Report by EUROCHAMBRES with the cooperation of the Global Chamber Platform

October 2014

GLOBAL ECONOMIC REPORT 2015

Global Chamber Platform

Regional Coverage of the Global Chamber Platform (GCP)
The Global Economic Survey 2015 was conducted during the months of September and October 2014 among Members of the Global Chamber Platform. The report was reviewed and adopted during the annual GCP gathering on 15 October 2014 in Brussels, Belgium. The Survey intends to gather a qualitative assessment from GCP Members on global economic developments, trade policy and other key policy challenges. Thus, conclusions drawn from the answers reflect the majority opinion of GCP Members, without prejudice to diverging opinions of single Members, which are sought to be highlighted in the report were appropriate.

The Global Chamber Platform (GCP) brings together the 16 major national and transnational Chamber organisations from the four corners of the globe. Its key objective is to facilitate trade and market access internationally as well as developing coherent and innovative answers to the challenges of globalisation and that the shift in global economic realities brings about for all players involved.

The Members that responded to the 2015 Global Economic Survey were:

- Association of Mediterranean Chambers of Commerce and Industry (ASCAME)
- Asociación Industrial Latino-Americana (AILA)
- China Council for the Promotion of International Trade (CCPIT)
- Economic Cooperation Organization Chamber of Commerce and Industry (ECO-CCI) – Middle East, Central Asia
- Federation of Gulf Cooperation Council Chambers (FGCCC)
- Ibero-American Association of Chambers of Commerce (AICO)
- Iran Chamber of Commerce, Industry and Mines (ICCIM)
- Association of European Chambers of Commerce and Industry (EUROCHAMBRES)
- Chamber of Commerce and Industry of the Russian Federation
- Confederation of Asia-Pacific Chambers of Commerce (CACCI)
- US Chamber of Commerce
- Federation of Indian Chambers of Commerce and Industry (FICCI)

Additionally, contributions were made from

- the Australian Chamber of Commerce and Industry (ACCI)
- Union of Chambers and Commodity Exchanges of Turkey (TOBB)

For its responses, EUROCHAMBRES could count on the following contributions from its Members:

- CCI France
- German Chambers of Commerce and Industry (DIHK)
- Unioncamere – Italy
- Luxembourg Chamber of Commerce
- Federation of Belgian Chambers of Commerce
- Chambers of Commerce and Industry of Slovenia
- Austrian Federal Economic Chamber (WKO)
- Chamber of Commerce and Industry of Cyprus
Executive Summary:

I. The Global Outlook

- The analysis of the answers shows a more pessimistic picture in terms of expected growth levels for 2015 than what has been forecasted by the World Bank in June 2014. This is the second consecutive year that GCP Members expect growth expectations for their region to be lower.
- Political and social insecurity and conflicts are seen as the number one risk to the global economy in the upcoming year. Income disparity and the health of the financial system are equally seen as real threats to global growth in 2015.
- While remaining positive on the expected business confidence in their region, an analysis of the responses does show a slight slowdown in terms of favourable business outlook compared to last year’s survey. Nevertheless, global business confidence levels are expected to be favourable or at least remain constant for the different world regions, with global FDI levels expected to rise in 2015.
- In terms of the health of the global financial system, the majority of GCP Members do not see the efforts undertaken by policy makers to be sufficient in preventing further financial crises. The current framework of financial regulation is seen thereby as negatively affecting non-financial enterprises, however most GCP Members acknowledge that ensuring financial stability is more important.
- For future efforts to stabilize the financial sector, policy makers should place a distinct emphasis on improving global coordination and cooperation in financial market regulation.
- The GCP seem to recognize that there remain underlying risks to the financial sector and would look favourably to policy makers addressing remaining challenges such as in the areas of shadow banking or central counterparty clearing.
- As the number one problem for companies in their day-to-day business, the GCP have signalled the lack of access to finance. Equally a decline in domestic demand and exports is seen as a challenge for companies. In the eyes of the GCP, policy makers should thus focus on promoting innovation, improving levels and conditions for investment, as well as reducing red tape to increase company’s competitiveness.
- Moreover, fostering SME internationalization remains a priority for GCP Members, with the most important obstacles for SME’s lying in the shortage of working capital to finance exports, as well as identifying foreign business opportunities.

Focus on Europe

- GCP Members recognize that more improvements remain necessary in implementing structural reforms and in cutting unemployment rates for increased European competiveness.
- The results of the European elections last May, have had a negative impact for many GCP Members in the perceived ability of the EU to bring to a successful conclusion future trade agreements with partner countries. This is perceived to pose
distinct challenges for negotiations with the Middle East and Russia, while this is not perceived for the EU-US trade agenda.

- GCP remain wary of TTIP creating positive spill over effects for their regions and show a clear preference for encouraging the adoption of international standards as well as the use of international platforms to avoid a regionalization of trade and investment flows.
- Conversely, GCP Members look very favourable to rules on customs and trade facilitation, as well as on Small and Medium sized Enterprises (SME’s), currently being negotiated in TTIP, to become a global standard.
- Current criticism surrounding Investor-to-State dispute settlement (ISDS) is not shared by GCP Members on an overall basis, with some exceptions relating to a perceived lack of transparency, as well as possibilities for the misuse of the system for political reasons.
1) Expectations for real Gross Domestic Product (GDP) growth in their respective regions for 2015, compared to the World Bank’s forecast.

GCP Members were asked about their expectations for regional GDP growth rates for 2015, compared against World Bank forecasts from June 2014.

Overall Analysis:

For a second consecutive year GCP Members have predicted growth estimates for their region to be lower than the predictions of the World Bank, even if the negative outlook being less significant than compared to last year’s survey.

However the outlook by the GCP does not put into question the fact that the world economy is set to expand in 2015, with expected growth being slightly stronger than in 2014.

5 Members are expecting GDP growth rates for 2015 to be lower, namely, ASCAME, the Russian Federation of Chambers of Commerce, AILA, AICO and EUROCHAMBRES.

4 Members are expecting identical growth rates to the World Bank, being CCPIT for China, ACCI for the East Asia and the Pacific, ECO-CCI/ICCIM for the Middle East and North Africa and TOBB for Turkey.

More optimistic growth expectations were signalled from four Members, CACCI, FGCCC, FICCI and the US Chamber.

For the GCP inherent risks for the global economy seem to stem primarily form geopolitical problems which have surfaced, such as the crisis in Ukraine, instability in the Middle East, or tensions in the East China Seas which risk casting a shadow over growth expectations for the upcoming year, particularly given the more pessimistic forecasts for 2015 by directly affected players such as TPPRF or EUROCHAMBRES.

At the same time, lower than expected-inflation in high income economies, particularly in Europe, could also pose further risks to stable economic growth in 2015. This explains at least in part part the decision by the ECB in September in what appears to be its willingness engage in a pro-active expansion of its balance sheet following the examples of central banks in the US or Japan. By the same token, risks for stable growth still remain in terms of Europe being able to successfully build an economic architecture that is able to absorb financial or fiscal risks, as highlighted previously by the GCP in ranking measures aimed to boost EU competitiveness.

Further risks also seem to stem form unsufficient access to finance and investments, ranked as the number one challenge for businesses, especially SME’s. This might result from a tightening of financial conditions especially in some emerging economies set on a path towards ensuring more balanced and stable growth. As economies are proceeding to an orderly exit from unconventional monetary policy, financial conditions might tighten further in the future.
Moreover, GCP Members seem to see income disparity as real risk to stronger economic growth in 2015, raising questions as to whether policies aiming towards a more equal distribution of income could be pursued to ensure more stable and long term growth.

Lastly, falling commodity prices and wage pressures in some emerging economies, such as in Latin America or Turkey might entail further risks for global growth expectations in the concerned regions, partly explaining the more dim outlooks for concerned GCP Members such as AICO and AILA.

**East Asia and the Pacific (World Bank estimate: 7.1%)**

CACCI signalled growth expectation to be more optimistic than the World Bank, while ACCI (Australia) expects growth to slightly lower falling to 7.0% for 2015.

**Peoples Republic of China ( World Bank estimate: 7.5%)**

CCPIT sees GDP growth rates for China to be identical to the forecast by the World Bank.

**Europe/Euro Area: (World Bank estimate: 1.8%)**

EUROCHAMBRES sees GDP growth for Europe in 2015 to be less optimistic.

**Republic of Turkey: (World Bank Estimate: 3.5%)**

TOBB expects also a 3.5% GDP growth rate for Turkey in 2015.

**Russia (World Bank estimate: 1.5%)**

TPPRF expects economic growth [prospects for Russia to be lower than the World Bank forecast in 2015.

**Middle East and North Africa (World Bank estimate: 3.6%)**

ASCAME predicts growth to be only 3.2% while the FGCCC predicts growth expectation to be higher than the World Bank forecast

**United States (World Bank estimate: 3.0%)**

The US Chamber predicts GDP growth for the United States to be 3.2% in 2015, thus being more optimistic than the World Bank forecast.

**Latin America and the Caribbean (World Bank estimate: 2.9%)**

AICO and AILA predict growth in 201 to be lower, with AICO signalling a 2.6% growth, being a 0.3% decrease form the World Bank forecast.

**India (World Bank estimate 6.3%)**

The Federation of Indian Chambers of Commerce and Industry (FICCI) expects GDP growth for India to be 6.5% for 2015, meaning a 0.2% increase to what the World Bank predicted.
2) GCP Members were asked about their opinion regarding levels of business confidence

This year’s survey shows that levels of business confidence in the respective regions of the GCP are on an overall scale lower than last year, while still remaining cautiously positive.

6 Members expecting more favourable levels of business confidence: CACCI, AICO, ECO-CCI, TOBB and the US Chamber, while another 6 Members are expecting levels of business confidence to remain constant: CCPIT, FGCCC, AILA, ASCAME, the Federation of Russian Chambers and EUROCHAMBRES.

ACCI on the other hand indicated levels of business confidence to be unfavourable in 2015 for the East Asia and the Pacific region.

For Europe specifically, most Chambers indicated business confidence levels to remain constant such as for Germany, with a few countries expecting business confidence to pick up, such as Austria, Belgium or Slovenia, while France is expecting business confidence to decrease in 2015.

In accordance with responses received, green signals favourable business confidence, yellow for business confidence to remain constant and red for business confidence to be unfavourable in 2015.

3) GCP Members were asked to predict global levels of foreign direct investment in 2015, compared to current available figures and trends:
While GCP predictions for economic growth and levels of business confidence are somewhat lower compared to last year’s survey, GCP Members are still very much confident that levels of foreign direct investment will increase on a global scale in 2015.

According to UNCTAD, much of the impetus will come from developed countries, where FDI flows are expected to rise by 35 per cent, bringing global FDI flows to 1.75 trillion in 2015, being mainly owed to a strengthening of global economic activity.

In accordance with responses received, green signals respondents who believed FDI flows in 2015 will increase, yellow for FDI flows to remain constant, and red for responses expecting FDI levels to decrease in the upcoming year.

4) GCP Members were asked to indicate the most important challenges for the Global Economy in 2015:

The # 1 challenge: Political and Social insecurity

Responses from GCP Members across the board found that political and social insecurity/conflicts pose the biggest challenge for the Global Economy in 2015. The responses clearly show that current conflicts on the world stage cannot be put off as mere regional conflicts or its impacts confined to the area where they take place, but on the contrary, that they increasingly cast a shadow over global growth prospects. According to the World Bank, spill overs form the ongoing tensions in Ukraine and Russia are slowing recovery in Europe and Central Asia.

The # 2 challenge: Health of the financial sector.

The health of the financial sector was ranked as the second most important challenge for the global economy. Particularly in Europe this is regarded as a high priority and shows that while significant efforts have already been deployed towards making the financial sector more stable, such as the establishment of a pan-European banking supervision, more remains to be done. In addition ECO-CCI/ICCIM has also attached a high priority to the
health of the financial system, which might be linked to the regime of sanctions impacting the health of Iranian financial institutions. The Federation of Indian Chambers of Commerce and Industry (FICC) also gave high priority to health of the financial sector.

The #3 challenge: Income Inequality

As the third most important challenge GCP Members have signalled “income disparity”. In OECD countries alone, income inequality is at its highest level for the past half century. The average income of the richest 10% of the population is about nine times that of the poorest 10% across the OECD, up from seven times 25 years ago. Similar trends can be seen in the emerging economies, where sustained growth has helped millions out of poverty but income remains distributed unequally and high levels of income inequality have risen even further.

GCP conclusions seem therefore to be similar to conclusions drawn by the IMF, who warned against inequality having a detrimental impact on growth prospects, making it more volatile and creating unstable conditions for a sudden slowdown in GDP growth. Conversely, GCP Members seem to be open-minded towards policies that would allow for more evenly distributed income, given its benefits in terms of stable longer term growth prospects.

It is worth noting in this context however, that responses did show noteworthy differences among GCP Members on this point, as CCPIT, ECO-CCI/ICCIM, ACCI and the US Chamber found this not be a noteworthy challenge for further growth.

Last year, GCP Members ranked the health of the financial system, the rise of protectionism and excessive levels of public debt as the three most important challenged for the world economy in 2014, which is a remarkable shift in opinions.

5) GCP Members were asked if the new regulations that have been implemented since the start of the financial crisis for financial services, such as Base III, are sufficient to prevent further financial crisis.

The majority of the GCP are not of the view that new regulations implemented since the start of the financial crisis, are sufficient to prevent further financial crises.

As a working paper by the IMF suggests, more improvement needs to be undertaken in different jurisdictions for a more consistent global approach in knowing risks and market failures in advance and being able to take appropriate and balanced action to prevent further financial crises. According to the IMF advancements are key in three areas: reforms mitigating systemic risk; alterations in incentive structures; and better data and information to reduce unknowns.

Gaining a better understanding of underlying risks and data, should help ensure that policy actions in response to the crisis are not misguided or excessive in securing more financial stability.

In term of regional coverage of the responses, GCP members form Europe the Middle East, Russia and China have expressed their wariness regarding policy responses being able to secure financial stability, while GCP representatives particularly from Latin America see current efforts as sufficient to secure the health of the financial system.

6) Members were asked if they saw negative effects of financial service regulations on non-financial enterprises

While most GCP members, do not see policy responses to the financial crisis as being able to mitigate risks for future crisis’s, they overwhelmingly do see regulations already taken as having a negative effect on non-financial enterprises. As particular problem with the current set of regulations, GCP Members have signalled the tightening of credit conditions increasingly leading credit crunch for businesses and particularly SME’s in many regions of the world. However the majority of GCP Members acknowledge that despite negative impacts being felt on non-financial enterprises, securing financial stability is more important for the economy as a whole.

In this context, ACCI reported for instance, that access to finance for businesses on a basis other than residential secured has become a significant challenge in Australia. By the same token this has caused noteworthy fluctuations in private sector turnover as reported by ECO-CCI/ICCIM.

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7) In last year’s report GCP Members identified the “health of the financial sector” as the most significant challenge to the global economy in 2014. GCP Members were asked to rank a different number of policy options to focus on in order to remedy this situation.

When it comes to policy choices that decision makers need to address to restore the health of the financial sector, GCP Members showed a clear preference to address risks in the financial system on a global level by improving global coordination and cooperation in financial market regulation.

When it came to different areas that policy makers should address, most GCP Members look favourably to regulating the shadow banking sector. In this regard, the Financial Stability Board (FSB), which defines shadow banking as lending by institutions other than banks, reckons the sector accounts for a quarter of the global financial system, with assets of $71 trillion at the beginning of last year, up from $26 trillion a decade earlier. In some countries, shadow banks are expanding even faster like in China for instance, were they grew by 42% in 2012 alone\(^5\). This also seems to explain the importance that prime regional actors such as CCPIT are attaching to a commensurate regulation of this sector.

Next to regulating shadow banking, GCP Members also saw the need to ensure that systemic risks in central counterparty clearing (CCP’s) remain manageable. Challenges for both areas could center on the fact that the degree of regulatory requirements and other risk mitigating polices vary among actors in the financial sector. In this regard, in the past years and across many jurisdictions, a myriad of new regulations were adopted so as to make banks safer in the after math of the financial crisis. Many argue, this has left other actors such as for example money market funds or private equity funds for the shadow banking sector, or CCP’s, in a position where they would not have to fulfil the same requirements in terms of risk mitigation policies. The co-founder of Blackwater has commented very recently with regards to CCP oversight, that this is currently “not sufficient”, when contrasting the current regime, with standardised tests and minimum regulatory requirements to which banks are subject to\(^6\). While not expressing an opinion on the form of future policy action that could be necessary, the GCP do acknowledge that more efforts need to be deployed so as to exclude systemic risks for the global financial system.

The flip side to GCP Members looking favourably to an increased focus of policy makers in the above mentioned areas is the fact the majority do not see the introduction of a global financial tax as a appropriate policy response to restore the health of the financial sector. The FGCCC is being an exception hereto.

In more general terms, the US Chamber has identified the requirement and ability of financial regulators to resolve insolvent institutions quickly, as well as reforming capital standard rules to reflect sovereign debt quality appropriately, as alternative fields which should be discussed when recommending policy choices to decision makers.

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Areas Policy Makers Should Focus on to Remedy Challenge of Health of the Financial Sector

- Improved global coordination and cooperation in financial market regulation
- Regulate shadow banking
- Ensure systemic risk in Central Counterparties Clearing (CCP) remains manageable
- Financing of long-term infrastructure projects
- Structural reform of the banking system
- Stricter regulation of high frequency and/or commodity trading
- Address the “too big to fail” dilemma in the banking sector
- Introduction of a global financial transaction tax

8) In accordance with last year’s top four priorities on measures able to increase Europe’s competitiveness and financial stability, GCP Members were asked to give their opinion on the progress that has been made in the past year. Members were also asked to rank the number one policy measures which, from their perspective, is best suited to increase European competitiveness in 2015.

Responses by the GCP Members acknowledge the fact that much has already been done in Europe in terms of conducting fiscal consolidation and in establishing mechanism that ensure the functioning and stability of European banks, such as the European banking union or the single resolution mechanism.

On the other hand, much remains to be done in terms of conducting structural reforms within Europe, given their prime importance to boost European competitiveness. This has also been echoed by the European Central Bank in recent decisions to implement measures to increase levels of inflation and get the European economy back on a path of increased growth. While painful in the short term, structural reforms are believed to lead to higher growth, boost tax revenues and lead to an improvement in public finances.

EUROCHAMBRES, also ranked that progress in pushing through structural reforms such as flexibility of the labour market or the implementation of competition friendly reforms has been the area where the least progress has been achieved. CCI France has even signalled that in their eyes no progress has been achieved so far on that front.

The second major area, where GCP Members found little progress to have been achieved in the past year, is in the implantation of programmes to reduce unemployment. While levels are differing among EU Member States, levels of unemployment on an EU wide scale
are high, with alarming levels in periphery countries and among the young. Competitiveness and strong growth in Europe can only recover fully, if levels of unemployment are brought down.

**Progress Achieved on Measures to Boost Europe's Competitiveness**

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<tr>
<th>Measure</th>
<th>Progress Achieved</th>
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<tr>
<td>Government programmes to reduce unemployment</td>
<td>Moderate</td>
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<tr>
<td>Structural Reforms in EU Member States</td>
<td>Significant</td>
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<tr>
<td>Further fiscal consolidation</td>
<td>Significant</td>
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<tr>
<td>Establishing institutions and mechanisms</td>
<td>Strong</td>
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9) Following European elections in May 2014, Members were asked if they think that the rise of political parties sceptical to further European integration and free-trade will impact negatively the EU's trade agenda, and if it will impact their region.

European Parliament elections in May 2014 resulted in increased support for Eurosceptic parties across the EU. While it has to be noted that euroskepticism and skepticism of further trade liberalization are not necessarily the same thing, an increasing number of MEP’s see real risks in further opening EU market to foreign competition. The new Parliament consists of the most Eurosceptic MEPs in its history.

The majority of GCP Members see with worry the results of the European election, and what that means for the future ability of the EU to bring to a successful conclusion trade agreements as well as conclude new ones with third country partners.

In terms of a regional breakdown, GCP representatives from the Middle East, Turkey and Russia saw a real impact from European elections on the EU being able to negotiate trade agreements with their region.

CCPIT on the other hand, does not see negative consequence form the election on EU-China trade relations, which would encompass the negotiations on-going for a bilateral investment treaty between both partners.

In terms of other on-going negotiations such as the Transatlantic Trade and Investment Partnership (TTIP), both EUROCHAMBRES and the US Chamber do not see that the EP elections will negatively affect their trade agenda.
Within Europe however, while most Chambers do not see a negative impact, Chambers from France, Italy and Austria do in fact expect negative consequences for the future development of the EU’s trade agenda.

ACAME signalled that in the trade relations between the EU and the Mediterranean would need to include services in on-going association agreements pursued. In addition to increasing trade among southern countries, a more coherent and dynamic economic zone in the Euromed should be envisaged.

10) GCP Members were asked to pass judgement on different statements in relation to the negotiations between the EU and the US on a Transatlantic Trade and Investment Partnership (TTIP)

Provisions on Small and Medium sized Enterprises and Trade facilitation most favoured to become a global standard by the GCP.

GCP Members look very favourably to elements contained in future chapters on Small and Medium sized Enterprises (SME’s) and Customs and Trade Facilitation in TTIP to become a global standard.

With their responses GCP Members are placing increased emphasis for future world trade agreements to be more inclusive towards the needs of small and medium sized enterprises, through dedicated provisions to be included for that purpose. In the case of the US and the EU, SME’s account for almost 50 million enterprises. SME’s create two thirds of all private sector jobs in the EU.

Equally, GCP Members see great value in efforts by the EU and US to go beyond the Bali agreement reached in the WTO last December and would look very favourably to provision in this area to become a global standard. Efforts to further streamline custom procedures between the EU and US could further boost economic growth and GCP Members see this very favourably. In line with GCP preferences above, is also noteworthy that streamlining customs procedures and increased trade facilitation offer particular value to SMEs. It is estimated that the Bali agreement (if implemented) would lead to a 13 – 15.5% reduction in the cost of doing business for SME’s in emerging economies and as much as 10% in developed economies, with some countries potentially experiencing a 60% – 80% increase in cross border SME sales.

On the other hand, provisions currently being negotiated in the TTIP on State-owned enterprises (SoE’s), as well as energy and raw materials are unlikely to become a global standard in the eyes of the GCP.

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7 file:///C:/Users/boucsein/Downloads/Post%20Bali%20business%20priorities_103-322.pdf
11) In last year’s report GCP Members feared that TTIP would have a negative effect on their respective economy. Members were asked if they still feel the same way and, if they did, what actions they would recommend policy makers to take.

This year’s survey shows a mixed picture with perceptions varying among GCP Members. Noteworthy in this context, is that GCP members from the Middle East and Central Asia (FGCC, ECO-CCI/ICCIM) and from Turkey (TOBB) with whom the EU shares a Customs Union, expect positive effects for their region. Positive effects are also expected by CACCI.

However GCP Members from the Mediterranean, Russia, Latin America, India and China (ASCAME, TPRRF, CCPIT, FICCI, AILA,) expect an increasing trade diversion to the transatlantic sphere which will negatively impact their economies.

As a response to negative impacts, CCPIT signalled that Chinese policy makers should take TTIP/TPP into consideration in the on-going negotiation for a stand-alone investment treaty between China and the EU, while strengthening of exchanges with other countries involved in TTIP negotiations should be pursued. Moreover CCPIT recommends China to join TPP negotiations.

AILA recommends Latin American policy makers to continue to engage in trade agreements with the EU and the US so as mitigate negative effects on the region.

EUROCHAMBRES and the US Chamber see the effects of TTIP very positively for their respective economies.

12) Investment protection and Investor-to-State Dispute Settlement (ISDS) provisions in EU trade are facing heavy criticism from NGO’s and civil society. Members were asked if this criticism is justified.

GCP Members do not share the wide spread criticism relating to Investor-to-State dispute settlement. CCPIT and TPRRF however, had a different opinion. CCPIT
recommended improving transparency with regards to ISDS, while TPPRF fears that ISDS is becoming a profitable business for arbitrators and opening room to unwanted side-effects such as instrumentalising the system for political reasons.

EUROCHAMBRES and the US Chamber are in favour of ISDS and do not think the criticism is justified.

13) GCP members were asked to rank different proposed solutions to tackle the reported increasing use of trade restrictive measures on a global scale.

Trade restrictive measures continue to be a problem for the global economy. Particularly in today’s world of global value chains and fragmented production processes, exports depend more than ever on imports. Barriers to imports will thus inevitably be translated into higher costs for exporters. During the period of mid-November 2013 to mid-May 2014, G20 Members put in place 112 new trade restrictive measures, which is down from the 116 restrictive measures imposed during the previous period last year, but which continue to be too many despite political pledges to the contrary.

In addressing the problem, GCP Members ranked the use and adoption of international standards as the most important way to reduce trade restrictive measures on a global scale. Increased cooperation with regards to new standards, particularly with regards to future technologies could thereby be key to prevent the rise of future trade restrictions among economies.

As a second option, GCP Members favoured to create or better use existing international platforms to increase mutual understanding. Platforms such as the G20, as an outstanding international platform, should thus continue to be a vital in fostering global cooperation and restraining the surge of trade restrictive measures.

The third most preferred option was to work towards a better separation of trade and non-trade issues. Increasingly, trade rules are overlapping with other issues such as environmental or social policies, with inherent difficulties in maintaining a clean separation between the two. Often this leads to misconceptions between partners as to the perceived lawfulness of policy measures taken. Clearer boundaries could help improve mutual understanding, and make the design of policy measures more targeted to the needs pursued without jeopardizing trade and investment flows.

The US Chamber had a clear preference for another option, which is to adopt pro-growth structural reforms so that growth in the global economy is widespread, thus taking pressure off governments to renege on their pro-free trade pledges.
14) Members were asked to rank the biggest obstacles for SME internationalisation in their country/region.

GCP Members ranked the shortage of working capital to finance exports as the main barrier for SME’s to internationalize. Lack of capital requirements and other firm resources or limited access to key infrastructure could be one of the main underlying problems for SME’s. The judgement by the GCP seems therefore to be in line with other relevant surveys conducted by the OECD or the European Commission who come to very similar conclusions.

As an equally important barrier, GCP Members ranked the identification of foreign business opportunities. This shows that despite noteworthy efforts at national and regional level, much remains to be done to reduce information gaps, even in today’s world of extensive information availability.

By the same token, GCP Members ranked as the third most important challenge for the internationalization of SME’s the limited availability of information to locate and analyse markets.
15) GCP Members were asked to identify the single most important policy in their region to ensure the competitiveness of companies.

Overall, GCP Members ranked the three most important policies to be the promotion of innovation/green goods, improving the levels of investment, implement business friendly legislation/cutting red tape.

In this regard, GCP Members ranked the promotion of innovation as the most important policy to foster competitiveness for two consecutive years. Equally cutting red tape and implementing business friendly regulation remains a top priority for the GCP.

Specifically in terms of most important policies for each region, the survey has produced the following results:

For the US chamber, improving the levels of investments is the most important policy to boost competitiveness.

For the Australian Chamber of Commerce and Industry (ACCI) it is labour market flexibility and mobility.

For the Association of Latin American Industrialist (AILA) it is to implement business friendly legislation and cutting red tape.

For Association of Ibero-American Chambers of Commerce (AICO) it is to improve levels of investments.

For the Economic Cooperation Organization Chamber of Commerce and Industry (ECO-CCI) – Middle East and Central Asia/ Iran Chamber of Commerce, the most important policy to encourage internationalization.

For EUROCHAMBRES and FICCI the most important policy is to implement business friendly legislation/cutting red tape.

CCPIT, CACCI, ASCAME, TOBB, TPPRF, and the FGCCC all ranked the promotion of innovation and green goods as the most important policy to boost competitiveness in their region.
16) GCP Members were asked to rank the problems which companies in their region are facing in their day-to-day business.

For three consecutive years, GCP Members have ranked the top three problems which companies face to be, access to finance and investment, decline in domestic demand/and or exports and general macroeconomic uncertainty.

In this regard it worth highlighting that access to finance remains the primary concern for businesses world-wide. Improving access to financial services and building inclusive financial systems are also gaining priority for policy makers in the aftermath of the global financial crisis and the overwhelming echo of the GCP can be seen as reinforcing the priority of tackling this issue.

In this context, the lack of access to finance is particularly needed for SME’s. They face different needs and challenges with regard to financing compared to large businesses. The lack of equity capital invested in small firms makes these businesses more reliant on other sources such as bank lending and other types of financial products. Accordingly ensuring access to a broad mix of funding sources (such as crowdfunding and others) or reducing the information asymmetry between SMEs and financial intermediaries could be possible directions for policy makers to take in helping ease the situation for SME’s.

With an overall positive expectation for global FDI levels to rise in the coming year, there could be some further improvement for affected companies at least regarding investment.
**Day-to-day Business Issues**

- Access to finance / investment
- Decline in domestic demand and/or exports
- General macroeconomic uncertainty
- Liquidity / reduced business cash flow
- Lack of skilled workforce
- Increased public interventions in the economy
- Inadequate supply with imports and/or raw materials

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