



## **G8 Business Declaration**

### **Joint Statement of the G8 Business Organizations**

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Confederation of British Industry – CBI

Confederation of Italian Industry – CONFINDUSTRIA

Federation of German Industries – BDI

Japan Business Federation – Nippon Keidanren

French Business Confederation – MEDEF

Russian Union of Industrialists and Entrepreneurs – RSPP

The Canadian Chamber of Commerce

United States Council for International Business – USCIB

BUSINESSEUROPE

We, the leaders of the key business organizations of the G8 countries have gathered on 25 April 2007 in Berlin to discuss urgent issues concerning the global economy. These matters, and our deliberations on them, are to be taken up for consideration by the Heads of State at the G8 Summit in Heiligendamm.

We are pleased to note that this year's G8 summit which has "Growth and Responsibility" as its theme attempts to respond to the central challenges facing the global economy. The G8 countries still account for 63% of global GDP, 60% of global direct investment, and 50% of global trade. However, newly emerging countries are playing a more important role in the global economy, which creates both opportunities and challenges for global governance.

We emphasize that business makes substantial contributions to finding solutions to these challenges. Our member companies are deeply engaged in the global economy. They are the primary agents of economic activity, trade, investment, and technological innovation. They drive growth and prosperity, create the jobs, provide the economic basis for the social infrastructure and often have the innovative capacity to help address the problems facing humanity. The business community is well aware of its responsibility to work with governments to meet these challenges and realize these opportunities.

We believe that there is a political responsibility to examine whether existing policies are still appropriate and to establish new policy guidelines where reasonable. In this context, the leaders of the G8 nations are confronted with a two-fold challenge. On the one hand, they must increasingly keep a close eye on the conditions for sustaining the international competitiveness of companies in times of growing competition. On the other hand, they must recognize that effective responses increasingly require international cooperation. In particular, this means intensifying the dialogue with newly industrializing countries. Shaping globalization is a task not only for the G8 countries.

Therefore, we call on the leaders of the G8 countries to ensure the adoption, promotion and implementation of the right set of initiatives and responses during their summit in Heiligendamm. We call on G8 governments to address mounting challenges to the trading system, the international investment regime, the efficiency of capital markets, the structure and rules for enforcement of intellectual property protection, and global environmental conditions, while keeping all energy options open. G8 governments must establish and maintain appropriate policies in these key areas so that international business can play its part to promote sustainable economic growth and create the wealth essential for economic development.

## **Growth and Free Trade: Concluding the Doha Round**

The successful conclusion of the current WTO round will increase economic growth, reduce poverty, further integrate developing countries into the global economy, and improve this vital global framework for expanding trade and investment. However, the negotiations have dragged on for five years without any tangible result. Meanwhile, protectionist pressures are growing in some G8 countries.

### **Action:**

G8 governments, as a matter of urgency and top priority, should take immediate action to break the current political impasse of the Doha Round, particularly on agriculture, to secure a result that includes reductions in trade-distorting agricultural subsidies and tariffs, a significant reduction in applied tariffs on manufactured goods in both industrialized and newly industrialized countries, substantial further liberalization of trade in services, improvements in trade facilitation, and strengthened WTO rules. All key players in the negotiations, including the newly industrialized countries, must demonstrate the necessary flexibility to achieve an ambitious result.

## **Growth and Innovation: Fostering Intellectual Property Rights**

Piracy of intellectual property remains a serious worldwide problem for business, governments and consumers. Even where countries have adequate policies and legislation, effective enforcement is lacking. Intellectual property protection is essential to foster technological innovations and maintain the quality and safety of products.

### **Action:**

G8 governments should increase their intergovernmental coordination to enforce intellectual property rights and also engage in a coordinated, constructive dialogue with newly industrializing and developing countries to improve enforcement worldwide. They should also support business efforts to reduce the demand for counterfeit products. We support the efforts of both business and governments to jointly address global counterfeiting and piracy and we support the development of specific joint strategies for consideration by the G8.

### **Growth and Open Markets: Providing Freedom of Investment**

Another challenge is the growing trend of governmental intervention—in a wide variety of sectors—to block or impede cross-border investment in the name of enhanced national security or to protect so-called strategic sectors of the economy. Ironically, the main interventionists include the G8 countries, the very nations that have gained most from open investment policies with strong protection for investor rights. The task of safeguarding national security is legitimate, but it must not serve as an excuse for arbitrary discrimination, unnecessarily burdensome regulation, or be used to gain commercial advantage.

**Action:**

G8 governments should take action at the highest level to avoid investment protectionism and to reaffirm, in word and practice, the open investment policies and commitments to investors' rights that have served as a key agent of economic growth, including technological innovation, in recent decades. Business calls for greater transparency and predictability in government investment decisions.

### **Growth and Stability: Enhancing Efficient Capital Markets**

The efficient functioning of international capital markets is crucial for global growth and prosperity. For several years hedge funds have played an important role in capital markets. We see enhanced transparency as contributing to market discipline and reducing risk.

**Action:**

G8 governments should address issues aimed at maintaining the stability of capital markets, including the development by market participants of transparency standards and options for mitigating financial market risk.

### **Growth and Climate Protection: Strengthening eco-efficient Technologies**

Given the evidence that global climate change is underway, there is a very high value put on governmental and private sector cooperation to respond to growing energy demand while addressing climate change risks through mitigation, sequestration and adaptation. It is in the fundamental long-term interest of industrialized and newly industrialized countries to increase energy efficiency significantly in a manner that promotes sustainable economic growth. Business is already taking important steps to increase energy efficiency and to innovate new energy technologies. Consistent and coordinated long-term governmental policies will help industry to step up its efforts to effectively address the issue.

#### **Action:**

G8 governments should promote, as an urgent matter, the creation of long-term value for green house gas reductions and partnerships with rapidly industrializing countries. They should develop long-term, market oriented policy frameworks to encourage improvements in energy efficiency and the application of new technologies. Voluntary international standards could play a role in this regard. Governments should not, however, attempt to dictate preferred technologies or energy sources, which would only dampen innovation and stifle progress.

### **Growth and Development: Facilitating Private Sector Activity in Africa**

Economic opportunities for Africa have improved: conflicts in several countries have been settled, and average growth rates have increased. However, deficits in infrastructure, education, health, public governance and economic management persist. The private sector is the driving force behind development. Poverty reduction strategies will therefore only be successful if trade and private investment are facilitated. But private sector involvement requires suitable framework conditions.

#### **Action:**

G8 governments, in collaboration with African governments, should improve framework conditions, particularly in public governance and property rights, and support new participants in development cooperation to follow internationally recognized standards. As substantial public funds are still required for infrastructure, quality aspects and life cycle costs should increasingly guide development projects. Public private partnerships and means of protecting investments should be expanded.

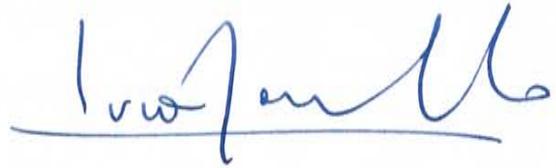
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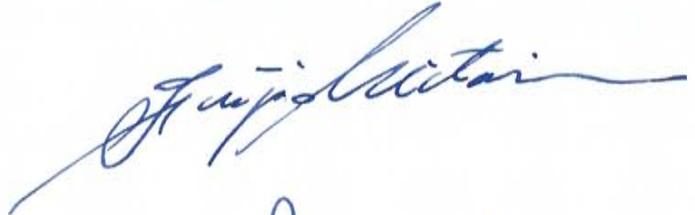
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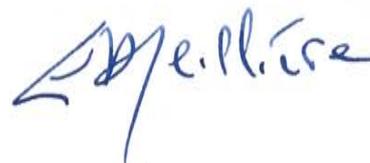
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## Background Document

### Main Areas of on-going Work

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## 1. Growth and Free Trade: Concluding the Doha-Round

We emphasize that the WTO negotiations of the Doha Development Agenda must be concluded successfully this year. The Doha round is the most important global politico-economic project at this time. We welcome the formal resumption of negotiations. A successful round could achieve lasting improvements in the Framework conditions for the global economy and establish a solid foundation for the further expansion of international trade and cross-border investments. The Doha round could assist in integrating developing countries into the world trading system, and thus contribute substantially to the fight against poverty. All WTO members must therefore make the best use of the available opportunities to conclude the negotiations successfully.

Therefore, we urge the leaders of the G8 countries to reach the compromises that are so urgently required. Flexibility and willingness to compromise are required of all key players in the WTO negotiations, including the major newly industrializing countries. They must all contribute substantially to the successful conclusion of the round.

We emphasize that the negotiations must not be allowed to fail due to conflicts over international agricultural trade. We support the reduction of trade-distorting agricultural subsidies and tariffs. The objectives must be ambitious. While we acknowledge the political sensitivities surrounding this issue, the current offers by key players are insufficient.

We emphasize that despite the key role played by the agricultural negotiations the dismantling of industrial tariffs and the abolition of barriers to the international trade in services must not be neglected. In our view, the success of the Doha round hinges on whether it will succeed in noticeably improving the conditions for market access in the OECD and in newly industrializing countries. The WTO negotiations must lead to a significant reduction in the applied tariffs and non-tariff barriers in industrialized and newly industrializing countries, to a further liberalization of trade in services and an agreement on trade facilitation. The consolidation of the status quo will not be sufficient to provide new impetus to global economic growth.

We emphasize that developing countries should be supported in integrating more strongly into the global economic system. The further liberalization of the markets of the industrialized and newly industrializing countries represents an important contribution in this regard. However, additional concrete assistance in strengthening the ability of the developing countries to export goods and services is also important. *Inter alia*, this includes the modernisation of customs procedures, a key element of trade facilitation and the support to ensure compliance with international standards. Regional integration and the promotion of intra-regional trade play an important role and should be supported whole-heartedly. We welcome the fact that the leaders of the G8 countries have recognized this, and that "Aid for Trade" has been made an important component of development cooperation. Initial successes are encouraging, but much work remains.

We emphasize that the international trading system cannot be truly global without the Russian Federation's membership in the World Trade Organization.

## 2. Growth and Innovation: Fostering Intellectual Property Rights

Innovation is the crucial driver for long-term economic growth. Technical progress increases productivity; it is the key factor in determining industry's competitiveness. This not only applies in the case of the G8 countries and the other highly developed economies, but increasingly also in those newly industrializing countries that are developing clearly focused innovation strategies. One key aspect of such entrepreneurial innovation strategies is a high degree of protection of intellectual property. Intellectual property protection is essential to foster technological innovations, to create the necessary incentives for investments and to maintain the quality and safety of products.

We acknowledge that in most countries, substantive law often provides effective protection of intellectual property, for instance by means of customs regulation, patents, trademarks or copyrights. However, the effective enforcement of intellectual property rights remains to be strengthened in many countries. In the case of an infringement, the holders of rights often do not have a sufficient range of effective enforcement instruments at their disposal in order to effectively combat counterfeiting and piracy. Counterfeiting and piracy not only result in staggering monetary losses for companies and governments worldwide, but also act as disincentive for investment, creativity and growth and jeopardize consumers' health. This illegal activity can flood markets with inferior and sometimes lethal consumer products and has been linked to organized criminal activity. Currently, it is estimated that approximately 2-3% of the hard goods traded across borders, roughly 200 billion US\$, are affected by counterfeiting and piracy. This percentage represents only a subset of the problem and when domestic piracy and counterfeiting as well as Internet crime are considered, the percentage becomes larger and the losses amount to many hundreds of billions of dollars across the global economy. In addition, such piracy reduces the entrepreneurial incentive to invest in development of new products. An OECD study is currently examining the full extent of the economic impacts of counterfeiting and piracy.

We welcome this OECD initiative as a step towards understanding the full extent of damage caused by counterfeiting and piracy. And we also point to a large number of other high-level initiatives by which the private sector – recently also increasingly in collaboration with the public sector – has implemented concrete measures for improving the level of protection for intellectual property. ICC's Business Actions to Stop Counterfeiting und Piracy (BASCAP) represents a very good example of such private-sector initiatives by encouraging more vigorous government action.

We call on the leaders of the G8 countries to engage in a constructive dialogue with the newly industrializing and developing countries in order to identify and contain the sources of counterfeit products.

First of all, reinforcing the fight against criminal networks that feed the markets with dangerous counterfeited goods could reduce significantly the losses of consumers and business. To that aim, anti-laundering money measures and anti-corruption modalities (e.g. confiscation and restitutions) should be reformed to comply with international standards such as the Financial Action Task Force (FATF) recommendations.

Furthermore, it is important to agree on concrete measures among the G8 countries that can be implemented immediately and that improve the protection of intellectual property, such as linking our customs authorities with the help of new, computerised information systems. We

support the leaders of the G8 countries in increasing public awareness of this issue in the industrialized nations as well as in the newly industrializing nations and with developing countries.

By conducting awareness campaigns, the private sector is also trying to enhance public awareness of the fact that intellectual property has a substantial value. Starting with education but not limited to such, the private sector intends to enhance public knowledge also on the substantial losses incurred when intellectual property theft is not acknowledged and addressed. Campaigns such as the World Intellectual Property Day set up by the World Intellectual Property Organization (WIPO) for 26 April each year make a good starting point. In this context, one could designate a certain week for such campaigns. By intensifying the exchange of information within the private sector and closely collaborating with the prosecuting authorities, we can also contribute considerably to combating piracy.

For this purpose, the private sector representatives of the G8 nations – together with their respective governments – are developing common prevention strategies designed to improve the situation. These strategies are meant to increase the awareness of the private sector and to improve the transparency of the measures (legal, political, business and technical) which business can already take. Further, common prevention strategies aim to give special guidance to small and medium sized enterprises. The G8 countries believe that discussing prevention strategies is an excellent starting point for additional joint actions.

Further improvements could include the enhancement of information exchange between the G8 countries, engagement in a coordinated, constructive dialogue with newly industrializing countries, support for capacity-building and the creation of an improved international legal framework for combating counterfeiting and piracy. Such capacity-building could even be integrated into an existing anti-counterfeiting intergovernmental organization such as the WIPO, benefiting from its significant experience in that particular field and its extensive network.

### **3. Growth and Open Markets: Providing Freedom of Investment**

We emphasize the importance of open markets for sustainable growth and lasting prosperity. The more open the markets are, the larger the incentive is to acquire individual skills and to develop new products and procedures through innovation. Countries with open markets benefit from an international exchange of ideas, and thereby take part continuously in technological progress. Foreign direct investment has played and will continue to play an important role in the development of economies in many regions of the world.

We note that the global economic integration has increased in depth and in breadth. Global foreign direct investment increased by 27% in 2005, reaching 916 billion US\$, of which 41% was invested in newly industrializing and less developed countries. Cross-border mergers were significant contributors to this growth in foreign direct investments. In 2005, 30% of all M&A activities represented cross-border transactions.

We are concerned about the political influence that is increasingly being exerted over cross-border investments. A variety of reasons are used as a justification for reviewing, regulating and restricting cross-border investments. Specific statutory provisions have been enacted or are being

considered in individual countries to prevent foreign ownership. In addition, there is a wide range of informal barriers that may continue to impede foreign direct investment.

We agree that investments and mergers should take place within a secure and transparent legal framework. The respective rules and provisions should be clearly defined, and detailed procedures should be established specifying the decision making process. Also, the legal provisions should be transparent and predictable and conform to international commitments (e.g. GATS). As a matter of principle, the origin of the investor should not play a role in this context. The task of safeguarding national security is legitimate, but it must not serve as an excuse for arbitrary discrimination, unnecessarily burdensome regulation, or be used to gain commercial advantage. National security concerns must not be used as an instrument to protect specific industries from foreign competition.

We welcome the fact that the OECD has incorporated the issue of freedom of investment in its work programme. First analyses have led to an increase in transparency concerning the regulation of cross-border investments in industrialized countries. In order to address the issue appropriately and to advance the concepts underlying freedom of investment, the OECD requires the political support of its members, in particular from the G8 countries.

We emphasize that G8 governments are committed to open investment policies. They should take action at the highest level to avoid investment protectionism and to reaffirm, in word and practice, freedom of investment and the commitments to investor rights that have served as a key agent of economic growth, and technological innovation, in recent decades.

We call on the leaders of the G8 countries to make every effort to support the OECD in its work in promoting freedom of investment. Proposals should be made on the basis of an analysis of the effects of the various legal and political approaches as to how transparency, accountability, and proportionality in regulating investment, mergers, and participation in an economy can be established. Restrictions on foreign investment should only be permissible if they are required as a last line of defence to safeguard key security interests, and if these interests cannot be safeguarded by less restrictive means.

#### **4. Growth and Stability: Enhancing Efficient Capital Markets**

We agree that international capital markets represent an important contributing factor to an economy's success. Their efficient functioning is a crucial condition for global growth and prosperity. Within the financial sector, hedge funds have for several years been among the strongest-growing industries. Hedge funds facilitate the price determination process and eliminate imbalances, thereby exerting a stabilising effect. At the same time, they reduce risk premiums and contribute to an efficient distribution of risks.

We are also aware of the potential systemic risks to the stability of international financial markets that are associated with the large investment volumes of hedge funds. Globally, 9,000 hedge funds currently manage assets of approximately 1.5 trillion US\$. However, this represents only a small fraction when compared to the global market capitalization.

We emphasize that even today, hedge funds are already subject to regulations, albeit of a different type and extent, depending on the country concerned.

Therefore, we welcome the fact that improved transparency and systemic stability of the financial markets in particular with respect to hedge funds are to be discussed within the scope of the G8 summit. Enhanced transparency could increase market discipline and reduce the "counterparty risk", which would make it easier for monetary authorities to address undesirable developments and risks.

We call on the leaders of the G8 countries in particular to allow for the industry's ability to self-regulate. One approach worth considering is a voluntary Code of Conduct that focuses on the hedge funds' quality of corporate governance and risk management. We encourage governments of the G8 countries to support the market by defining transparency standards.

## **5. Growth and Climate Protection: Strengthening eco-efficient Technologies**

We emphasize the necessity for responsible growth. This means that the development of the global economy, global climate protection and the worldwide increase of energy efficiency have strong links. We need a strategic partnership among the G8 countries and the major newly industrializing countries in order to create dependable and sustainable Framework conditions for responsible growth. The partnership must focus on improving access to reliable, affordable and climate-friendly energy services while ensuring power supply security.

Given the evidence that global climate change is underway, there is a high value placed on governmental and private sector cooperation to respond to growing energy demand while addressing climate change risks through mitigation, sequestration and adaptation. A joint approach by the G8+5, which together account for approximately two thirds of global CO<sub>2</sub> emissions, would represent a crucial signal in this regard. Collective actions by these countries are being encouraged, with respect to the multiplicity and flexibility in approaches in accordance with their historical, geographical and cultural backgrounds as well as development stages of the economies.

We are aware that according to estimates by the International Energy Agency, the global demand for energy—if left unchecked—would increase by a third by the year 2020. However, in light of the risks of climate change, it is in the fundamental interest of the industrialized, as well as the newly industrializing countries to significantly increase energy efficiency, and to minimize the increase in energy demand. Business is already taking important steps to increase energy efficiency and to develop and deploy new energy technologies. The use of renewable energies is to be expanded in a commercially efficient manner. Moreover, great efforts are required in order to capture the CO<sub>2</sub> emanating from the fossil fuel combustion process and store it in geological formations, clearing the way to a low-carbon future. And civil nuclear power and clean-coal technologies are likely to play a role in increasing the proportion of low-carbon electricity generation.

We support the G8 in assuming a leading role regarding concrete measures for the intelligent management of energy. We must continue to collectively advance the development and the application of highly efficient technologies. Therefore, it is crucially important to significantly increase research and development expenditures and to create Framework conditions that enable companies to invest in innovative technologies and procedures in a highly competitive environment.

We agree that resolute action is required to limit and adapt to global climate change. Therefore, we call on the governments of the G8 countries, working in partnership with rapidly industrializing countries, to promote creating long-term value for green house gas reduction and to support a long-term, market-based climate policy framework beyond 2012 in order to provide incentives for private-sector investments in the innovation and the modernisation of the current energy systems whose value can be ensured in the long term. Moreover, we encourage governments of the G8 countries to work with business and other partners to develop voluntary international efficiency standards. The distribution of climate-friendly products, systems and services by our companies represent great opportunities for growth and employment.

## **6. Growth and Development: Facilitating Private Sector Activity in Africa**

We agree that the overall economic opportunities for Africa have improved. On the one hand, conflicts in several countries were settled over recent years, and democratic processes have begun. On the other hand, annual average growth of African economies amounted to between 4.6% and 5.9% between 2003 and 2006. The World Bank lists two African countries – Ghana and Tanzania - among the ten countries that have achieved the greatest progress globally in reforming their economic framework conditions.

However, we also acknowledge that Africa as a continent has not yet started on a path of sustainable, self-supporting economic growth. Insufficient infrastructure, deficits in the education and health sectors, lack of transparency and public governance, and poor economic management represent obstacles to the development of many African countries. The United Nations' Millennium Development Goals (MDGs) will only partially be achieved in Africa.

We emphasize that the private sector is the driving force behind a country's economic development – and can thereby contribute to its social development. Strategies for reducing poverty will only be successful if trade and private investment are facilitated. But markets can only be developed if the framework conditions are suitable for private-sector involvement.

We call on the leaders of the G8 countries to work together with the partner governments in Africa towards improving the framework conditions for private-sector involvement in Africa, especially by improving governance. This includes measures to enhance accountability and transparency – in particular in public procurement - as well as measures to improve cross-border procedures and the enforcement of contractual claims and private property rights.

We call on the leaders of the G8 countries to assist the new participants in development cooperation to follow internationally recognized standards concerning human rights, rule of law, anti-corruption and environmental protection.

We emphasize that substantial public funds are still required for infrastructure (transportation, energy, water). At the same time, the quality of development projects must be improved. In the preparation phase, life cycle costs, the ability to ensure a long-term operation and other quality aspects should increasingly be taken into account.

We emphasize that private investment in Africa should be supported in the long-term by expanding public private partnerships and means of protecting investment.

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