G20 Campaign: Background and progress report

issued on 23 September

Background

The G20 campaign was devised as a way to ensure that ICC brings the voice of the global business community to the G20 leaders as they deliberate on the global economic crisis. ICC's key messages in this campaign focus on strengthening the multilateral trading system, resisting protectionism and restoring trade finance to more normal levels.

Washington, DC Summit

ICC sought to contribute to the Summit in Washington, DC in November 2008 by submitting to the G20 governments, in conjunction with WTO, an analysis of the impact of the global economic crisis on trade finance, based on a survey of its member banks. In addition, ICC mounted a campaign to deliver its key messages to government leaders and the public through its global network and the media, using the platform of major ICC events such as the Regional CEO Forum in Hong Kong, the launch of the 90th anniversary and of the ICC Research Foundation in Geneva, and the honoring of past ICC Chairmen in Paris. Media coverage included the *Financial Times*, *International Herald Tribune*, CNN and BBC World Service as well as numerous local papers.

London Summit

ICC organized extensive policy advocacy and media outreach to deliver its key messages prior to the London Summit in April 2009. ICC Chairman Victor Fung and ICC UK Chairman John Buchanan met with UK Prime Minister Gordon Brown and certain key cabinet ministers. The Prime Minister urged ICC to take the pole position as the voice of global business and to communicate its key messages to political leaders and the public in the lead-up to the Summit. In response, ICC undertook a multi-level campaign, comprising of outreach to all national committees, asking them to write to local media and to lobby local government leaders where appropriate; organizing numerous media interviews and other activities, especially for the Chairmanship; and, a paid advertisement in the *FT*. ICC also presented its position paper with the key messages to the G20 leaders and the results of a comprehensive survey on trade finance produced by the ICC Banking Commission, Rethinking Trade Finance 2009: An ICC Global Survey. ICC's views were well reflected in the London Summit communiqué.

The London campaign concluded with the distribution of the *FT* ad to key business and government leaders worldwide. The overall campaign is ongoing and ICC's key messages continue to be delivered to other global forums, including the G8 Summit in Italy in July. Through collaboration with USCIB, ICC's key messages, packaged in the form of video clips, are shown worldwide on CNN International in a campaign that began in June and will continue through the end of 2009.

Pittsburgh Summit

Key Media Activities

31 August – joint interviews with ICC Chairman Victor Fung and WTO Director-General Pascal Lamy in Geneva by the *Financial Times*, *Folha de Sao Paulo*, and *Nihon Keizai Shimbun*, (the leading Brazilian and Japanese newspapers, respectively)
7 September – launch of the ICC Trade Finance Survey: An Interim Report – Summer 2009 with wide media coverage including *FT*, *Wall Street Journal*, Reuters, Dow Jones, *The Daily Telegraph*, *Lloyd's List*, etc – *Exhibit A for the media release*
9 September – interview of ICC Secretary General Jean Rozwadowski by *Handelsblatt* newspaper
15 September – op-ed by ICC Chairman Victor Fung appears in the *South China Morning Post – Exhibit B for the published article*

Key Advocacy Activities

4 September – Preview copy of ICC Trade Finance Survey: An Interim Report – Summer 2009 submitted to UK Prime Minister Gordon Brown through ICC UK.
8 September – Trade finance report sent to National Committees with circular letters requesting them to bring the results to the attention of their governments
15 September – ICC presents its trade finance report to the WTO Expert Meeting on Trade Finance as part of the preparations for the G20 Pittsburgh meeting
15 September – ICC Vice Chairman Rajat Gupta wrote to Larry Summers, President Obama's Chief Economic Advisor, briefing him on ICC's key messages for the Pittsburgh Summit and enclosing the trade finance report.
21 September – ICC Chairman Victor Fung wrote to all G20 leaders, briefing them on ICC's key messages for the Pittsburgh Summit and enclosing the trade finance report and the op-ed he signed in the *SCMP*.

Trade Finance Report

To date, three documents have been produced by ICC's Banking Commission:

1. Trade Finance in the Current Financial Crisis: Preliminary Assessment of Key Issues. The preliminary report on trade finance, issued on 12 November 2008, was produced in response to a request from WTO Director-General Pascal Lamy for assistance with WTO's submission at the Washington G20 Summit in November 2008.
2. Rethinking Trade Finance 2009: An ICC Global Survey. The first edition of this now annual report was produced in March 2009. The results were communicated to the G20 leadership through the UK Prime Minister's office, NC contacts with governments and extensive media coverage.
3. The ICC Trade Finance Survey: An Interim Report – Summer 2009. The report concludes that there has been good progress on trade finance over the last six months, but cautions against excess optimism. It calls for renewed attention to be given to the G20 trade finance agenda following findings that there had been no significant sign of relief in capital requirements for trade assets – which ICC had previously stated was curbing bank incentive to offer trade finance. The findings have been submitted to the G20 leaders prior to their meeting in Pittsburgh through the various advocacy activities of the ICC global network, and also through the WTO. The findings have also been widely reported in leading business media.

Exhibit A – Media release: *Trade Finance Survey: An Interim Report – Summer 2009*

Global economy will remain on shaky ground, says new ICC trade finance survey

Paris, 7 September 2009

The global economy is still on shaky ground, and despite budding signs of recovery, evidence is not strong enough to conclude that the current recession is waning, according to an International Chamber of Commerce (ICC) report on trade finance released today.

The interim report cautions against excess optimism and calls for renewed attention to be given to the G20 trade finance agenda following findings that there had been no significant sign of relief in capital requirements for trade assets – which ICC had previously stated was curbing bank incentive to offer trade finance.

Some 86% of survey respondents attested that they had experienced no relief in the requirements under the international capital adequacy regime known as Basel II. Described in the report as “one of the most worrisome results”, increased capital costs continue to constrain trade finance volumes, particularly in developing economies. Report recommendations on the issue include exempting trade finance products from the one-year maturity floor applied to lending facilities in most countries, and allowing key risk attributes to be determined on the basis of industry benchmarks reflecting the low risk nature of trade finance.

The ICC report also points to the issue of affordability of trade finance. “The costs of obtaining traditional trade finance products are still rising, but they are seen as affordable costs given the additional security that the products offer the parties,” Gary Collyer, Technical Advisor to the ICC Banking Commission, said in the report foreword. A large majority of survey respondents acknowledged that the G20 decision in April to support US$250 billion worth of trade over a two-year period was as a major step towards absorbingthe shocks to trade resulting from the economic crisis. ICC commended the pledge but emphasizes that the key now is to ensure that governments follow up on their good intentions.

Specific actions recommended in the report include further enlargement of multilateral trade facilitation programmes to expand both capacity and coverage – especially for low income and export-dependent countries – and the rapid implementation of national programmes to guarantee trade and provide refinancing options.

The ICC Interim Trade Finance Survey polled 122 banks in 59 countries during July and August and is a follow up to the ICC Banking Commission Report: “Rethinking Trade Finance 2009”, released in March this year. In contrast to findings of the previous report, which indicated a significant decrease in trade volume and value, 67% of respondents indicated that trade volume had either increased or remained the same in the first half of 2009. The report also points to increased demand for trade finance in the first half of 2009 compared with the same period in 2008. The report warns, however, that a recovery in demand for merchandise trade without a corresponding increase in the ability of banks to provide credit, would risk a significant dislocation of trade, thus hampering the global recovery.

The report, compiled by ICC Banking Commission officers, concludes that despite an anticipated return to positive growth, problems relating to the availability of trade finance can be expected well into 2010.

ICC has been mandated by the World Trade Organization (WTO) to gather reliable, quantitative and qualitative data that will help fill the information gap on the current trade finance environment. The survey findings will be also presented at the upcoming WTO Expert Meeting on Trade Finance of 15 September as official propositions are deliberated on trade finance in preparation for the G20 Pittsburgh meeting later this month.

“With more than 500 members in 70 countries, the ICC Banking Commission has become the leading body to serve the trade finance industry and help paint a clearer picture of the situation,” said Vincent O'Brien, ICC’s WTO representative on trade finance. “We are deeply committed to developing meaningful information and products related to this field. ICC is now developing another global survey for Spring 2010, with the goal of collecting business performance data evidencing the loss history of different trade finance risk categories. Such information will be valuable for the industry as well as for regulators.”

Click here to view the ICC Trade Finance Survey: An Interim Report Summer 2009

Exhibit B – Opinion piece*: *ICC Chairman Victor Fung – South China Morning Post

South China Morning Post
scmp.com

Make Doha a reality for trade-led global recovery

15 September 2009

Next week G20 leaders will join together in Pittsburgh to push the global economy further towards recovery. Notwithstanding the enthusiasm in some equity markets and Asia's positive growth figures in the second quarter, the world remains constrained by the most synchronized global recession on record.

At the core of the economic slump is the dramatic collapse of international trade, projected by the World Trade Organisation to contract by 10% for 2009, its worst decline since World War II.

The lack of trade finance has been a significant obstacle to global trade since the start of the financial crisis, as lenders faced tighter credit conditions and higher reserve requirements. The cost of trade finance also shot up and specific countries perceived to be risky have been targeted, subjecting even strong producers in these countries to much higher costs.

The G20's decision in April to support US$250 billion worth of trade over a two-year period, together with the follow-on actions of multilateral institutions such as the Asian Development Bank, the International Finance Corporation, the World Bank and the African Development Bank, has proved to be a major step in alleviating the trade finance gap.

According to a new survey by the International Chamber of Commerce's Banking Commission, availability and demand for trade finance have improved significantly. The survey, conducted in July and August, shows that the severe funding gap and price increases for trade finance that strangled global trade at the end of 2008 and earlier this year, have softened. Both the demand for trade finance and the supply are either stable or increasing in most sectors of the market. We should, however, be careful to note that these are broad trends and that solutions have yet to reach far ends of the market, such as poorer emerging economies and small and medium-sized enterprises, and that some sectors of the industry, are still reporting declines in volume. Thus we must remain vigilant.

We must also continue to keep our eyes on the bigger battle. We may have averted a "trade finance tsunami" but, to really restart global trade, we need a return of demand, open markets and a conclusion of the Doha round of trade negotiations. The Washington-based Peterson Institute has estimated that a successful Doha agreement would provide a stimulus of US$300 to $700 billion to global gross domestic product, much of it from increased trade after tariffs and subsidies are slashed.

The G20 leaders have acknowledged the central role of trade in economic recovery, and have pledged to avoid protectionism and remove obstacles to the conclusion of the Doha round. So far there is little to show for these pledges. Many countries have retreated to familiar protectionist measures during the past few months. These take many guises: anti-surge and anti-dumping mechanisms, emissions-related tariffs, "buy local" incentives and bans on alleged safety grounds. We see examples in some of the current high-profile US-China trade disputes.

While these maneuvers pacify select groups of domestic producers, they create a much greater problem for global industry. History shows that protectionist barriers provide only short-term relief to the politically-connected few, while the victims are spread far and wide down the global supply chain, both inside and outside the country practicing protectionism.

To achieve real progress towards global economic recovery, G20 leaders must make good on pledges to conclude the Doha round. The Pittsburgh meeting is the time for them to deliver.

Participation in the multilateral trading system has proved to be the single most effective engine of economic development, stability and social progress, but only if it is grounded in an open, multilateral and inclusive framework. The sooner we recognize this, the closer we will be to a durable framework that will propel economic growth for generations to come.