

Draft report on the Global Economic Survey 2022
With the cooperation of the Global Chamber Platform

December 2021

Global Economic Survey 2022



Global Chamber Platform

The Global Economic Survey 2022 was conducted during the months of October and November 2021 among Members of the Global Chamber Platform. 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 where 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 that the shift in global economic realities brings about for all players involved.

The respondents that participated to the 2022 Global Economic Survey were:

- The **China** Council for the Promotion of International Trade (CCPIT)
- The **South Asian** Association for Regional Cooperation (SAARC)
- Federation of **Indian** Chambers of Commerce and Industry (FICCI)
- Association of **European** Chambers of Commerce and Industry (EUROCHAMBRES)
- Union of Chambers and Commodity Exchanges of **Turkey** (TOBB)
- **Iran** Chamber of Commerce, Industry and Mines, and Agriculture (ICCIMA)
- Association of **Mediterranean** Chambers of Commerce and Industry (ASCAME)
- **Gulf** Federation of Chambers (FGCCC)
- **Latin American** Industrial Association (AILA)
- **Ibero-American** Association of Chambers of Commerce (AICO)
- The Chamber of Commerce and Industry of the **Russian Federation** (TPPRF)
- EABC European Chamber of Commerce **Thailand**
- Council of Chambers of Commerce of **MERCOSUR** (CCCM)

For its responses, EUROCHAMBRES could count on the following 8 contributions from its members:

- **Austrian** Federal Economic Chamber (WKÖ)
- **Cyprus** Chamber of Commerce and Industry (CCCI)
- **Finland** Chamber of Commerce
- Association of **German** Chambers of Commerce and Industry (DIHK)
- Unioncamere – **Italian** Union of Chambers of Commerce, Industry, Handicrafts and Agriculture
- **Luxembourg** Chamber of Commerce (CCL)
- CCI **France**
- **Portuguese** Chamber of Commerce and Industry
- Chambers **Ireland**

EXECUTIVE SUMMARY

Macroeconomic Outlook

As COVID-19 continues to threaten the resilience of the global economy, the international business community has once more endured a challenging year. Despite a strong economic growth rate globally of 5.9% in 2021, recent setbacks in fighting the pandemic paired with disruptive supply shocks¹ have affected the economic outlook of the international business community. The strain on the global business, now exacerbated through disruptive supply chain shocks, has remained severe and continues to shape the economic outlook.

It comes as no surprise that in comparison to the previous year, the prolonged pandemic has dampened growth expectations for many, while remaining slightly positive. A closer look at growth forecasts from members of the Global Chamber Platform is a mixed one. Especially in the South Asian region the impact of current economic events is palpable, with a more pessimistic outlook from SAARC and the EABC than those of the World Bank. Slightly more pessimistic forecasts were also signaled by GCP respondents from CCCM, China and Russia, while more optimistic forecasts were given by GCP respondents from Europe, Latin America as a whole, Turkey and the Gulf region.

The impact of supply chain shocks and prolonged COVID-19 pandemic has also made itself known when examining the key challenges for the global economy in 2022: both are the most important concerns for participants, highlighting how the continued uncertainty of the business environment as well as unpredictable spikes in production costs are a serious issue that requires both short-term and long-term solutions. For the GCP, the other important challenges for the global economy in the year ahead are commodity price shocks, political instability, rising inflation levels and fiscal crises.

Despite this, the overwhelming majority of the Global Chamber Platform believe business confidence to rise within the next year for their region, with notable exception from GCP respondents from South Asia and Iran.

Business environment | | COVID-19 recovery | | Sustainability and Green Economy

With a view on the incoming Indonesian G20 Presidency, the Global Chamber Platform has a clear expectation as to what should feature as top priority for year ahead: the COVID-19 recovery, as the aftermath of the pandemic will affect the international business community for the foreseeable future.

The green transition, the strengthening the multilateral trading system, as well as trade facilitation and boosting supply chain resilience were also notable favorites for the GCP.

Already today, COVID-19 has left a considerable mark on the global business environment. For the Global Chamber Platform, the most notable changes were the digital transformation of businesses, as well as rising unemployment, and business closures in their region. A large majority of respondents noted that their governments provided financial aid to keep employees employed through the pandemic. However, unemployment remains a notable concern for most in spite of measures taken. This underlines the need for governments to continue supporting the labor market for a post-COVID global environment.

Additional to the issue of unemployment, the previous edition of the Global Economic Survey also identified the potential for fiscal crises and the tightening of global financial conditions as one of the top concerns for 2021. In this respect, this year the Global Chamber Platform sees notable challenges regarding vulnerabilities in financial markets due to a sudden rollback of expansive monetary policies, higher borrowing costs and difficulties in accessing foreign direct investments.

Moreover, in this year's survey, the GCP focused on the implementation of 2021's international milestone achievement: the global corporate tax regime. While seen as a landmark success in terms of international taxation reform, the GCP still identified notable practical challenges with the current framework – most notably, the absence of enforcement tools, and dispute settlement mechanisms for implementing the reform. Therefore, providing further clarity and certainty for businesses affected by the initiative should be envisaged. A pragmatic approach will also be required in order to effectively combat climate change on the global level.

¹ International Monetary Fund, World Economic Outlook, October 2021. Available at:

<https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>

In this respect, the GCP believe that it will require stronger engagement of the private sector – not only during implementation of low-carbon innovation initiatives, but also during the development of any future policy design. To that end a dedicated advisory body should be established to bring the views of business closed to policy makers.

Similarly, when it comes to tackling the current volatility in commodity prices and energy shortages, the top priority that the GCP advocates for, is for governments to increase investment in renewable energy production and to strengthened global collaboration in that area.

International Trade and Investment

A multilateral perspective is critical for the international trade, as evidenced by the priorities of the respondents of the Global Chamber Platform: be it about combatting protectionism, strengthening the institutions that uphold international trade rules, or boosting supply chains resilience. For the latter in particular, the majority of respondents favored multilateral cooperation to better anticipate supply shocks, to facilitate trade in raw materials and intermediary products as well as promoting diversified supply chains through financial incentives.

When it comes to handling the ever-looming threat of protectionism, a similar sentiment for more global cooperation is echoed: with the adoption of international standards as the number one preference, followed by better use of the WTO rules and the active engagement in bilateral, plurilateral and multilateral trade negotiations.

Finally, the GCP also provided input on what aspects of the WTO reform, a cornerstone of the current multilateral trade negotiations, needed to be prioritized at the 12th WTO Ministerial Conference. These are: improved compliance with WTO notification commitments, shortening timelines for dispute settlement, and restoring the functionality of the Appellate Body and creating rules for digital trade.

Competitiveness and internationalization of companies | | Digitalization | | Skills

With more and more companies across the globe seizing the growth potential in external markets and facing increasingly strong competition on the global level, the respondents of the GCP believe the most important tool to maintain the competitive edge is for governments to promote innovation and R&D, alongside measures that facilitate the internationalization of SMEs. Also, investing in renewable energy and resource efficiency was not considered to be conducive to competitiveness.

The digital transformation is the main challenge identified by GCP respondents for businesses in their region. The digital economy is expected to generate over \$4.2 trillion in 2021², yet for many small businesses it is still a challenge, which is why a large majority of respondents indicate that more support is needed by governments for the digital transition to fully succeed. GCP respondents therefore plead for a facilitated exchange of best practices on digital skills, and more efforts in re- and upskilling the workforce’s digital skills. Other notable challenges for businesses named by the GCP is the access to skilled labor, access to finance and regulatory compliance requirements.

² <https://www.forbes.com/sites/joanverdon/2021/04/27/global-ecommerce-sales-to-hit-42-trillion-as-online-surge-continues-adobe-reports/>

I. MACROECONOMIC OUTLOOK OF THE GLOBAL ECONOMY

1) World Economic Outlook

As the international community continues to adapt to the ongoing COVID-19 pandemic, other disruptive elements such as supply shocks may have dampened the general optimism observed in the previous edition of the GCP Global Economic Survey 2021.

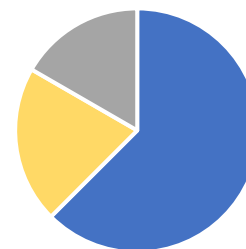
For this year's report, a mixed picture emerges that varies notably from region to region. For instance, respondents from the South Asian region in particular are setting their growth expectations significantly lower than the World Bank's estimate. Another notable difference comes from FICCI, whose predictions for the previous editions have been far more optimistic than the World Bank – while this year its estimations are only slightly higher. EABC also predicts slower growth for its region than the WB, potentially underlining that the South Asian region is more cautious about the progression and recovery path for their region in the upcoming year.

GCP respondents from other regions, such as Russia and China, also indicated a slightly more pessimistic outlook for 2022, indicating a more cautious expectations for two major players in the international economy. However, there have also been several positive signals from other regions: Within the respondents for the European Union, which has a slightly more optimistic prediction than the World Bank on average, Ireland and Portugal show particular optimism for 2022. The Latin American region – with the exception of GCP respondents from the MERCOSUR, which indicated a more pessimistic outlook – and Turkey are also cautiously optimistic for the coming year, while GCP respondents from the Gulf region were the most optimistic with predictions notably higher than those of the World Bank. As such, it can be said that while there are strong regional variations, overall, there is timid optimism for 2022 among the GCP.

2) Business confidence

Business confidence for 2022 remains high among GCP respondents. A closer look at the results reveals that a large majority of respondents look positively towards the coming year where business confidence is set to rise for most regions according to the GCP. Only the South Asian region and Iran predict business confidence to fall in their region.

In comparison to the current economic situation in your country, do you expect levels of business confidence in 2022 to ...?

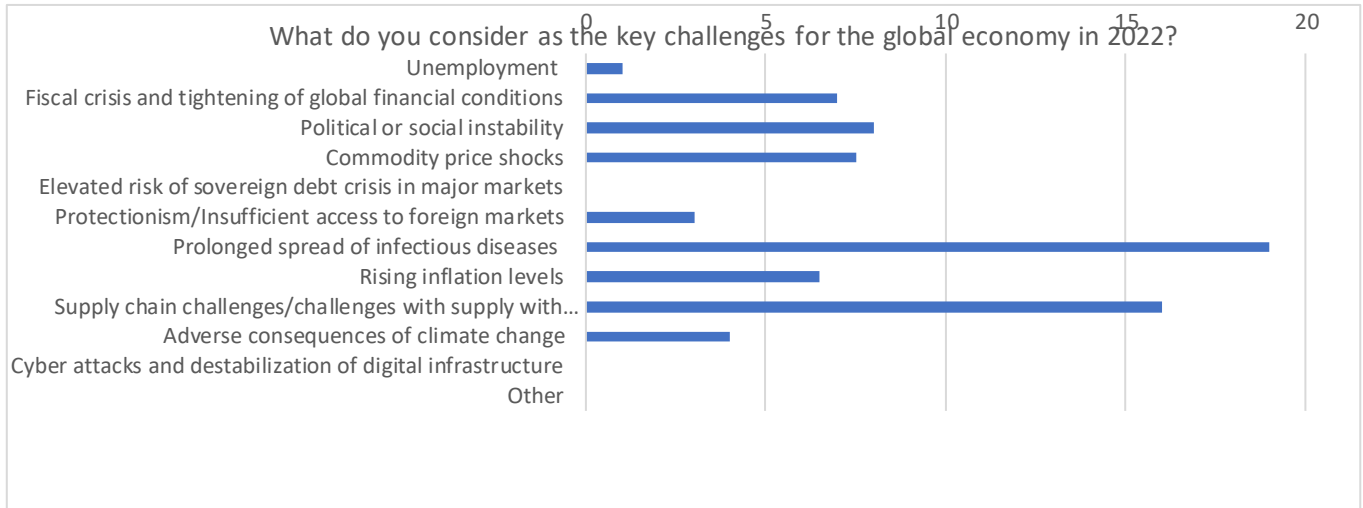


■ Rise ■ Remain constant ■ Fall

3) Key challenges of the global economy in 2022

In a year once more shaped by the ongoing COVID-19 pandemic, it may not come as a surprise that the top challenge for the global economy in 2022 is the continued fear of a prolonged spread of infectious diseases. With vaccination rates diverging notably among the world's regions and new virus mutations appearing, the economic uncertainty surrounding the development of COVID-19 is still very much felt among global business and weighs on prospects for economic recovery in the year ahead.

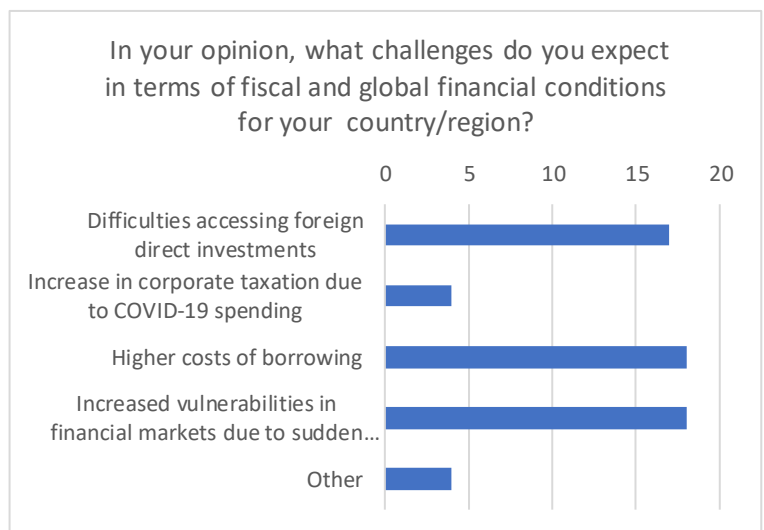
As the second most pressing challenge for the year ahead, the GCP have clearly identified the ongoing supply chain challenges and ensuing problems in the supply intermediate products and raw materials, pointing to a global problem that is likely to persist in 2022. Both supply chain challenges and the prolonged spread of infectious diseases are by far the most pressing issues for the global economy, with political or social instability only a distant third priority. As for unemployment, GCP respondents from the MERCOSUR region clearly signaled it as its number one challenge. Meanwhile, no respondent has noted a sovereign debt crisis as a challenge for the year ahead.



II. BUSINESS ENVIRONMENT

4) Anticipation of challenges and changes in fiscal and global financial conditions

Following the noted concern expressed by the GCP with regards to potential fiscal crises and the tightening of global financial conditions during the 2021 Global Economic Survey³, participants in this year’s survey provided insights on the most important challenges they expect to arise in their region in relation to the above. To this end, the number one concern for participants is the increased vulnerability in financial markets due to a sudden rollback of the expansive monetary policy. Accordingly, the GCP are equally strongly concerned about higher costs of borrowing. Finally, another long-term concern of the GCP remains high on the agenda in this year’s survey, namely difficulties in accessing foreign direct investments, as it represents the third most pressing issue.



³ https://www.globalchamberplatform.org/wp-content/uploads/2021/GCP_Global_Economic_Survey_2021.pdf

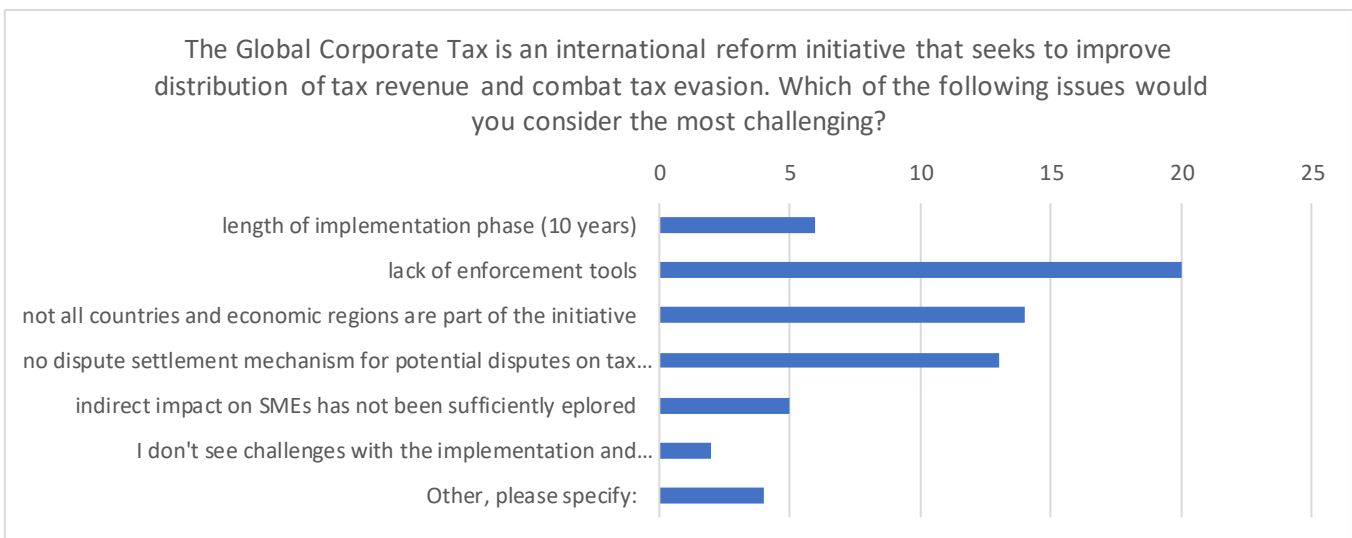
5) Priorities for the Indonesian G20 Presidency

For in incoming Indonesian Presidency for the G20, the Global Chamber Platform has one clear message as to what its priority should be: the recovery from the COVID-19 pandemic. With the resurgence of the disease across different world regions, the GCP urge the G20 presidency to once more make recovery the center piece of their work. The network also recommends focusing on the green transition and sustainability, as well as the strengthening of the multilateral system, particularly the World Trade Organisation (WTO). Trade facilitation and supply chain resilience as well as the digital transformation were seen as other notable issues to be prioritized for the Bali Summit next year.



6) Global Corporate Tax Reform challenges

Branded as hallmark success in the reform of the international taxation system, the Global Chamber Platform expressed support for efforts to level the playing field and reduce tax evasion on a global scale on a previous occasion. However, as a network that aims to amplify pragmatic solutions and perspectives to policy makers, the GCP were asked to name the top challenges that still needed to be addressed to ensure that the reform will be practicable and provides the necessary legal certainty to economic operators.

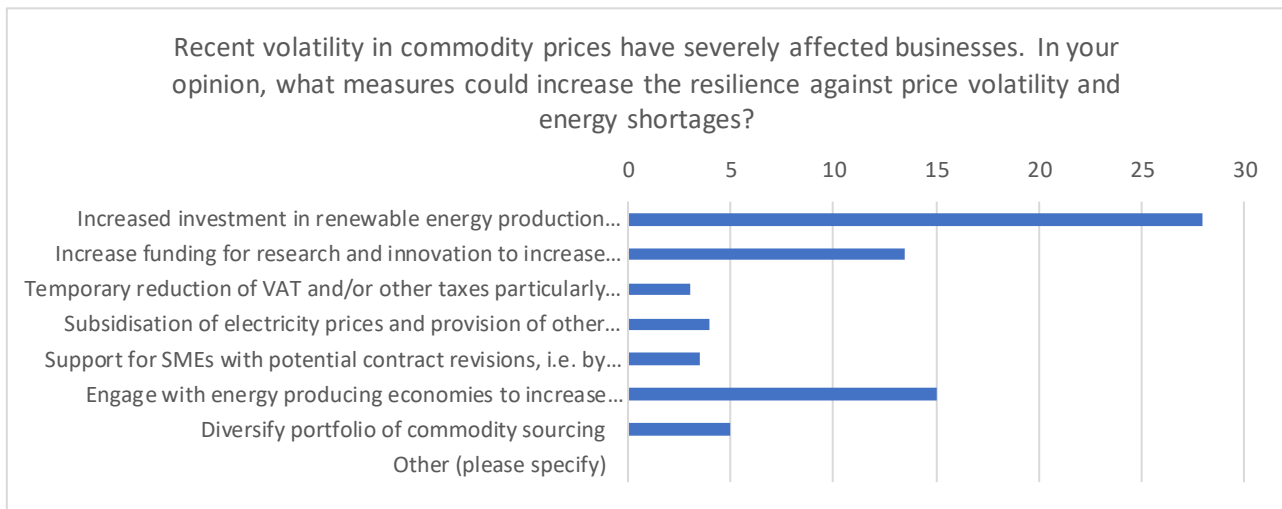


In the eyes of the GCP the clear top concern is the current lack of enforcement tools in the global corporate tax reform, making a resounding plea to policy makers to further clarify how enforcement will be undertaken. Another key challenge identified by the GCP is the lack of a dispute settlement mechanism when it comes to

potential disputes on tax revenue distribution. Another element flagged related to the reach of the initiative is that not all countries have signed up to it. This is a fact that makes the lack of full representativeness of the initiative the third most pressing challenge for the GCP respondents, and especially concerning for GCP respondents from the MERCOSUR. The CCCM also expressed concern about the length of the implementation phase.

7) Increasing resilience against price volatility and energy shortages

Following a year where economies across the globe experienced serious disruptions due to sudden and severe commodity price shocks, and predictions that energy prices will continue to grow in the foreseeable future,⁴ numerous voices have called for more actions to be undertaken to prevent future price spikes and reduce uncertainty for businesses, especially in energy-intensive sectors.



In this respect, according to the GCP, the single most important measure policy makers can undertake to increase the resilience against price volatility and energy shortages, is to increase investment in renewable energy production capacities and to strengthened global collaboration in that area.

This comes as no surprise, as this year has exposed significant gaps between energy demand and renewable energy production capacities in multiple regions across the globe⁵. The call by the GCP to increase investment in renewables, also ties well with the second and third recommendations made by GCP: to engage with energy producing economies to increase the output of commodities, as well to increasing funding for research and innovation for increased energy efficiency in production.

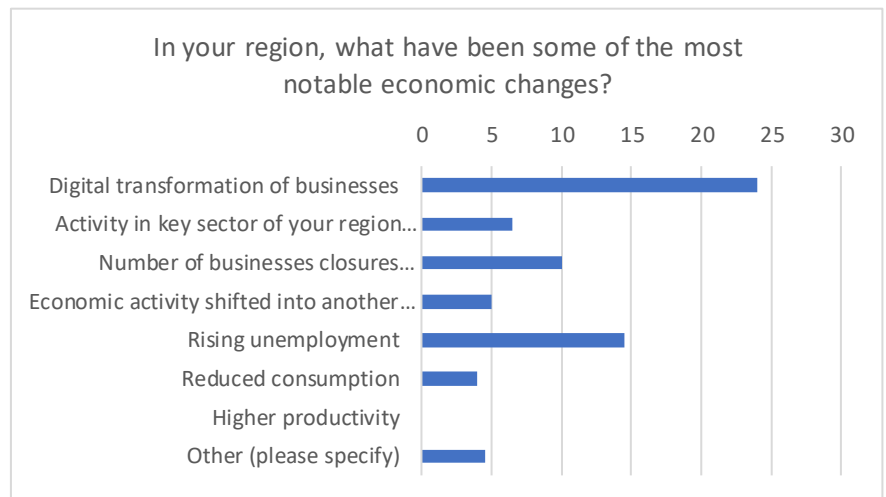
⁴ <https://www.cnbc.com/2021/10/14/goldman-sees-sustained-high-prices-for-oil-in-the-coming-year.html>

⁵ <https://www.forbes.com/sites/christopherhelman/2021/10/19/energy-crisis-2021-how-bad-is-it-and-how-long-will-it-last/>

III. COVID-19 RECOVERY PHASE

8) Impact of COVID-19 on the international economy

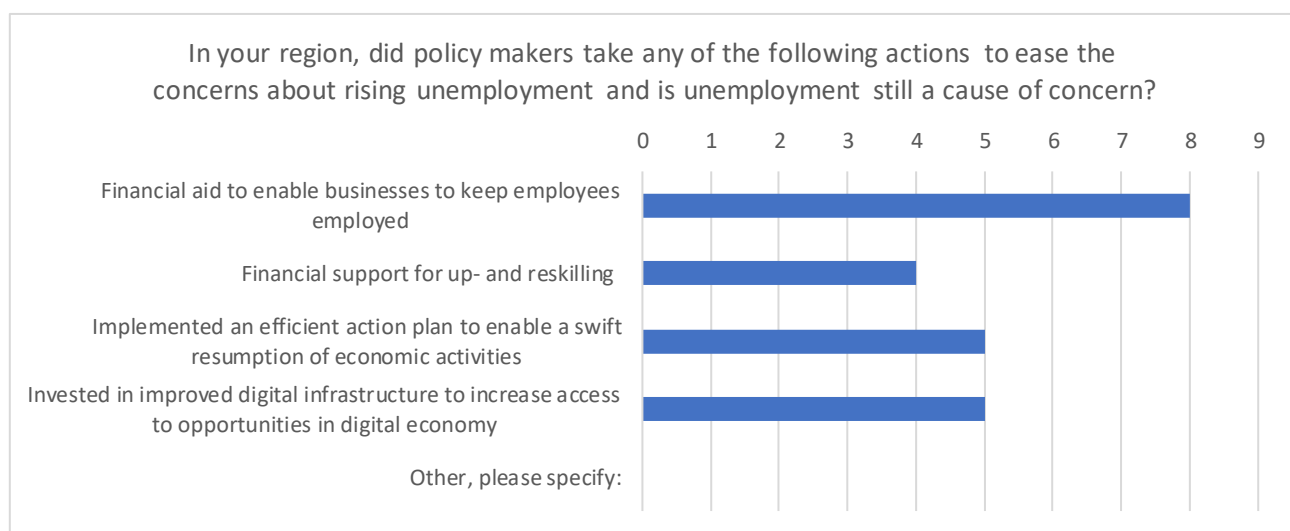
COVID-19 has already in many ways transformed the global economy. For the GCP the most notable change in this regard has been the digital transformation of businesses, many of which were forced to adapt to the digital economy during the pandemic. However, coupled with severe restrictions said transformation was seemingly insufficient to prevent rising unemployment, which was the second biggest change seen by respondents as a result of the pandemic. Furthermore, the increase of business closures is seen as the third biggest change, pointing to the fact that not all businesses could adapt to the digital economy, and more help will be needed from policy makers to help businesses, especially SME manage this transition. Moreover, business closures were the number one transformation from COVID that was observed by the CCCM, pointing to the



negative effects of COVID-19 on the MERCOSUR in particular. As for sectors with a significant shift to other areas, tourism was highlighted and experienced significantly reduced activity due to the pandemic.

9) Combatting unemployment during the pandemic

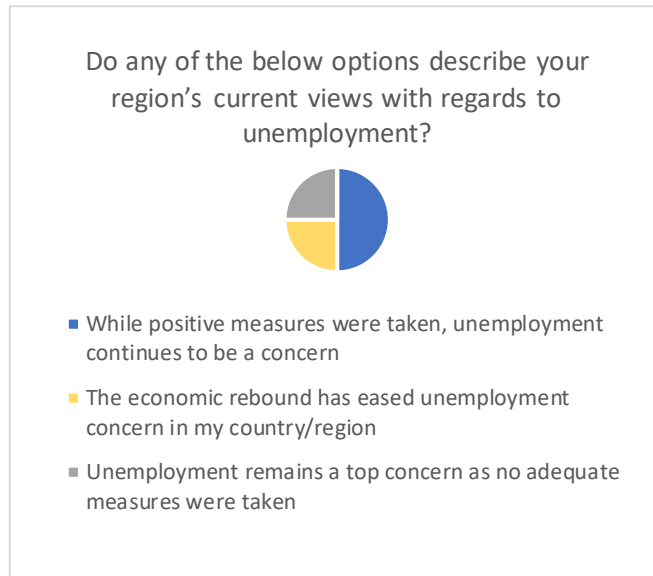
With the global economy battered during the first year of the COVID-19 pandemic, unemployment was identified as the top challenge by the Global Chamber Platform during the previous edition of the global economic survey. This year, members gave insight as to which measures have been employed in their region.



In this regard, the most common measure adopted by governments was financial aid to enable businesses to

keep employees employed, while some regions also highlighted the implementation of efficient action plans for the resumption of economic activities and improved digital infrastructure to increase opportunities in the digital economy.

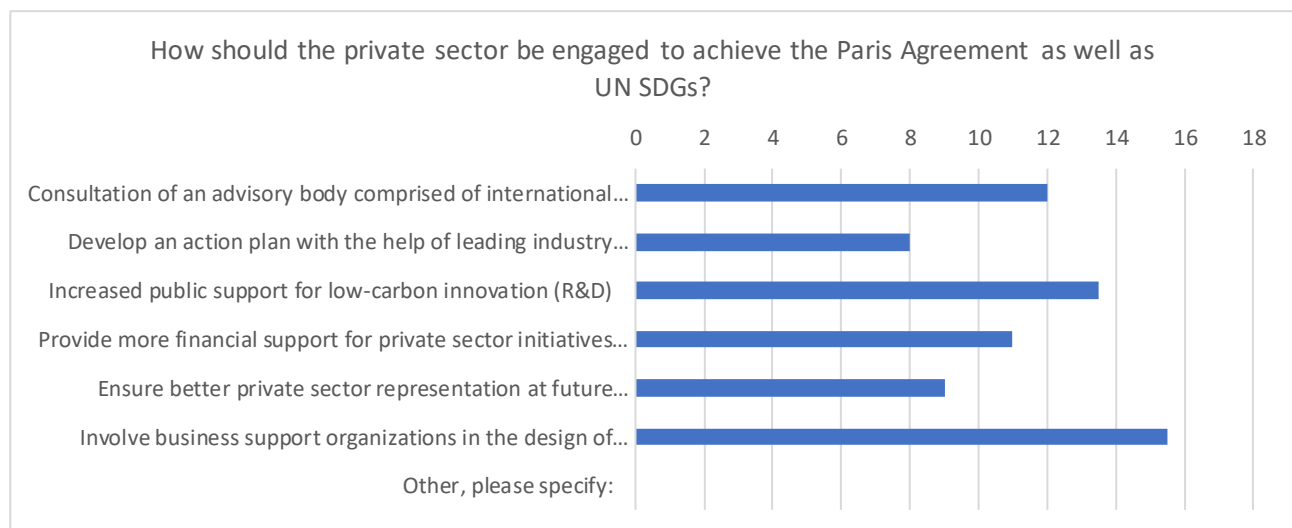
Despite the measures taken however, for a large majority unemployment continues to be a concern, showing that policy makers need to stay engaged and support their economies and their labor force.



IV. SUSTAINABILITY AND GREEN ECONOMY

10) Engaging the private sector in implementing the Paris Agreement

As world leaders have once more committed to halting climate change at the COP26 in Glasgow, it is becoming ever more evident that the private sector must be an integral part of the implementation process for it to succeed. In this respect for the GCP, business support organizations should be involved more in the design of short- and long-term policy proposals. Respondents equally call for the consultation of international business



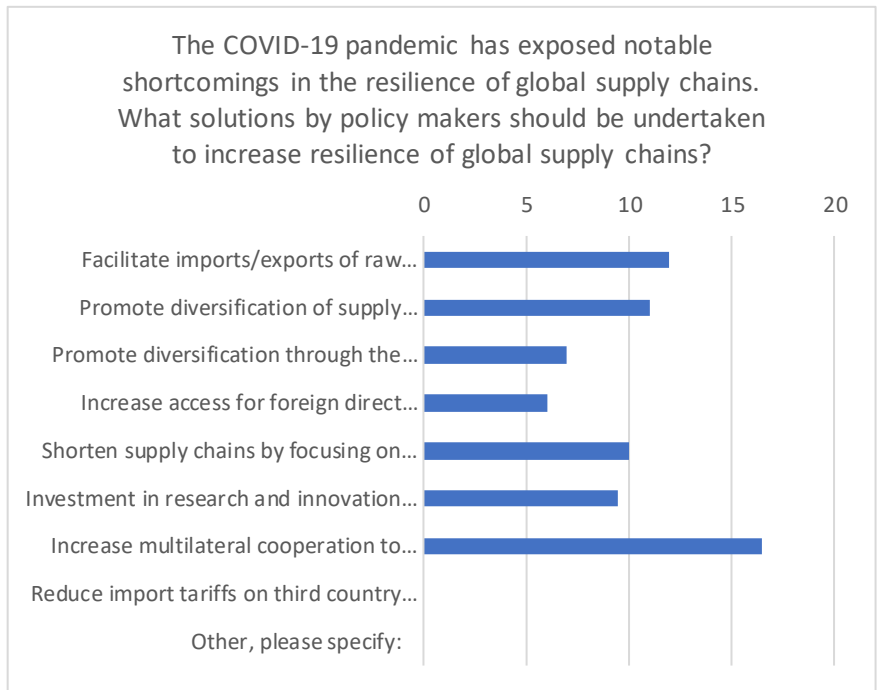
and trade associations in the form of an advisory body, so as to bring the voice of the private sector closer to policy makers. Finally, the private sector will be crucial in developing new solutions, for which the network advocates increased activities raising public support for low-carbon innovation.

V. INTERNATIONAL TRADE AND INVESTMENT

11) Increasing the resilience of global supply chains

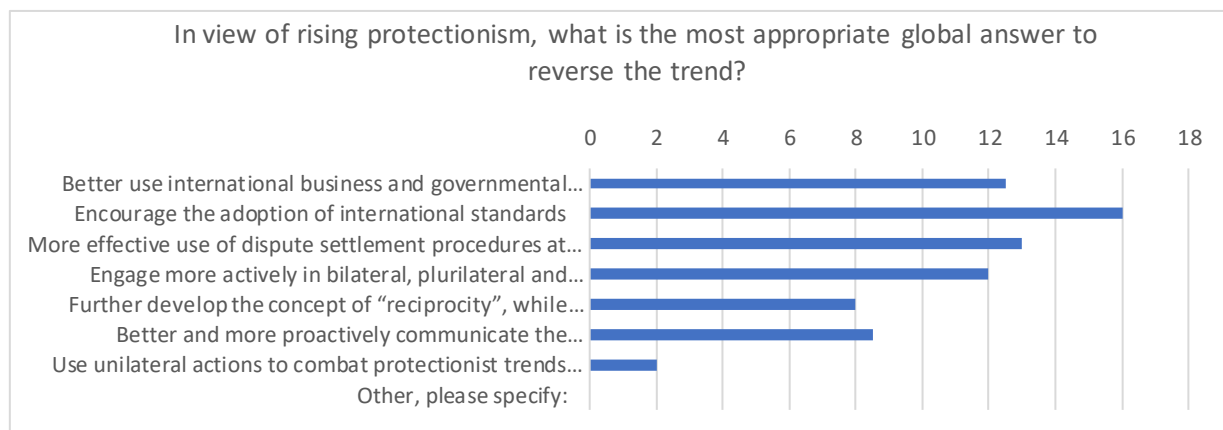
As this year’s survey highlights, COVID-19 has clearly exposed the vulnerability of global supply chains, which is why the GCP were asked as to the best measures to boost supply chain resilience.

To that end, the response of the Global Chamber Platform is clear: there needs to be an increase in multilateral cooperation to anticipate supply shocks and to allow for better planning. It also recommends that the trade of raw materials and intermediate goods be facilitated, and to promote the diversification of supply chains by providing financial incentives. Particularly noteworthy was the strong priority from CCCM on negotiating trade agreements as a key measure to boost supply chain resilience. Reducing import tariffs on third country commodities was not seen as priority by the GCP.



12) Combatting protectionism

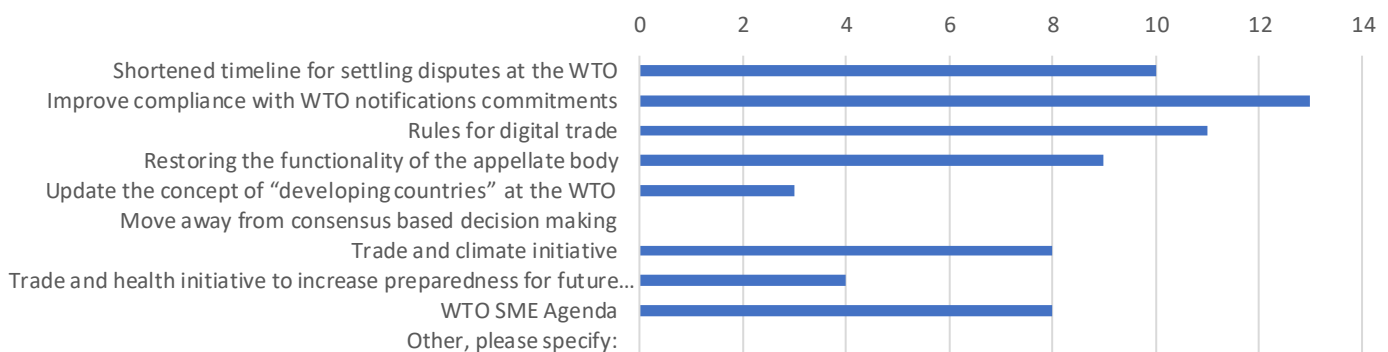
As protectionism continues to cause concern for long term growth prospects, this year’s survey focused on identifying solutions to reverse the trend. In this respect, the answers by the GCP focused on strengthening cooperation in the multilateral sphere. As the most favored measure, the GCP encourages the adoption of international standards to fight protectionism. This was followed by making use of the dispute settlement at the WTO and through using trade defense instruments more effectively. GCP respondents also advocate for a better use of international business and governmental platforms for increased transparency, oversight and monitoring, as well as an active engagement in bilateral, plurilateral and multilateral trade negotiations.



13) World Trade Organization Reform

As the last edition of the GCP survey highlighted a global call for a better use of international business and governmental platforms, one cannot overlook the importance of the WTO, and – more crucially – the need to make the institution fit for the current realities that international business is facing. To that end, members are clear in their priorities for the 12th WTO Ministerial Conference that was scheduled to happen this year: Improving compliance with the WTO notifications commitments as the number one priority, followed by developing rules for digital trade and shortening the timeline for settling disputes at the WTO. Another notable priority in the eyes of the GCP is the restoration of the functionality of the Appellate Body. Also trade and climate, as well as furthering the WTO SME Agenda were seen as important. However, and even though the WTO has experienced serious challenges in its negotiation function, none of the respondents were in favor of moving away from consensus-based decision making at the WTO.

The 2021 GCP survey has highlighted the global call for better use of international business and governmental platforms. In your view, of the 12th WTO Ministerial Conference what should be prioritized?

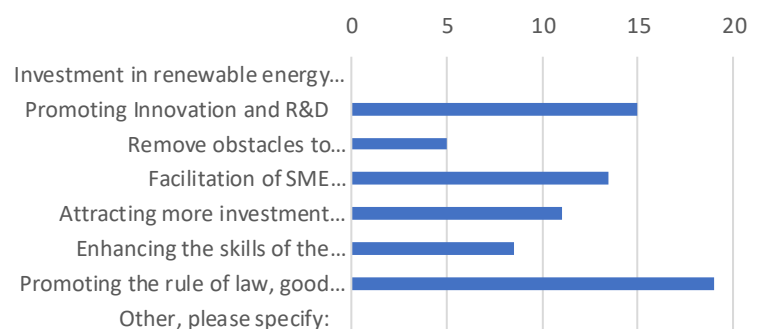


VI. COMPETITIVENESS AND INTERNATIONALIZATION OF COMPANIES

14) Ensuring regional competitiveness

As international trade will be an important lifeline for businesses across the globe to recover from COVID-19, it is more important than ever to ensure the right policy framework for companies is put in place for them to remain capable of competing on the global market. To that end, in the eyes of the GCP the most important policy for governments to undertake is the promotion of the rule of law, good governance and anti-corruption measures, thereby reducing market uncertainty and promoting fair competition. Members were also in favor of R&D promotion – strongly favored by CCPIT, the EUROCHAMBRES and ASCAME – and the facilitation of SME internationalization, the most important policy for the GCP respondents from the MERCOSUR. The latter was also strongly supported by FICCI and EABC. As for attracting more investment through a business-friendly environment and cutting red tape, AILA in particular considers this the number

What is the single most important policy in your region to ensure the competitiveness of your companies?

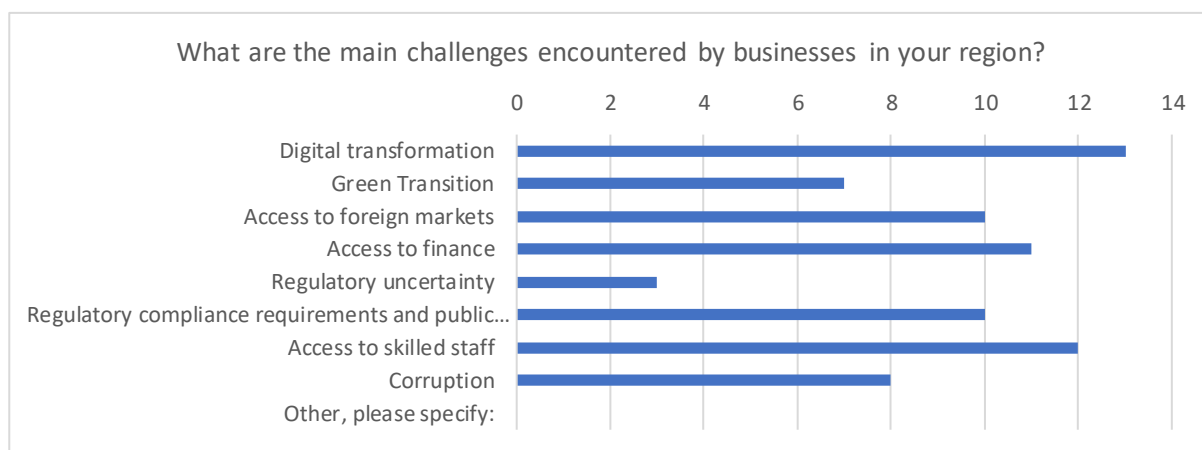


one policy to increase competitiveness in their region. This highlights that regional needs are highly diverse and therefore requires an adjusted action plan from policy makers instead of a one-size-fits-all approach.

15) Main challenges for businesses

When discussing competitiveness, it is equally important to turn one’s attention towards the biggest challenges that businesses are facing across the world’s regions. In overall terms the GCP identified three top obstacles that businesses in their region need to overcome: the first that was especially important for FICCI and the Latin American region, digital transformation, shows that despite all the efforts made to accelerate the digitalization of the economy, the transformation remains a challenge for many companies – and even more so for SMEs: small businesses only generate about 10% on average of their profits online, as opposed to large firms at 24%.⁶

With the rapid changes to the global economy, businesses will also need to adapt their workforce as well as their business operations to the new realities. That is why the Global Chamber Platform believes that accessing skilled staff and finance will be the second most important challenges that policy makers should address.



Meanwhile, China considers the green transition the most challenging topic for their businesses – the only participant to note it as its top difficulty for their region, while CCCM expressed particular concern about regulatory uncertainty.

VII. SKILLS & DIGITALIZATION

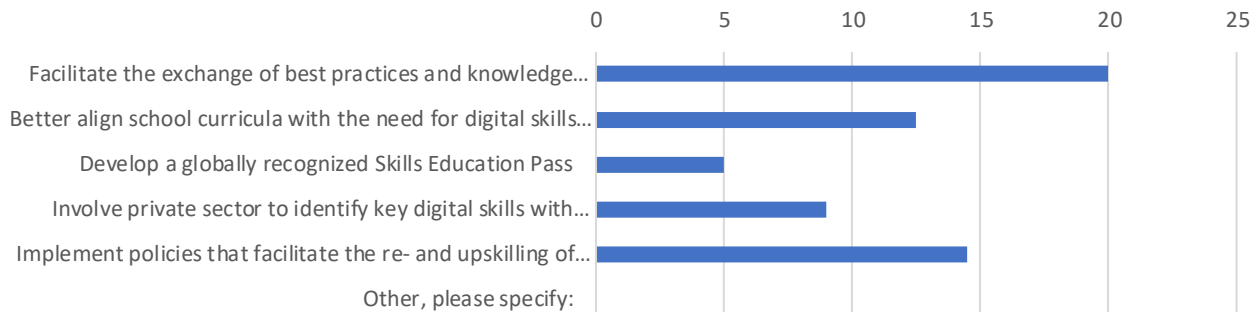
16) Addressing the shortage in skilled labor

Digital skills are in high demand – even more so following the accelerated digital transformation of our economies. However, as the gap between demand and supply of digitally skilled labor grows larger, more than 11.2 trillion USD may be lost in cumulative growth for the G20 alone,⁷ making it ever more urgent for global leaders to act. As such, the Global Chamber Platform’s top recommendation to policy makers is to facilitate the exchange of best practices and knowledge sharing on digital skills at the global level. The network further calls upon leaders to implement policies that facilitate the re- and upskilling of the work force with digital skills, and to begin better aligning school curricular with the need for digital skills. In order to do so, the GCP urges the full involvement of the business community in order to ensure that the education provided addresses the skills shortages of the labor market.

⁶ <https://www.oecd-ilibrary.org/sites/bb167041-en/index.html?itemId=/content/publication/bb167041-en>

⁷ <https://www.accenture.com/acnmedia/Thought-Leadership-Assets/PDF/Accenture-Education-and-Technology-Skills-Research.pdf#zoom=50>

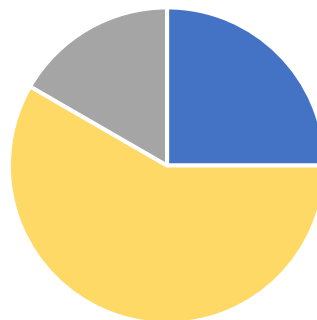
As digital skills become essential to a competitive economy, what measures should be taken by global leaders (either at G20 or WTO level) to overcome the current shortage in skilled labour?



17) Pace of digital transition for SMEs

In light of the COVID-19 induced digitalization of the economy, the GCP were also asked to assess the speed of digitalization of SMEs in their region. The majority of respondents indicated that SMEs in their region experienced a moderate digital transition, highlighting the need for more support to ensure that small businesses will be able to keep up with rapid digitalization pace of the global economy. It should be noted that for GCP respondents from the Gulf region, India, and China, SMEs from their region have been quick to adapt to the new digital reality, while ASCAME and AILA signal that SMEs in their regions have only slowly transitioned to a digital business model.

In your region, how well have SMEs adapted to the digital transformation since the start of the pandemic?



- Fast digital transition of SMEs in my country/region
- Moderate digital transition among SMEs in my country/region – and more support is needed
- Slow digital transition among SMEs in my country/region – and urgent support needed
- I don't see any noticeable change in the digital transformation compared to pre-pandemic levels.

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