and business friendly environment as indispensable remedy to bring down prices.

The current **energy crisis** is a game changer. Urgent steps are needed to secure affordable energy access and reduce the energy price burden on businesses – which unfortunately do not always receive the same attention as consumers. Industry is feeling the heat from high prices: Surging energy costs often represent an existential threat for energy intensive sectors and are a significant challenge for companies of all sizes. Our December 2022 [SME Energy Survey](#) identified that 99% of SMEs are affected by the energy crisis, and 46% of respondents see these more challenging than the initial phase of the Covid-19 pandemic. This has a profound impact on overall economic performance, erodes international competitiveness, and exacerbates supply chain pressures. We call on the OECD to step up its role as a facilitator of holistic policy dialogue on the economy, energy and climate pathways building on updated energy scenarios. The OECD should contribute to a more efficient roll out of sustainable energy projects – for example, via analyses and dissemination of best practices on how to enhance efficiency in approval processes of renewable energy investments. Strengthening

collaboration with the IEA across Committees, the OECD can and should contribute tangible, meaningful, whole-of-the-economy recommendations to stimulate the energy transition.

Decisive action is also needed to improve the productivity and sustainability of our **global food system**. The immediate priority is to avoid any further increase in hunger and undernourishment, and to provide humanitarian aid of a scale that reflects and meets the needs of today. As highlighted by our [Peace for Food Campaign](#) launched in 2022, the OECD, the public and private sectors should collaborate to build secure, sustainable, productive, and resilient global food systems. Further work is needed to reduce the agricultural productivity gap between developing and developed countries, to extend the technology frontier through digital applications, to increase investment in agricultural research and development, to make markets work, and align farm and agribusiness strategies with sustainability outcomes.

Skills and labor shortages are one of the most pressing problems entrepreneurs and businesses currently face in OECD countries. As outlined by our [Business Needs You Campaign](#), business stands ready to work with the OECD and governments to tackle the “double skills gap” of a quantitative lack of skilled employees and qualitative skills mismatch challenges. Working together in 2023, we need to further strengthen employment-promoting and retention measures, including active labor markets and flexible working arrangements; reduce bureaucratic barriers and address obstacles to worker mobility and targeted work-related migration; and effectively mobilize talents and resources of all people in society – including the youth, women, and the elderly. As digitization, automation, and robotization of operations enable new ways of organizing work, the OECD should help ensure that employees have the skills to harness these trends.

3. Gaining Momentum on Long-Term Objectives

Sustainable business-led growth effectively accelerates momentum towards longer-term objectives – be it in the areas of energy, environment, health or others. Working with the private sector, the OECD and governments can develop enabling policies for innovation and digitalization, foster agile regulatory policy-making and design proportional and non-discriminatory tax rules for the 21st century that improve tax certainty for companies. Overall, evidence-based policies are critical to effectively mobilize funding for private sector investments that address the significant challenges faced by our societies.

We reiterate our commitment to addressing the global challenge of **climate change** and underline our strongest efforts to achieve tangible progress. However, moving from “commitment to action” requires much stronger collaboration between governments and the private sector. Without viable business cases, the private sector will not be able to invest at the scale and scope necessary to make meaningful progress in the climate transition. Realizing the goal of a net-zero global economy requires fair and attractive market conditions for business, based on coherent, reliable, evidence-based and technology-neutral policy frameworks – especially for the most carbon-intensive sectors. It also requires streamlined procedures to accelerate green and low-carbon projects. To foster the development, diffusion and deployment of climate solutions, the OECD should build momentum towards liberalizing trade in environmental and low-carbon goods and services and avoiding the misuse of carbon pricing and border adjustment mechanisms as protectionist measures. To effectively

mobilize the scaling-up of private green finance, OECD work should promote well-designed sustainable finance definitions and taxonomies that improve transparency, reduce fragmentation across markets, and avoid undue administrative burdens. The OECD and governments can further support the journey to Net Zero by working to simplify and streamline carbon accounting and management with an agreed approach to measurement. The fight against climate change can only be won with business; giving the private sector an institutional seat in the *Inclusive Forum on Carbon Mitigation Approaches* would be an important OECD signal in this regard.

Over recent years, **health** has been on everyone's mind, and we must not forget the lessons learned from the Covid-19 pandemic. Health policy often continues to be designed in isolation, and we call on the OECD to facilitate joint public-private thinking to address long-term health challenges, bringing together finance, health, labor and innovation ministries. OECD countries face a double threat that requires coordinated responses: First, the prevalence of non-communicable diseases continues to rise. We need more focus on preventative measures that empower populations to make healthy choices and reduce risk factors for chronic illnesses. This will reduce costs, enhance productivity and ensure sufficient capacity of healthcare systems. Second, we need to continue our efforts to be better prepared in the face of future shocks and trends. Healthcare systems must become more resilient to any future pathogen that could cause a pandemic. More also needs to be done to avoid healthcare bottlenecks in light of demographic shifts.

Our societies rely on science and technology to respond to pressing challenges. As OECD **digital policy** instruments set global standards for a range of topics - including privacy, digital security, broadband connectivity, responsible government access to data, compliance, internet policy cooperation, benchmarking and measurement, and Artificial Intelligence - the private sector stands ready to work with governments, the OECD and relevant stakeholders to shape this guidance. In this regard, we underline the OECD's role to support business to ensure enhanced trust and security, with a strong focus on cross-border data flows, governance, and regulatory frameworks that support investment, innovation and digital inclusion. With respect to cross border data flows, the OECD should reiterate the importance of the renewal of the WTO Moratorium on E-Commerce to ensure that additional costs that would hinder current and future digitalization efforts would not be introduced. Building on the outcomes of the December 2022 OECD Ministerial on the Digital Economy, we look forward to discussions that advance a trusted, safe, secure and inclusive digital environment, including for emerging technologies such as AI and immersive technologies.

The burden of **regulatory compliance** in many sectors causes material and increasing costs to the economy, which can be particularly acute for SMEs. The OECD should measure the cost and risks of regulatory burdens in highly regulated sectors and emphasize the related impact of these burdens on business, with a view to improving regulatory management processes and eliminating unnecessary rules. It is critical that regulatory management adapts to the dynamic conditions of the digital economy, changing technologies and innovation. We encourage the OECD to 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.

Corruption impedes our progress on long-term challenges and erodes trust among governments and business alike. It is a global cross-cutting issue that we must address together. In order to translate commitment into action, we have drafted an [aspirational manifesto](#) supporting an 18th SDG on "Zero

Corruption” that summarizes our key recommendations in this regard. The effective application of a multistakeholder approach is one of the success factors for achieving concrete progress: establishing trustworthy relationships between corporations, governments, institutions and others is critical in the “race to zero corruption” and to establish a level playing field.

4. Setting Standards for a Pro-Business Environment Globally

The rules of globalization are changing, and the OECD business community is deeply concerned about the state of **multilateralism**. The OECD and governments must not lose sight of the many benefits that multilateralism has already delivered – and that international cooperation must continue to deliver, if we want to effectively address global challenges. To this end, we strongly support the OECD’s continued efforts to help revitalize the WTO, contributions to promote global progress within the G20, and increased cooperation with non-OECD economies based on mutual benefits.

Unfortunately, some **non-likeminded regimes** present themselves as systemic alternatives and counterweights to OECD countries, adopt stringent government controls over their private sector to achieve policy goals, and question and challenge our OECD values. As public-private consultation is critical to ensure an effective international system, we look forward to sharing with OECD leadership and Ambassadors key messages, critical ideas and opinions for further debate on how to deal with non-likeminded countries in 2023 and going forward.

Recognizing geoeconomic dynamics, we appreciate the **OECD accession** process as an important opportunity to further broaden the impact of established OECD good practices and standards for the governance of markets. While the case for each country will be different, a thorough assessment of the current economic and legal environment – and particularly the commitment of accession candidates to open markets – should guide accession talks going forward, as well as the ability, capacity, and willingness to fully apply the body of OECD instruments and principles. The accession process should encourage countries to improve their business environment and implement the reforms needed to foster truly open economies.

At the same time, the Organization must ensure that the **OECD mandate and acquis** are not watered down, remain up-to-date and supportive of private sector led growth, and are implemented by all current and future Member countries. To this end, meaningful business engagement is of crucial importance. We underline our engagement in ongoing discussions and reviews of core OECD standards and legal instruments:

- Developing good corporate governance is in the best interest of business, and the OECD has made encouraging steps towards a strong revision of the **G20/OECD Corporate Governance Principles**. Working closely with the private sector, due consideration should be given to the integration of sustainability, including the roles and responsibilities of boards with respect to broadened oversight of sustainability matters, the alignment of ESG rating information with sustainability disclosures based on internationally recognized standards, and the importance of sustainability assurance.

- As businesses are taking action to scale their circular economy operations, more OECD attention should be devoted to the legally binding **OECD Decision on the Control of Transboundary Movements of Wastes Destined for Recovery Operations**. While this OECD instrument aims to facilitate trade of recyclables in an environmentally sound and economically efficient manner, urgent steps are needed to ensure the Decision still delivers in the 21st century. The instrument suffers from many operational challenges, exceedingly long timelines for authority responses, and a lack of digitization. We therefore call on the OECD to take the steps required to strengthen its effective implementation. Further, in light of recent discussions on plastics and e-waste trade flows, OECD governments should walk-the-talk as a like-minded community, agree on steps to enable OECD business scale waste recovery, and facilitate critical materials – from both member and non-member countries – being brought into OECD recycling facilities.

- The OECD has been at the forefront of proposals which will result in fundamental changes in the international tax landscape. Most notably, the ongoing development of the **OECD Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy**, which would reallocate a portion of the profits of large multinationals to market jurisdictions (Pillar One) and introduce a global minimum effective tax rate of 15% (Pillar Two). For in-scope businesses, these proposals will have an impact across the entire corporate group structure and would likely result in fundamental changes being required to be made to existing tax frameworks and systems. While progress has been made throughout 2022 on the design of the two pillars, significant areas of concern remain from a business perspective. It is crucial that the final package of measures is subject to public consultation and can be implemented and administered efficiently by businesses, to ensure that the international tax reform proposals are a success in practice. Close dialogue between the OECD and the private sector will be essential in 2023 to ensure that the rules are workable for both taxpayers and tax administrations and that complexity can be minimized wherever possible. Looking forward, the OECD should promote pro-growth and investment tax policies to help minimize the economic slowdown.

- The private sector is committed to responsible business conduct and has been supporting the promotion of the existing **OECD Guidelines for Multinational Enterprises** as an essential part of an open trade and investment climate. Given that the Guidelines are addressed to companies, buy-in of the private sector is imperative. However, in the context of the current revision process, serious concerns remain that may jeopardize broad business buy-in and, consequently, the strength of the Guidelines' impact going forward.

Making the Revised OECD MNE Guidelines Work for Business

Business at OECD has been supporting the promotion of the 2011 OECD Guidelines for Multinational Enterprises as an essential part of an open trade and investment climate. However, we take a critical position on the current revision, which in many instances exceeds the envisaged “targeted update” endorsed by the 2022 OECD Ministerial Statement.

As we have been engaging with our global business network, we are especially concerned about the following issues, resolution of which is critical to the ability of businesses to meaningfully implement the Guidelines:

- The extension of due diligence expectations to the full downstream part of the value chain, which is in practice unworkable for business.
- Remaining referencing of the *Due Diligence Guidance* documents, which in the current draft may be interpreted as putting the guidances on the same level as the Guidelines, and therefore introducing over 600 pages of additional detailed requirements. These documents have been developed to provide practical support to companies and therefore companies should merely be “encouraged” to take into account the documents.
- The significant and material expansion of due diligence to the Environment and Science and Technology chapters, as well as the legal consequences this may have. The Guidelines must not transfer liability from laggard states to lawfully operating firms. In cases of environmental emission, lawful conduct of companies must not be assessed as causing or contributing to an adverse impact.
- Several broad references as well as the introduction of vague concepts and expectations must be avoided in order not to create unintended consequences and significant interpretational challenges in the context of mediation.
- The authoritative interpretation of the Guidelines must remain the sole responsibility of the OECD Investment Committee and the OECD Working Party on Responsible Business Conduct.

The practical value of the instruments should not be jeopardized by excessive complexity or interpretational uncertainty. Moreover, unrealistic expectations on responsible business conduct must be avoided as they can lead to OECD business withdrawing from markets. If subsequently competitors from non-like minded countries fill this gap, this may have the opposite effect of what adhering governments are aiming to achieve.

Finally, we underline the need for meaningful business engagement opportunities that allow for any outstanding concerns to be adequately addressed. Once adopted, an appropriate transition phase should allow business to make necessary changes.

5. Conclusion: Affirming the Role of Markets and Business

In 2023, the OECD and governments face the challenge of reconciling policies that effectively address three imperatives: strengthening security, advancing sustainability, and fostering successful business with an enhanced public-private alliance to work for economic recovery. Collaboration with the private sector is needed more than ever to provide reliable evidence to focus priorities and provide effective solutions.

This paper argues that the OECD should provide effective solutions for the immediate on-the-ground constraints of the real economy. As this is an indispensable basis to gain momentum on long-term objectives, strong public-private collaboration is needed to develop policies that effectively mobilize private funding to support actions related to global challenges. In light of changing rules of globalization, the OECD and governments must not lose sight of the benefits of global cooperation, while ensuring that its work and standard setting with likeminded countries protects and nurtures the real economy.

Business at OECD is committed to provide policy and program recommendations as a trusted partner to the OECD and governments, delivering private sector perspectives and evidence across policy issues. We emphasize the critical value of meaningful engagement processes through the transparent, representative process of the institutional stakeholders, *Business at OECD* and TUAC. This underpins the legitimacy and relevance of the OECD as a consensus and evidence-based organization. In this regard, we look forward to strengthening our involvement with the OECD and governments in 2023, building on over 60 years of a successful partnership.

5 Specific Proposals to Maximize OECD Value for Business



Make Energy a Horizontal OECD Issue

The current energy crisis is a game changer, and significant steps need to be taken across our economies – not just in the energy sector – to make the transition happen. From speeding up regulatory procedures and fostering infrastructure investments, over the right skills policies to mitigating the impacts on competitiveness: The OECD should bring in its whole-of-governance expertise to help business and governments decisively move forward. Strengthening ties with the IEA, the OECD should consider ways to better contribute to this key issue across Committees.



Lead an "Open Markets = Affordable Lives" Campaign

Open trade and investment are a remedy to the current "cost-of-living crisis." The OECD – as well as the private sector – should strive to better explain to the public how open markets benefit citizens as consumers, bring down prices, create and sustain jobs, and strengthen economies as a whole. To counter the populist backlash against international trade and investment, the OECD should seek ways to more effectively communicate existing insights to public audiences and governments, providing easy-to-understand messages, experiences, and concrete facts.



Develop an "OECD Better Policy for Better Business" Publication

To underline the critical role of the real economy, the OECD should consider issuing an annual "OECD Better Policy for Better Business" publication targeted to a private and public sector audience. Building on the OECD's unique cross-disciplinary expertise, such work could compile tangible OECD policy recommendations to foster private sector led growth, and bring together key existing OECD indicators, such as on the regulatory environment, cooperation across borders, market openness, policies for innovation, tax certainty, access to skills and education, quality infrastructure, and others closely linked with sustainable private sector growth.



Use the "Business Microscope" in the Accession Process

The OECD accession process provides an essential opportunity to encourage necessary reforms that improve the overall business environment in candidate countries. *Business at OECD* and our members stand ready to advise the OECD and government delegations on critical reform priorities and tangible progress required on the ground. As the accession process takes place over a multiple-year time span, we highly appreciate the possibility of a feedback mechanism.



Promote a “Bureaucracy Break” for SMEs

An ever-increasing bureaucratic burden costs business and governments time and money, and disproportionately affects the backbone of our economies: SMEs. In 2023, the OECD should not only advance its work to better measure the cost of regulation, but also visibly promote tangible steps to limit regulatory burden on SMEs across policy areas. Further, existing regulations must be put to the test, and superfluous burdens identified and consistently reduced. Therefore, principles such as “one in, one out” should be mainstreamed.



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