



# BUSINESSatOECD

## ***Business at OECD (BIAC)***

**“Working together, upholding our values”**

*Our contribution to the OECD Ministerial Council Meeting*

OECD Ministerial Council Meeting, 31<sup>st</sup> May-1<sup>st</sup> June 2021 (Part 1)



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## ***Three pillars for working together, upholding our values***

Working together and upholding our values have been two central themes for us in the past year. As the OECD convenes Ministers in 2021 through its Ministerial Council Meeting, we have an opportunity to show the power that multilateralism brings to tackling global challenges and designing a sustainable future. We can only reach these goals if we implement solutions in partnership.

We extend our sincere thanks and congratulations to Secretary General Angel Gurría. His exceptional leadership of the OECD over the past 15 years has increased the relevance and impact of OECD global standards, analysis and advice. He has embodied the spirit of working together by engaging *Business at OECD* (BIAC) and TUAC as institutional partners in all aspects of OECD policymaking.

We warmly welcome the incoming OECD Secretary General Mathias Cormann and look forward to a fruitful cooperation to convincingly show the value of international approaches as a means to deliver clear benefits for business and societies.

Our contribution to Part 1 of the OECD Ministerial Council Meeting addresses three pillars:

1. Business perspectives on shared values for our future,
2. Our ten cross-cutting business priorities for a sustainable recovery, and
3. The OECD vision for the next decade: What business needs from the OECD.

Across these pillars, we outline how working together, across sectors, government agencies, and stakeholders holds the key to success for an inclusive and sustainable recovery from Covid-19 and to establish goals for the future.

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## **Pillar 1: Shared Values for our Future**

The Covid-19 pandemic has shown that global solutions are the only effective answer to global challenges, and that the OECD is integral to delivering answers. Producing cross-cutting policy guidance for a recovery that is pro-growth and pro-prosperity is what the Organization does best.

As business, embracing shared values includes working with governments so that our entrepreneurs and companies can operate in global markets within predictable and transparent policy frameworks, while creating ample opportunities for the participation of people in the economy. This Ministerial Meeting is an opportunity to better design shared areas of collaboration, in particular in those fields that the pandemic showed are inextricably linked. Without horizontal collaboration across government agencies, our response to the pandemic and ability to apply lessons for the future will be suboptimal at best.

While the short-term economic outlook is improving, our 2021 *Business at OECD* Economic Survey shows there are tangible risks across OECD countries, sectors, and underlying structural issues. There is no time for complacency: addressing these risks is fundamental to achieve an effective and sustainable recovery.

Pro-growth policies that draw on the strength of the private sector are critical to address longer-term economic challenges that preceded the pandemic, including high indebtedness, weak productivity growth, and population ageing. We need to develop more targeted policies to get companies back on a sustainable growth path and boost their solvency. We also need to ensure that a phase out of support measures is gradual and avoids “cliff edge” effects. At the same time, clear criteria are needed that guide phase out to avoid that emergency measures distort market functions beyond their useful life.

Structural policies are also critical. The green transition, digital transformation, human capital formation, efficiency of general taxation/tax structure, and data governance/data protection are the top 5 reform priorities our members identified for 2021—key areas where the OECD can play a leadership role. We have observed in the past months that some economies have expanded swiftly—partly in countries with high vaccination rates and growth-inducing policies, including uptake of digital technologies, while others have contracted as a result of extended lockdowns and slow vaccination rates. This divergence must be addressed and taken into account as national governments pursue their respective pandemic recovery efforts. It has become clear that there are limits in recovery even for the most developed economies, if trading partners remain handicapped by the pandemic.

The rapid production and effective global rollout of vaccination remains the top priority to exit the Covid-19 crisis. OECD countries are in different phases of this crucial effort. As vaccines become more broadly available and larger parts of the population are able to access them, our multistakeholder efforts should focus on keeping up momentum to ensure that the vaccination rates can be as high as possible. Business should be actively engaged in the rollout process. Addressing vaccine hesitancy should be a top priority for all of us. Without reaching community immunity, the risk of new dangerous variants will increase. With regards to vaccine manufacturing and distribution, intellectual property protections are not a barrier to access, but essential to address the challenging task of scaling up production to meet global demand. Export controls threaten global value chains, thus undermining vaccine production. In order to avoid bottlenecks, business needs adequate and timely information on any policy initiatives that potentially impact supply chains.

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Keeping markets open and implementing pro-trade, pro-investment policies, as well as fostering international regulatory coherence and coordination, which supports business-led growth, will also be essential for a sustainable recovery. We stressed the centrality of this message in our participation to the 2020 OECD Ministerial Council Meeting. The OECD should work with policymakers to reduce barriers for foreign investment, carefully considering the extent to which sovereign prerogative should be exercised in order to protect national interests, and ensure a robust and reliable intellectual property protection environment. The OECD message on open markets should be consistent and clear across the Organization.

As countries face a double challenge of enabling travel while keeping populations safe, we will continue to provide input to the OECD Initiative for Safe International Mobility. Tourism is an engine for job creation and inclusion. We thus welcome international coordination that can allow travel to resume as safely as possible, leveraging vaccination certificates and measures that will control the transmission of Covid-19. As it seeks to develop coordination, the initiative should provide clear and separate guidelines to limit the spread of new variants of concern as they are identified.

Given the current accelerated digital transformation, business needs OECD policy guidance on cutting edge “frontier” issues, including an integrated policy framework for data governance, building on relevant OECD legal instruments. This deliverable would enable business and governments to advance and diffuse the economic and social benefits new technologies and emerging business models can bring.

There is no Covid-19 recovery without jobs. Entrepreneurs and companies need improved incentives to hire and keep people employed, including reductions of the tax wedge and re-training for those who have lost their jobs. High youth unemployment calls for targeted upskilling measures and programs such as apprenticeships, internships and work-based learning. Our Business for Youth campaign identifies tangible initiatives and policy recommendations, which our global network has developed to integrate young people in the labor market, with the aim to inform better policies in support of this important objective. Our advocacy for open markets can only be complete if we engage young people into our economies and societies.

Our experience with Covid-19 has further illuminated the urgent challenges we face ahead regarding the environment and climate. Economic stimulus measures should help restart our businesses while yielding “double dividends” towards addressing climate change. To further support the integration of climate change factors into resilience-building efforts going forward, we look forward to conveying global business inputs to the forthcoming OECD Horizontal Project on Building Climate and Economic Resilience in the Low-carbon Transition. We will also engage with the OECD’s International Programme for Action on Climate to ensure progress towards climate policy objectives through evaluation of climate action and good practice sharing, bearing in mind that a global political consensus is necessary to address climate change, and a major issue that must be acknowledged and addressed in a business-friendly manner is transition.

As the OECD turns 60, the Organization should lead strategic forward-looking efforts to advance preparedness measures against future crises and potential economic and societal shocks. While we all hope not to face another crisis like Covid-19 in our lifetimes, we must adequately prepare for any potential disruptions. In the meantime, our collective response to Covid-19 should both help the sectors that have been hit hardest and build a better architecture that is able to achieve important long-term policy objectives.

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The OECD should also have a foresight approach as part of its Committee work towards future challenges, favoring close engagement of the OECD’s institutional stakeholders—*Business at OECD* and TUAC—to create a strong footing for the next decade.

## **Pillar 2: Our 10 Cross-Cutting Policy Priorities for a Sustainable Recovery**

### **1. Boost the recovery through business-led growth and competitive markets**

As we move towards recovery, we cannot rule out further cycles of accelerating viral contagion and tightening restrictions, which would bring adverse consequences to people’s health and the economy. We must avoid long-term damage to our society’s socio-economic fabric.

*Recommendations to the OECD:*

- Support governments in developing pro-growth and pro-prosperity agendas, allowing for a business-led recovery. In addition, advice on how stimulus programs can lead to structural, transformative programs and projects for the economy is needed. Pro-growth and pro-prosperity policies go hand in hand when they encompass domestic policy measures that enable people to participate in the economy and to contribute to prosperity.
- Encourage governments to recognize that access to private capital is necessary for recovery and must be facilitated through strong public-private sector collaboration. Similarly, we must develop long-term, sustainable approaches that avoid excessive indebtedness.
- Promote a gradual, tailored phase out of support measures, instead of abruptly ending public support to provide businesses and society with the necessary time to adapt. The OECD can advise on how and when to best exit depending on country- and sector-specific circumstances, providing exemplary criteria that can be used to determine when a phase out is warranted and possible.

### **2. Ensure fair and growth-oriented taxation**

A pro-growth tax policy is critical to achieving a sustainable recovery from the Covid-19 crisis. As corporate taxation remains central on the political agenda, 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 and a level playing field that promotes cross-border trade and investment, and facilitates tax dispute prevention and resolution.

*Recommendations to the OECD:*

- Implement the OECD international tax standards to ensure 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.
- Reach a sustainable multilateral consensus by mid-2021 on guidance for the OECD/G20 Inclusive Framework Project on the taxation of the digitalizing economy, 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.

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### 3. Promote open markets for a sustainable economic recovery

Open markets and international trade and investment are essential to foster future competitiveness and growth. A predictable regulatory, trade and investment policy environment is indispensable to alleviate uncertainty about the framework conditions, in which global supply chains operate. Coordinated, coherent and cooperative international approaches are the only way to maintain trust in our rules-based international system.

*Recommendations to the OECD:*

- Provide evidence on how to better prepare for future crises without disrupting supply chains and minimizing restrictions at a time when global trade, investment and the international mobility of people are essential for innovation, job creation, and getting our economies back on track.
- Emphasize that an evidence-based reduction in tariff and non-tariff barriers is an effective tool in stimulating the economy, ensuring that critical products reach consumers, and the safeguarding of food security.
- Step up its messaging on the critical role of an open investment environment, building on the principles of the OECD Policy Framework for Investment, the OECD Declaration on International Investment and Multinational Enterprises and the OECD Guidelines on National Security.
- Provide support where necessary and appropriate for the work to be performed in re-invigorating the World Trade Organization, which plays an essential role in our rules-based system of trade and investment.

### 4. Create the conditions for a job-rich recovery

The labor market faces multiple disruptions that policymaking and social dialogue should address in the coming months—we highlight in particular the importance of integrating young people into the labor force. We have recently laid out a vision for a job-rich future of work in an Ambassador Briefing we held in April 2021, calling for dynamic labor markets, improving skills and employability, and inclusion and diversity.

*Recommendations to the OECD:*

- Address the double skills gap of re- and upskilling through research on innovative finance mechanisms, guidance and support to increase workers' ability and motivation, and ways to encourage a skills-first approach to hiring.
- Advance curricula and education system reform to reflect modern disciplines, technology and entrepreneurship, including soft skills and other competencies, and focus on teachers' training for new and evolving learning environments.
- Boost opportunities for youth employment through targeted upskilling measures and support for enhancing the inclusion of young people in the labor market, including through apprenticeships and work-based learning.

### 5. Treat health as an investment in our future

The pandemic has made it clear that health policy cannot be hostage to discussions on cost containment. OECD countries face a double challenge: addressing non-communicable diseases, the largest cause of mortality, and ensuring that the recovery from Covid-19 does not compromise our

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health systems' sustainability. Our call for horizontality is as timely as ever: bringing together employment, innovation, finance, and health agencies to design a better ecosystem for innovation and healthcare delivery.

*Recommendations to the OECD:*

- Conduct research on the incentives that are needed to address what works best should a new infectious disease or another emerging health threat reach pandemic levels, including anti-microbial resistance. This is why we call on the OECD to boost its capacities to address health preparedness and security.
- Evaluate what makes an effective public-private partnership in the fields of innovation and healthy lifestyles and encourage scaling up of initiatives that have tangible impact. No stakeholder alone can achieve the prevention efforts needed to address chronic illness.
- Analyze the mental health impacts that could hinder people's well-being and their productivity arising from extended periods of social isolation and from the consequences of sudden and massive job losses following the pandemic.
- Promote the digital transformation of healthcare systems and thereby optimize healthcare outcomes, while also encouraging individual well-being.

## **6. Leverage data-driven innovation and digital technologies**

OECD standards and related evidence on digital policy are critically important for business to enhance trust, support cross-border data flows, and advance breakthrough applications and uptake of digital technologies across sectors. We look to the OECD to deliver consistent and coherent digital policy frameworks for data driven innovation and emerging digital technologies, including Artificial Intelligence and Blockchain.

*Recommendations to the OECD:*

- Advance coherent and globally interoperable data policy frameworks that can lead to more responsible data sharing and collaboration, enforceable cross-border data flows with trust and data driven innovation.
- Deliver policy guidance that supports the creation and maintenance of innovative, resilient, safe and secure communications systems, networks and digital content.
- Formulate policies through multi-stakeholder collaboration that foster sustainable investment in secure digital infrastructure and capacity.

## **7. Advance a clear and common vision of a sustainable green recovery**

OECD cross-cutting work should safeguard economic growth, jobs and incomes, and address important long-term policy objectives where possible, particularly regarding climate change risks, increasing resource efficiency, ensuring energy security, clean water and sanitation, and preventing biodiversity losses. Safeguarding the effectiveness and cost-efficiency of green stimulus measures is paramount.

*Recommendations to the OECD:*

- Advance a clear vision of a sustainable green recovery from the Covid-19 crisis, and develop evidence bases on global environmental priorities, including climate, resource efficiency, and

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trade and the environment, for well-designed policies that support green ambitions that go hand in hand with economic growth, productivity and job-creation. This should also include working towards international regulatory alignment on relevant green policies.

- Ensure that economic stimulus measures to help restart our businesses and sectors can yield “double dividends” towards addressing climate change, increasing resource efficiency, clean water and sanitation, and preventing biodiversity loss, while safeguarding their effectiveness and cost-efficiency.
- Provide a platform for member states to exchange best practices on upskilling, regulations and support measures for the green transition and coordinate large-scale green investments.
- Carry out comprehensive analysis of the effects of carbon pricing and other policy tools on our economies and societies before taking rushed steps. Especially in the context of socio-economic impacts of the crisis, we need a clear assessment of impacts on business and stakeholders.

## **8. Ensure responsible conduct and integrity**

Responsible business conduct, sound governance, and integrity have always played an important role for business, but have become even more crucial for both the public and private sector in the context of the Covid-19 crisis, not least considering sizable support packages. As policy makers look to the OECD for guidance and analysis, consultation with business is key to ensure implementation and effectiveness of policy advice.

*Recommendations to the OECD:*

- Foster public-private cooperation to address corruption, foster public integrity, address the demand side of bribery, promote effective use of technology, enhance and incentivize compliance, and continue efforts to address corruption risks in state-owned enterprises.
- Consult with business appropriately as the OECD takes stock of its Guidelines for Multinational Enterprises and reviews its Corporate Governance Principles. We further need continued focus on an effective and balanced implementation of key OECD instruments in adhering countries and beyond.
- Support and strengthen the efforts of the OECD Task Force on Countering Illicit Trade as the issue hampers economic recovery and sustainable development efforts, generates considerable losses of economic value, and is often associated with criminal activity.

## **9. Address issues in emerging economies and capacity building**

While OECD countries still dominate the world economy, emerging and developing economies account for an ever-increasing share of global GDP. As these countries provide important market opportunities for business, spreading good policy practice and encouraging adherence to OECD standards should be aimed at fostering enhanced productivity growth, a level playing field across markets, and global progress towards the achievement of the 2030 Agenda.

*Recommendations to the OECD:*

- Seek credible commitments from major emerging economies—including the People’s Republic of China—to ensure that the OECD’s evidence-based dialogue and standards can help level the playing field for business and prevent economic decoupling at global level.

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- Call on governments to continue their official development assistance efforts and foster approaches that crowd in private investment, given declining financial resources and increasing financial needs of developing countries.
  - Leverage its analytical capacities to assist developing countries, including through further developing statistical frameworks to better understand the cover major development assistance agencies provide with a view on identifying gaps and further leveraging private sector finance.

#### **10. Support smaller companies in their recovery efforts**

SMEs and entrepreneurs have been at the frontline of the Covid-19 crisis as they are often overrepresented in the most affected sectors and have on average lower capital buffers and resources to adjust. In order to avoid lasting damage, policy-making that aims at being inclusive and leaving no one behind must therefore address the particular challenges SMEs and entrepreneurs are facing.

*Recommendations to the OECD:*

- Produce best-practice advice on how to foster SME and entrepreneurship activities, including finance, participation in global value chains, the reduction of administrative hurdles, and employment and self-employment policies.
- Further advance its projects on SME digitalization and financing for sustainability, which are essential for addressing both short- and longer-term challenges.
- Coordinate with business to collect practical solutions for advancing digital technology, including for enhanced access to education, training, upskilling and increased technology adoption as part of capacity building for SMEs, with a focus on high-growth firms and scale-ups.

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### **Pillar 3: The OECD Vision for the Next Decade: What Business Needs from the OECD**

The OECD and the multilateral, multi-disciplinary approach it represents must be a platform where governments can exchange best practices, conduct rigorous peer reviews, organize international collaboration and coordination, and design global answers to drive reform and effective policy implementation. The work of the OECD must thereby be evidence-based, practical, and actionable at national level. These objectives should allow the Organization to ‘promote economic growth and healthy labor markets, boost investment and trade, support sustainable development, raise living standards, encourage smart regulation and improve the functioning of markets’ as underlined in the Organization’s last Vision Statement. Looking ahead, we recommend a strategic focus on the following four actions: advocate, think ahead, unite, and engage.

#### **Advocate: Uphold the values of open, competitive, rules-based, job-rich and socially sustainable market economies**

The fundamental provisions of the OECD Convention call on the Organization to promote, among others, policies to achieve the highest sustainable economic growth, employment and a rising standard of living in Member countries, as well as to contribute to the expansion of rules-based world trade. The OECD must therefore promote a pro-growth, job-rich agenda that enables open markets and strong market economies, paired with reinforced efforts to maintain and strengthen the global level playing field and foster inclusion by bringing people along in times of fundamental changes.

We need OECD guidance to reflect the fundamental value of market-based economic systems and sustainable, jobs-driven economic growth. We also need the OECD to vigorously and visibly explain why rules-based trade and investment, resilient supply chains, and effective domestic policies and investments in innovation, R&D, education, skills and people are essential to expand prosperity and to reduce inequalities. Global cooperation is essential to make our labor markets more efficient and resilient in the recovery from the crisis.

We need the OECD to focus on how people, including the young, women and minorities, can participate fully in our economies and societies, adapting to a changing global environment. Inclusiveness means providing equal opportunities and equipping people with the right skills and tools to participate in the labor markets of today and tomorrow. The OECD has the insights to show how policies for open markets and inclusive, democratic societies go hand in hand and to foster results-driven approaches towards education, skills and public-private dialogue, which will also be key to prevent a ‘lost’ young generation.

#### **Think ahead and innovate: Improve the OECD’s strategic foresight function**

A first priority for the OECD is to evaluate countries’ experiences in the current Covid-19 crisis, considering what has worked and what has not, in order to inform more effective policy responses during potential future emergencies. Yet, the OECD will also have to look beyond the current crisis, monitor developments in the world economy and address other key challenges ahead of us. For this, we need the OECD to leverage its cross-cutting, unbiased expertise to foster forward-looking and integrated approaches, which consider long-term economic trends and interconnectedness of policy issues such as global supply chains, trade and the environment, biodiversity and food security, digital economy and illicit trade, just to name a few.

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It is essential for the OECD to anticipate more effectively factors that could escalate to future crises as well as to develop action-oriented holistic foresight frameworks across policy areas to ensure that the OECD can continue to deliver truly impactful policy advice to its members.

This could include addressing health as a strategic pillar for long-term stability, a goal that would require engaging in health preparedness and undertaking initiatives to identify potential risk factors. The OECD should also consider approaches to address rising public and private debt as well as initiatives aimed at easing pressures on social security systems in the context of ageing societies. In addition, the OECD should encourage member countries to leverage investments to deliver secure critical digital infrastructure. We further encourage continued analysis on environmental risks, including climate change and biodiversity loss, which endeavors to identify how such risks will affect other policy areas. The private sector should be seen as a solution provider to such efforts, including through its capacity to provide critical long-term investment that drives productivity growth.

Thinking ahead also requires a focus on innovation, which brings vast benefits to consumers and businesses and underpins long-term economic growth. The OECD should thus play a key role in providing governments with the analytical basis to develop innovation policies that are both effective and economically efficient. Notably, the OECD should promote enabling frameworks to develop and widely deploy technologies, know-how, management systems, and policy approaches that help address current and future challenges and create new opportunities for recovery, shared prosperity and sustainability.

#### **Unite: Show that concerted efforts are more effective than unilateral approaches**

We live in a fast-paced world where decisions are quickly made to respond to public expectations. The OECD has a key role to play in fostering global governance by regularly convening policymakers from OECD countries and providing a platform that compares the effectiveness of policies and identifies solutions to common problems, in close cooperation with its institutional partners.

The pandemic, causing spillovers in policy making across the board, has further underlined the importance of breaking down policy silos between policymakers. The OECD should thereby promote and lead cross-cutting discussions on the topics that will define the next decade, including digitalization, tax, climate, health, trade and investment, finance, employment and skills—just to name a few—and consider how they relate to our economies and the people who drive economic activity. This also includes promoting rule of law and fighting corruption, which are essential to uphold fairness and peoples' trust in institutions.

With a view on enlargement, the OECD should remain open to new members, while strengthening the Organization's ability to develop coherent policy advice through this exercise. Any candidate country must therefore prove that it is like-minded and committed by providing a track record for promoting open markets, ensuring legal certainty, and demonstrating its capacity and willingness to enforce OECD principles and standards.

In addition, we need to broaden adherence to key OECD instruments in order to strengthen the global level playing field and reinforce dialogue with the OECD's key partners to follow core OECD standards in important areas of economic governance. The OECD's comprehensive approach to fostering development globally should continue, highlighting critical interlinkages across policy areas within the Organization. Public-private partnerships and collective action are critical in this regard, as well as close

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collaboration with other international organizations. Mechanisms should be in place to ensure that adhering countries live up to the commitments of OECD instruments.

### **Engage: Foster effective communication and dialogue**

In a world in which the amount of information, including disinformation, and news sources are constantly growing, the role of the OECD as a provider of reliable economic evidence is ever increasing. To thrive, the OECD must maintain and enhance its reputation as the world's center of excellence for credible, evidence-based data and economic analysis. Effective communications strategies will ensure that the OECD's work does not sit on shelves, but reaches policymakers, businesses, and society—leading to effective implementation of policy recommendations.

The public at large continues to have an increasing influence on public policy discussions. The OECD must therefore reinforce its efforts to produce succinct, targeted deliverables and turn evidence into effective communications that the wider, diverse public can access and relate with to ensure that empirical truths overcome sensationalist arguments. This is particularly important to foster public understanding of the value of multilateralism and market-based economies.

Effective communication goes hand in hand with engagement with key stakeholders. As an institutional stakeholder offering representativeness, inclusiveness, independence, objectiveness and broad based policy orientation, *Business at OECD* has extensively contributed to the development of major initiatives and conveyed structured insights for almost 60 years, providing objective and comprehensive business advice. We stand ready to support the OECD and governments in addressing the global challenges ahead of us over the coming decade.

#### *Turning a vision into action*

We hope that the vision for the next decade the Council will adopt on the occasion of the OECD's 60th anniversary will enable the Organization to re-affirm and evolve its longstanding roles, first, as an authoritative voice on open, competitive and rules-based market economies; second, as an undisputed convener and promoter of inclusive multilateral approaches, a champion and platform for dialogue with representative stakeholders, and public private partnerships and third, as a pioneer for policies that keep markets open, fair and inclusive.

With a view on driving action and self-evaluation, we would further suggest reviewing on a regular basis progress, gaps and opportunities for delivering on the goals the Organization sets for this upcoming decade of action.





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