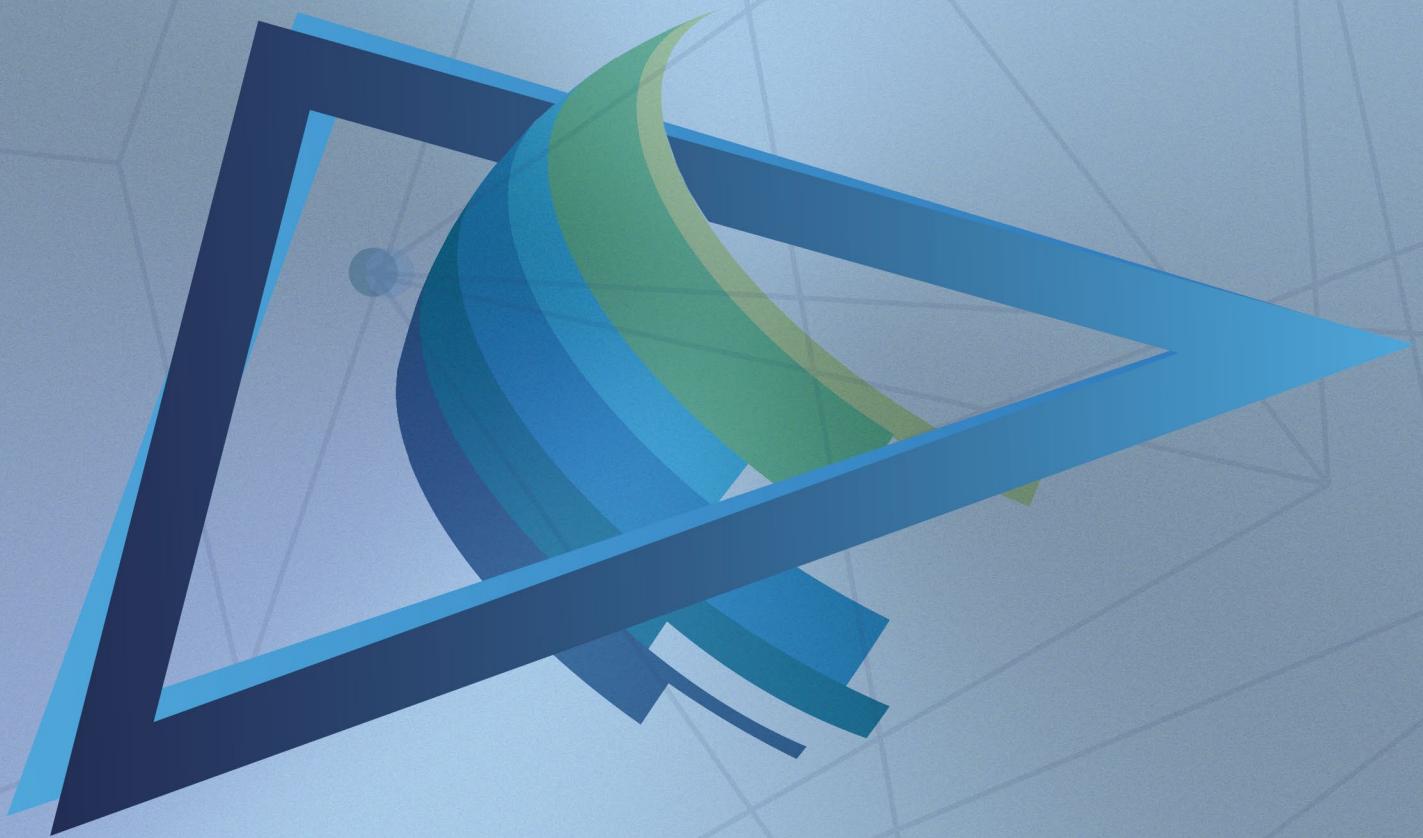


The Future We Want



***Business at OECD (BIAC) Contribution to the
OECD Ministerial Council Meeting***

9-10 June 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.

Defending the Global Rules-Based Order in Light of Geopolitical Challenges

As the global economy was recovering from the devastating effects of the Covid-19 pandemic, Russia's invasion of Ukraine has led to a major humanitarian crisis as well as significant economic consequences in OECD countries and beyond. The mission of the OECD as a pathfinder and promoter of policies that stand for peace, democracy, rule of law and multilateral cooperation is more important than ever in today's geopolitical situation. An effective rules-based order on the basis of international law and close international cooperation is a necessary cornerstone for the private sector to ensure global connectivity, foster economic growth and opportunities for all and a transition to a more sustainable future.

Business at OECD (BIAC) and its members strongly condemn the Russian war against Ukraine, which is causing insurmountable human suffering. At the same time, the war has put at risk the world economy's recovery from the Covid-19 pandemic. While circumstances are evolving by the day, the macroeconomic impacts of this crisis have led to significant business uncertainty, inflationary pressures and reduced economic output.¹ Rising energy and commodity prices, supply disruptions and labor shortages affect many businesses, calling for timely and coordinated action to counteract the significant additional burden on companies, which impacts competitiveness and threatens business continuity. There is a new sense of urgency to strengthen our economies, calling for effective cooperation among national governments, international organizations and the private sector to address the impacts of the war.

The business community supports government action to defend our common values, security and the global rules-based order. Close dialogue with the private sector is indispensable to ensure that measures taken are effective, well-targeted, transparent and take into account major impacts on our economies and societies. While the effects of this crisis will be uneven across countries, governments should closely coordinate with like-minded partner countries. Businesses are continuously adapting to the economic consequences of the war, while also being mindful of the needs of people who depend on business for their livelihoods.

A large number of companies are demonstrating solidarity with the war-affected Ukraine, be it through financial support, with material deliveries, offering goods or services, or offering employment opportunities. Many businesses, especially in nearby countries, provide families of their Ukrainian employees and refugees with accommodation. While we appreciate the speed at which many OECD governments have adjusted their processes to make employing refugees faster and easier, employers are often struggling with administrative hurdles, which underlines the importance of addressing bureaucratic barriers and having an efficient and effective public sector. We also underline the role of our national member organizations, which provide valuable support and information to their members related to opportunities to help, information on labor market integration as well as challenges to be addressed (see [special Ukraine section](#) on our website).

In light of the new geopolitical challenges that our businesses face, we call on the OECD and governments to:

- **Limit the economic fallout of the war and address the root causes of inflation:** The economic shock caused by the war in Ukraine should be mitigated by adjusting fiscal, monetary and structural policies, as needed. Particular emphasis should be placed on limiting the impacts on vulnerable households and safeguarding the solvency and liquidity of companies facing excessive production costs, while reducing administrative burden. As the OECD predicts an increase of global consumer price inflation by approximately 2 ½ percentage points¹, this dampens business activities, puts at risk the economic recovery from the pandemic and reduces growth perspectives. It is thus essential that the OECD

¹ [OECD Economic Outlook, Interim Report March 2022: Economic and Social Impacts and Policy Implications of the War in Ukraine.](#)

continues to monitor inflation developments and helps governments to address its root causes, while keeping public spending under control.

- **Strengthen supply chain resilience:** Given the dramatic disruptions of supply caused by the Russia-Ukraine conflict², enabling supply chain resilience is an important factor to stabilize prices. In our market-based economies, governments should work closely with the private sector to explore options for increased transparency, diversification and substitutability to avoid domino effects on downstream industries. Building supply chain resilience does not mean supply chain protectionism, or an abuse of the concept of protecting national security to justify “beggar thy neighbor” trade and investment practices. We call on the OECD to speak out against protectionism, which undermines open markets and multilateralism more broadly.
- **Promote supply options for selected raw materials:** Where Russia and Ukraine hold significant global market shares - including for selected raw materials - uncertainty, supply constraints, price hikes and indirect second-level effects have the potential to significantly aggravate pre-existing supply chain pressures. Increased supply risks also arise in sectors where other major players, such as China, dominate global markets. To lessen our economies’ exposure to supply risks in the long run, the OECD and governments should work to reduce export restrictions, support our businesses in their efforts to achieve higher resource efficiency and circularity and promote research and development that enable the substitution of certain materials.
- **Ensure energy security and affordable access to energy:** Surging energy prices are a significant challenge for many companies and often existential. As this energy crisis has a massive impact on industry and overall economic performance, governments should take urgent steps to safeguard energy security and affordable access, reduce the energy price burden on business and consider targeted support measures, particularly for hard-hit and energy intensive sectors. Governments should explore new energy partnerships recognizing that energy options cannot always be substituted in the short run, expand domestic production while safeguarding international competitiveness and streamline long-lasting procedures for critical energy projects that slow down a rapid response. Immediate action is needed to safeguard employment, mitigate the effects on consumers, ensure our companies have a viable business case and avoid production disruptions, which would significantly exacerbate supply chain pressures.
- **Advance the energy transition towards long-term climate objectives:** We underline our continued strong commitment to address the global climate challenge. More than ever, governments and businesses need to work together to diversify energy supply, consider the potential of different energy options in support of decarbonization, promote the development and modernization of energy infrastructures and networks that sustain the energy transition and strengthen energy efficiency to reduce the energy intensity of GDP. Due attention must also be paid to addressing long-lasting procedures which can slow down the execution of renewable energy projects as well as the importance of adequate networks and infrastructure for energy diversification. Together with the International Energy Agency (IEA), the OECD should act as a platform for holistic policy dialogue on the economy, energy and climate pathways, building on energy scenarios and cross-cutting analysis.
- **Foster transparency to address food price inflation:** As the war in Ukraine has led to increases in food prices and concerns about global food security, we value the OECD’s continued engagement in the Agricultural Market Information System to provide timely

² For example, a quick survey conducted on around 2.000 companies associated to our Italian member Confindustria shows that the conflict, less than a month after its inception, had already produced cross-cutting effects on the Italian economy.

and accurate information on global food supplies and to promote coordination. Governments should avoid measures that negatively affect global food trade flows to ensure adequate access to global supplies, particularly in food import-dependent and low-income countries, while supporting innovation and investment to promote productivity and ensure food security.

- **Strengthen companies' competitiveness, especially for SMEs:** The price shock in certain commodities affects companies worldwide and many businesses – particularly in sectors that had been hit hard by the Covid-19 pandemic and SMEs – are still facing severe liquidity or even solvency challenges. We therefore need strong and concerted action to counteract the significant additional burden on companies by providing targeted support and offering relief in terms of tax and administrative burden. SMEs, which are often integrated into regional value chains, must remain a resilient and competitive part of our economies and can be supported through equity capital and by reducing red tape.
- **Promote international cooperation on digital security:** Digital security risks, which significantly increased during the pandemic, have been further elevated in the current crisis. The security of our infrastructure, business information accessed over a range of connected devices and free data flow with trust are issues which warrant urgent consideration. We underline the importance of finalizing the expanded OECD Digital Security Policy Framework and Guidance and strongly support OECD efforts to deliver guidance on trusted government access to personal data held by the private sector. Working with business, the OECD should continue to build the evidence base and identify solutions related to digital security across sectors in the current context and serve as a lead organization for international cooperation on policy addressing digital security and digital policy standard-setting.

Given increasing geopolitical tensions, many OECD businesses are facing important ethical questions on how to responsibly deal with autocratic regimes going forward, which will be an important area for public-private dialogue. In light of China's recent coercive measures, it is critical that the OECD as a forum for information sharing and discussion helps like-minded governments establish and maintain a balanced, coordinated and effective approach towards implementing rules-based international trade and investment policies.

It is also important that the OECD scales up its presence and engagement in the Asia-Pacific region. Given the multi-faceted characteristic of the region, more needs to be done and planned to spread OECD good practices and principles and, where appropriate, the OECD and its members should reinforce their efforts to provide capacity building support. Further strengthening collaboration with regional organizations, such as APEC and ASEAN, could enhance mutual understanding between the OECD and the region.

As the war is putting additional stress on multilateralism, we underline the critical importance of international collaboration and collective thinking to address global challenges, which no single country or region can solve on its own. In light of the upcoming WTO Ministerial conference, we are highly concerned that the war and the persistent long-rooted divergences on key matters will affect the chances that it will deliver. The OECD should help prioritize achievable targets to ensure we do not miss this historic opportunity.

Business looks forward to actively contributing to OECD discussions on addressing the urgent challenges our economies are facing, defending the global rules-based order and supporting Ukraine's recovery and reconstruction to lay the foundations for long-term stability, growth and development.

Better Policies for the Next Generation and a Sustainable Transition

The OECD 2022 Ministerial Council meeting is taking place under critical geopolitical circumstances. In addition, to support the recovery from the economy-wide effects of the pandemic and to make our economies more resilient, governments must focus on pro-growth structural reforms and strong business-led economic growth based on the real economy and functioning markets versus large-scale government subsidization. A healthy private sector is essential to ensure sustainable growth and address both the short and longer-term challenges our societies are facing.

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. Efforts should also focus on reducing administrative burden and red tape through better regulation, as well as fighting corruption, liberalizing international trade and investment, advancing international standard-setting, ensuring competitive and technological neutrality and promoting structural transformation through infrastructure and digitalization. To guide urgently needed reforms, we recommend that OECD delivers a new Better Business Index, which would be published annually.

In this context, we also emphasize our continued commitment to working with the OECD on the range of international tax issues being addressed, including to reach a successful delivery of the OECD G20 Inclusive Pillar One and Pillar Two Guidance on the Taxation of the Digitalizing Economy.

The OECD has a key role to foster a level playing field for businesses and ensure that companies of all sizes, including those that were particularly hard hit by the Covid-19 crisis and the current geopolitical circumstances, can invest, create jobs and help address urgent global challenges. In light of high debt levels, we need focused support and pro-competitive policies for productive investment that will boost growth and facilitate digitalization and the green transition.

In addition to responding to the immediate challenges our economies are facing, we must keep our attention on getting people on board and addressing major longer-term challenges, including those we already faced before the crisis, such as climate change, high youth unemployment, gender inequality and corruption risks. We must also keep supporting the 2030 Sustainable Development Agenda, recognizing that private sector investment and close public-private cooperation will be indispensable.

We appreciate the opportunity to participate in the full range of Ministerial discussions and are pleased to present below our key messages on the main themes:

A net-zero transition to leave a better planet to future generations

A net-zero global economy will require businesses and governments to invest vast amounts in low-carbon infrastructure and technologies over the next decades. According to OECD estimates, USD 6.9 trillion of annual investment in infrastructure alone will be needed until 2030 to meet climate and development objectives. To this end, addressing climate change must become a promising market opportunity rather than an expensive problem, looking at the range of technological options in support of decarbonization.

Close public-private partnership is indispensable. Decarbonizing hard-to-abate industry sectors requires innovative solutions and forward-looking implementation timelines, while better exploiting circularity practices and leveraging sustainable finance with the adoption of common taxonomies and ESG frameworks to incentivize investments in sustainable solutions and infrastructures. To support the availability and scaling-up of green finance, the right frameworks

need to be put in place to foster transparency, take a long-term perspective and avoid inefficient policy fragmentation.

As energy systems are the backbone of OECD economies, steps need to be taken to foster the green transition, while safeguarding energy security and affordable access. In light of the large-scale Russian aggression against Ukraine, the extremely disruptive effects on energy and energy-intensive industries, and ultimately consumers, need to be given due consideration, including in the context of carbon pricing discussions. The OECD and governments should address the following business priorities:

- *Foster a meaningful and transparent comparison of different approaches to pricing carbon. This should account for explicit prices established through carbon taxes or emission trading systems, implicit prices arising from other policies and also take into account administrative burden;*
- *Enable green finance and investment and promote the consistency of regulatory frameworks. Proper consideration should be given to those activities that may not be zero-carbon but are needed to bridge the green transition. The OECD has a unique role to play to avoid regulatory fragmentation across jurisdictions that create significant inefficiencies for business;*
- *Ensure our workforce is prepared with the new skills profiles for the green transition, including through accessible and affordable retraining options and ensure there is a realistic understanding of the timeframes of certain transitions.*

Trade, investment and environment

Open trade is critical to foster climate-friendly investments, disseminate cleaner technologies and energy and deploy environmental services. The liberalization of trade in environmental and low carbon goods and services provides an essential opportunity in this regard. The OECD should work to inspire international collaboration and action in support of a sustainable future, while ensuring that environmental policies are not used to artificially and arbitrarily hamper international trade. Government subsidization, which may be necessary to foster the transition towards more sustainable economies, should be well-targeted and time-bound to allow market forces, competition and technology neutrality to remain the guiding principles. It is paramount that sustainability initiatives are implemented in a complementary manner with existing trade relationships and the rules-based multilateral order, also taking into consideration related issues such as taxation. WTO compliance should be an essential criterion in the design of any policy measures – including proposals on carbon pricing and border adjustment mechanisms. As further strains on the international rules-based trading system must be avoided, global progress on trade and climate change should be made through negotiation, not litigation.

- *Disseminate analysis on trade and environment policy synergies and build momentum towards liberalizing trade in environmental and low-carbon goods and services to foster diverse sources of environmentally-friendly solutions;*
- *Enable the circular economy, including by removing trade barriers for goods for direct reuse, repair, refurbishment and remanufacturing. National resource efficiency and circular economy initiatives should not create unnecessary barriers to a circular economy and global trade;*
- *Provide an enabling environment for international investment that helps advance sustainability objectives and support the spread of responsible business conduct, ensuring effective implementation of existing OECD standards through outreach and capacity building.*

Strengthening pandemic prevention, preparedness and response for future generations

While health is on everyone's mind, health policy often continues to be designed in isolation and would benefit from joint government thinking that brings finance, health, labor and innovation ministries together. This is the reason why addressing health resilience at the OECD Ministerial is so timely and also why we are preparing a global *Business at OECD* campaign on the same topic³. OECD countries face a double threat that requires coordinated responses. First, non-communicable diseases continue to be on the rise and prevention measures that empower populations to make healthy choices and reduce risk factors for chronic illnesses will be critical to reduce costs, enhance productivity and ensure sufficient capacity of healthcare systems. Second, OECD countries must apply lessons learnt from the Covid-19 pandemic and engage in health security and preparedness efforts in the face of future shocks—so healthcare systems can be more resilient to any future pathogen that could cause a pandemic or to any demographic shift that could cause bottlenecks in healthcare systems. The OECD has a decisive role to play through three actions:

- *Evaluate the effectiveness of public-private partnerships that will tangibly increase populations' health literacy and healthy choices to reduce risk factors for chronic illnesses. This assessment will outline guidelines to scale health-related efforts;*
- *Conduct research on current and potential vectors that could create a shock in healthcare systems, including workforce shortages, antimicrobial resistance and others. The OECD research will benefit from findings from our forthcoming Health Resilience campaign;*
- *Outline the societal and economic benefits that come from an innovative policy ecosystem that supports intellectual property and innovation across health actors, also leveraging insights from the OECD's Science, Technology and Innovation Directorate that explain the complex science behind innovation.*

OECD and Africa: A future together

Utilizing the wealth of data and best practices, the OECD is well placed to contribute to the realization of inclusive and sustainable economic growth in non-Member countries, including countries in Africa. More non-Member economies should be encouraged to follow core OECD standards and best practices, recognizing that there are significant differences among countries in terms of development and capabilities. OECD guidance in key areas such as taxation, economic governance, public procurement, digital economy policy, export credits, responsible business conduct and the environment play a critical role in establishing a conducive environment for both domestic company growth as well as for attracting foreign direct investments.

Through international trade and private investment, business plays a key role to foster economic development. Beyond the provision of financing and access to energy, companies can support local economic development and diversification and spread innovative approaches, responsible business conduct practices and technologies, which will be vital to enable the African continent to address key challenges in relation to the green and digital transitions.

As the Russian invasion of Ukraine has once again highlighted the importance of supply security for selected commodities including energy, strengthening the OECD's relations with Africa should also be a strategic priority in light of the increasingly assertive engagement of non-OECD members such as China in this region. Relatedly, infrastructure development will be crucial for future growth and competitiveness and we continue to follow related discussions on the Blue Dot Network (BDN) initiative. We also support the OECD's work on promoting transparency of debt data. We

³ Accessible on the *Business at OECD* website from 1 June 2022.

welcome ambitions to strengthen the OECD-Africa cooperation and see a role for the OECD, among others to:

- *Foster the inclusion of African countries in OECD discussions and frameworks, complemented with awareness raising initiatives, the organization of peer exchanges and the provision of capacity building support for trade integration, international investment, energy access and SME development;*
- *Reinforce exchanges with other international organizations as well as development banks, exploring avenues to collaborate on and coordinate efforts with a view to deliver joint support for the 2063 agenda;*
- *Share lessons on how to work towards a green and digital transformation, foster reskilling and adult learning and address gender inequality.*

Shaping a better future for and with young people

Ensuring opportunity and successful engagement of youth in education, employment and society must be given high priority. We have pro-actively engaged in these discussions by launching our own [Business at OECD Youth Campaign](#), bringing together initiatives from our national business organizations and companies and have been an active partner in the [OECD Stand by Youth](#) initiative. Through cooperation with governments and academic institutions, employers are working to ensure education and learning systems include opportunities for work-based learning and better match skills development to practical job requirements.

We underline the need to equip young people with the necessary foundational skills – both hard and soft skills and competencies that support a smooth transition into the labor market and their longer-term employability. Access to quality education from the start for all and on-going upskilling opportunities, instilling a culture of entrepreneurship, lifelong learning, openness to change as well as ethics training and early career counselling are imperative. Effective and continuous public-private dialogue will be critical to give young people a chance and align skills needs.

To this end, we call on the OECD to ensure the forthcoming *OECD Recommendation on Youth* addresses skills needs, fosters youth entrepreneurship and supports companies to hire young people. It is important that employment frameworks, including tax and social benefit schemes, work in support of the employability of young people and enable firms to maximize opportunities for engaging youth. We call on governments to:

- *Establish flexible education and training systems and modernize curricula considering the digital transformation and green transition, enabling students to combine education and professional work experiences. It will be critical to encourage students' interest in STEM disciplines, giving due attention to the gender dimension and incorporate feedback from employers on the practical needs of the labor market in education and training programs to address the skills gap;*
- *Address barriers to youth entrepreneurship through tailored training and mentoring programs for young entrepreneurs, as well as improved access to finance through programs such as the provision of grants or financial incentives to start a business;*
- *Strengthen collaboration with the private sector and key stakeholders to foster apprenticeship and internship programs, increase employers' capabilities to hire young people and provide job learning opportunities.*



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