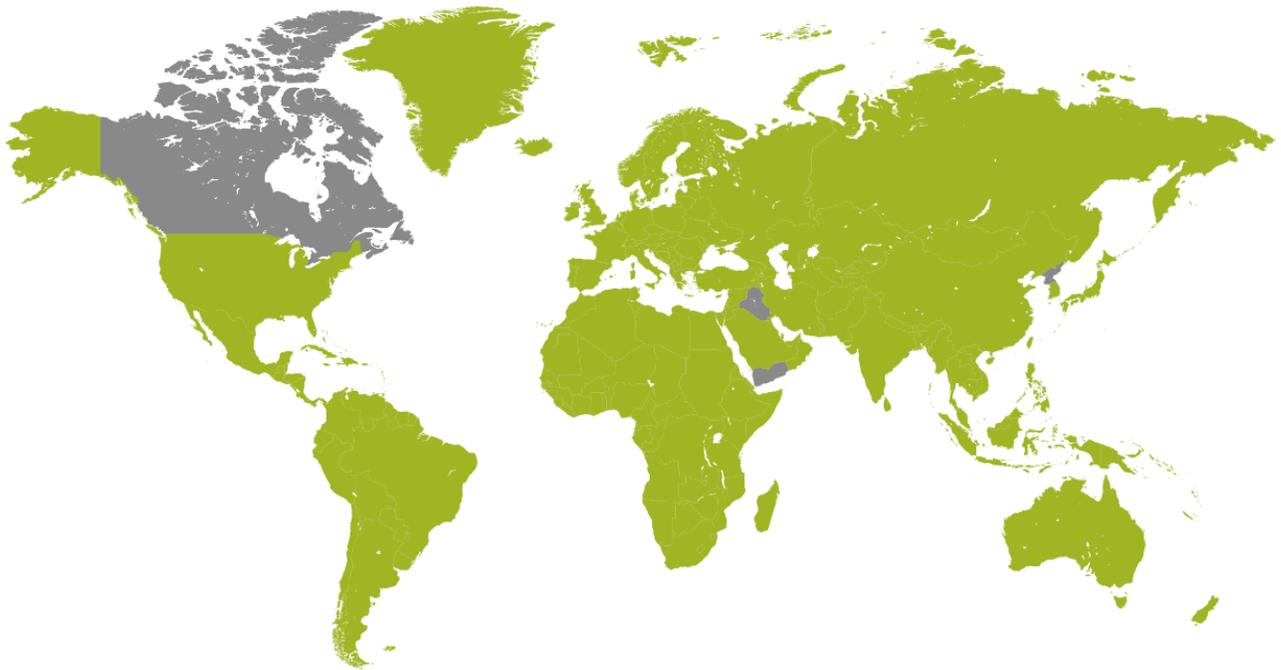




**Draft Report by EUROCHAMBRES
with the cooperation of the Global Chamber Platform
October 2016**

GLOBAL ECONOMIC REPORT 2017



Global Chamber Platform

Regional Coverage of the Global Chamber Platform (GCP)

The Global Economic Survey 2017 was conducted during the months of August and September 2016 among Members of the Global Chamber Platform. The report was reviewed and adopted during the annual GCP gathering on 13 October 2016 in Brussels. 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 trans-national 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 2017 Global Economic Survey were:

- Asociación Industrial **Latino-Americana** (AILA)
- **China** Council for the Promotion of International Trade (CCPIT)
- **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** (TPPRF)
- Federation of **Indian** Chambers of Commerce and Industry (FICCI)
- Federation of Chambers of the **Gulf Cooperation Council** (FGCCC)
- **Ibero-American** Association of Chambers of Commerce (AICO)
- Confederation of **Asia-Pacific** Chambers of Commerce and Industry (CACCI)

Additionally, contributions were made from:

- Union of Chambers and Commodity Exchanges of **Turkey** (TOBB)
- Organisation des Entreprises **Africaines** (OEA)

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

- Luxembourg Chamber of Commerce
- Federation of Belgian Chambers of Commerce
- Italian Chamber of Commerce (Unioncamere)
- Malta Chamber of commerce
- German Chamber of Commerce (DIHK)
- Austrian Federal Economic Chamber (WKÖ)

Executive Summary:

I. Global Growth and Business Confidence:

- **Slight optimism** in terms of growth expectations by GCP Members for the remaining months of 2016 when compared to the World Bank economic outlook from June. While largely confirming the World Bank outlook, some world regions send an encouraging signal for 2016 by expecting either more positive GDP growth or a less than expected contraction, according to the GCP. This is particularly true according to GCP members from Russia, and Latin America and the Caribbean. A consistent outlook is expected for Europe, China, the East Asia and the Pacific and a less optimistic outlook only expected for Turkey and the Gulf region in the eyes of the GCP.

For 2017 business confidence is set to increase or remain stable for most of the global economy according to the GCP, confirming the hopeful signals expected for GDP forecasts in 2016. The result points to a likely consolidation of the business climate in the respective regions in the upcoming year. While there is an overall positive trend, GCP representatives from China, Turkey and Europe see levels of business confidence to remain constant for the upcoming year, while only CACCI points to a less favourable business climate.

- **Political and social insecurity and the health of the financial sector** are seen by far as the major threats for the global economy for 2017, with political and social insecurity topping the list for the third consecutive year as the main challenge for the global economy. Compared to last year, the health of the financial sector has moved back as key challenge ranking second, while fiscal crises in major markets dropped to third place down from being the second last year. Fears regarding protectionism and a lack of adequate access to foreign markets has surfaced this year as a main challenge by equally ranking third, together with perceived risks of inflation and deflation.

II. Migration:

- Migration has become a key topic in the global agenda, and was included for the first time in the economic survey this year. To gauge better the impact of migration on business and society at large, GCP were asked to give their perceptions, and their response was very mixed. While GCP Members, from Europe, Central Asia, Iran, and Turkey saw migrants primarily as an economic opportunity, others GCP members including those from China, Russia, Latin America or the Gulf region believe that the long term challenges associated with migration will outweigh the economic benefits. Accordingly no clear global message emerges on the issue of migration according to the GCP.

III. Competitiveness:

- For the second consecutive time, attracting investment through a business friendly environment has been ranked as the single most important policy to ensure the competitiveness of businesses. The second most important policy is the qualification of

the workforce, which over the years has become an ever more important issue for its businesses according to the GCP.

IV. Financial Services:

- Despite many efforts undertaken by policy makers and financial regulators, the general perception among GCP members is that none of it was enough to sufficiently stabilize the financial system with an ultimate goal of preventing further crises. The signals coming from different corners of the world such as Latin America, India, China, Russia or the Gulf reflect the need for more efficient and concerted action to prevent further imbalances and fragmentation of the world financial system
- To restore confidence and avoid future financial crises, the GCP have last year clearly prioritized international solutions, namely promoting international convergence of common standards in the regulatory and supervisory area. This year, the GCP were asked what exact fields of actions should be prioritized by policy makers to improve global coordination of financial market regulation. In this regard, the GCP members believe there is a need for core principles for effective banking supervision, a single set of prudential rules, and lastly a better cooperation on the international level in field of cybersecurity, data and technology principles. The need for the latter is especially felt in Latin America and Europe, with banking supervision and prudential rules are being on top of the lists for GCP members in China , East Asian and Pacific as well as Iran.

V. Climate Change:

- The Paris Agreement adopted at COP21 last year reflects the collective vision of 195 countries on how to limit the increase of global warming, laying out essential goals on how this is to be achieved. Yet each party remains free to decide how to achieve their intended national contributions. GCP members were thus asked to rank the measures they most favour for their respective governments to implement. In this context according to the GCP, investment programmes for sustainability and renewable energy are the most important instruments to boost the global transformation to a low carbon economy, sending a clear signal to global leaders that developing further funding and financing schemes are vital to exploit the global potential of renewables.
- High scores have also been attached to strengthened energy-efficiency performance standards, mainly advocated by countries deposing of high potentials in this regard, including China, India, Iran and Russia, while being less popular in Europe and Latin America. Moreover, several GCP members call for more public support for low carbon innovation, including those from Europe, China and India.

VI. Trade and Investment:

- With trade policy coming under increasing pressure in the developed world, GCP Members were asked to assess whether trade has delivered for them, and the vast majority responded affirmatively, as they see concrete benefits from trade and investment for the companies in their respective regions. At the same time they opted for a more active engagement by their respective governments in bilateral, plurilateral, and multilateral trade negotiations as it is seen as the most effective solution to reduce trade restrictiveness on a global scale and gain access to international growth centres.

- At the level of the G20 pledges to reduce trade restrictiveness across the global economy, the vast majority of GCP Members are disappointed with the results achieved, considering that G20 members have underperformed in this area.
- At the multilateral stage and more precisely for the post Doha Agenda at the WTO, GCP Members have ranked as their top three priorities, digital trade and e-commerce, small and medium sized enterprises (SMEs) and investment. In particular with regards to an SME initiative at the WTO, special and differential treatment for SMEs, flexibility in government procurement and a regulatory agenda tailored to small business are key issues to be addressed in the eyes of the GCP.
- Worryingly, internal quarrels on competence within the EU, between Member States and the European Commission on external trade are already having repercussions across different world regions with respect to their confidence in the EU's ability to effectively conclude trade deals with its partners in the future. GCP members from India, the Gulf region as well as Turkey see their regions confidence diminished, while EUROCHAMBRES own members are split on this issue.

VII. Focus on Europe:

- The referendum on the so-called "Brexit" has clearly influenced the global agenda this year. Accordingly the GCP were asked to assess whether they believe this has had an influence on their regions confidence to continue investing in Europe. The answers mostly point to overall confidence remaining unaffected, yet for some GCP members from regions which are large investors, such as China, Latin America and Turkey, an effect on their confidence has been noticed.

I. Macroeconomic outlook of the global economy

1) Expectations for real Gross Domestic Product (GDP) growth in their respective regions for 2017, compared to the World Bank's forecast.

Overall Analysis:

This year's Global Economic Survey offers a slight upward trend in terms of growth expectations by GCP Members for the remaining months of 2016 when compared to the World Bank economic outlook form June. Four GCP members are expecting GDP growth rates for 2017 to be more optimistic namely those from Russia, and AILA and AICO for the Latin America and Caribbean region and the OEA for sub-Saharan Africa.

Another four members predict economic growth rates to be identical to World Bank forecast namely FICCI, CCPIT, CACCI and EUROCHAMBRES.

Only TOBB and the FGCCC predict a less optimistic forecast than World Bank estimates.

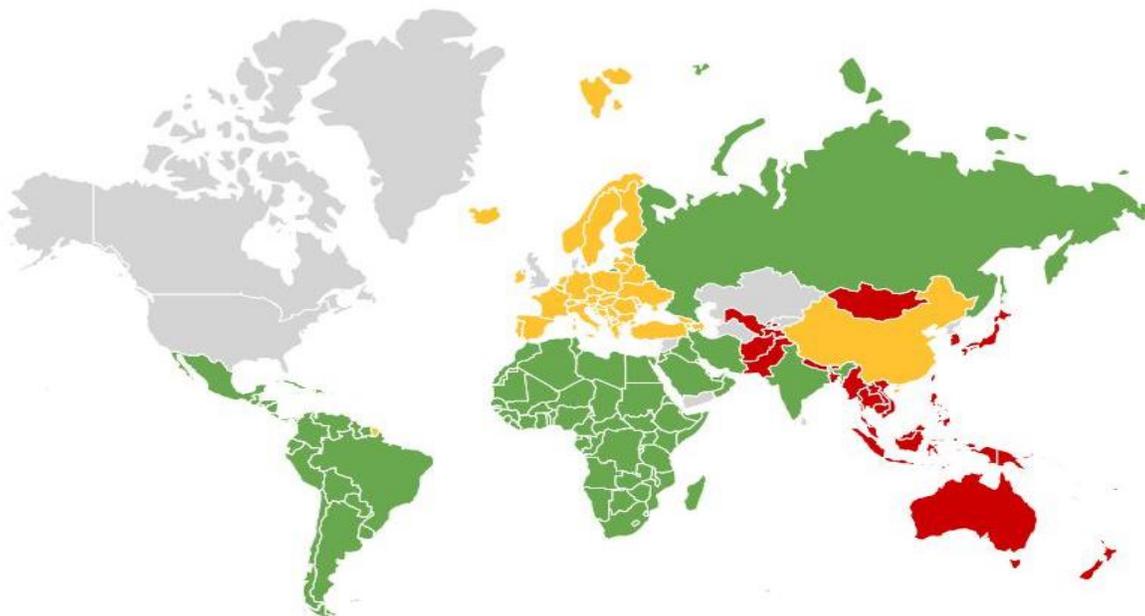
Overall GCP answers seem to point to world economic growth largely remaining as predicted, yet with some encouraging signs in some world regions of growth either picking up or not falling as much as predicted. A certain degree of volatility seems to be there for growth prospect for Turkey and the Gulf region. Geopolitical and financial risks as well as a slowing in global trade remain issues to be concerned about in the short to medium term.

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 GCPs regions are set on a stable if not a more favourable course.

While a majority of GCP representatives indicated that they expect a more favourable business climate for 2017, it should be noted that GCP representatives from China and Turkey indicated business confidence to be identical in 2017 for their region, and only CACCI indicating a less favourable outlook for business confidence in the next year.

If compared to last year, overall levels of business confidence are increasing, particularly with regards to China were CCPIT had signalled a less favourable outlook for 2016.



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 2017.

3) GCP Members were asked to indicate the key challenges for the global economy in 2017

As illustrated in the relevant graph below, political and social insecurity and the health of the financial sector are seen by far as the major threats for the global economy for 2017, with political and social insecurity topping the list for the third consecutive year as the main challenge for the global economy. Compared to last year, the health of the financial sector has moved back as key challenge ranking second, while fiscal crises in major markets dropped to third place down from being the second last year. Fears regarding protectionism and a lack of adequate access to foreign markets has surfaced this year as a main challenge by ranking fourth.

The # 1 challenge: Political and Social insecurity

The fact that political and social insecurity has been identified three times in a row by GCP Members as the main challenge for the global economy, points to a somewhat volatile international political environment over the past years underlining that current regional conflicts are not solely to be looked at through a regional lenses as their impacts extend beyond and impact global growth prospects noticeably. GCP members who attributed less importance to this issue were from Iran, Turkey and AILA.

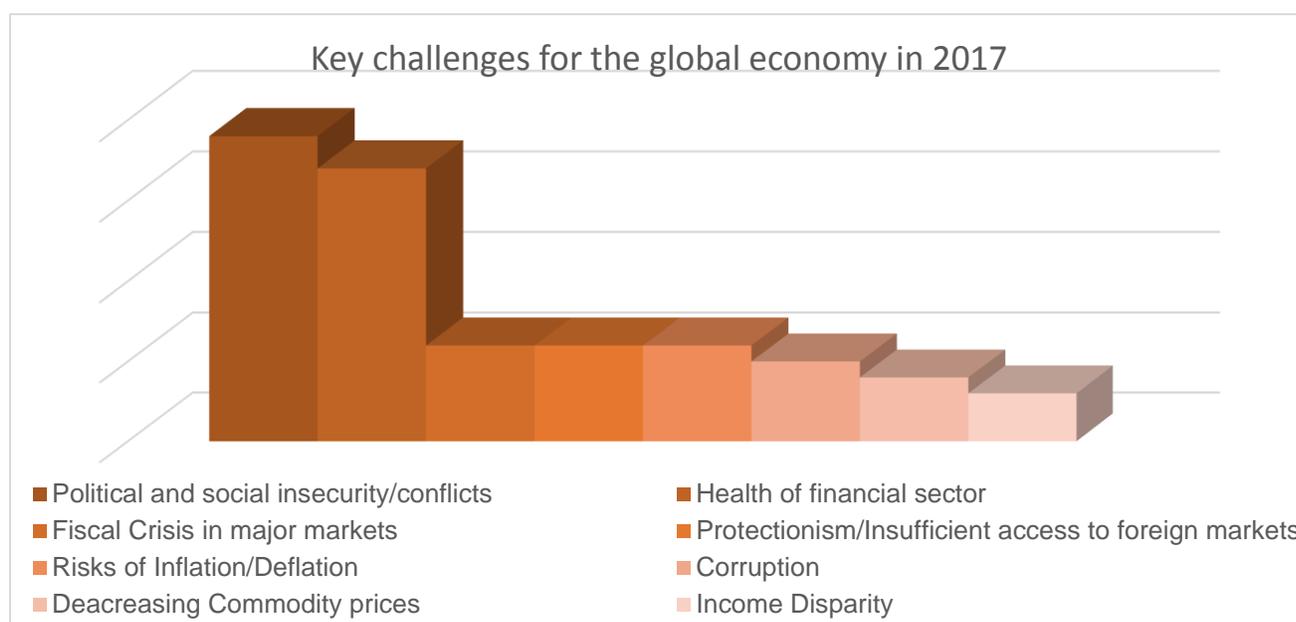
The # 2 challenge: Health of financial sector

The health of financial sector comes back this year as a main global economic challenge, ranking as the second most significant challenge that the global economy will face in 2017 according to the GCP. In this regard the health of the financial sector has equally been a main source of concern for the GCP two years ago, after having been ranked only in the fourth position last year.

GCP representatives from China, Russia and Iran are the only ones which did not rank it as a top challenge for 2017.

Other main challenges: Fiscal crisis in major markets, insufficient access to foreign markets, and risks of inflation, deflation

With regard to weight attributed by the GCP to risks of fiscal crises in major markets it confirms concerns expressed already in previous years, confirming the systemic nature of this challenges to robust global growth. Risks of fiscal crises are particularly felt by GCP Members form Europe, the Gulf region and India. Risks or inflation/deflation and insufficient access to foreign markets are seen as equally challenging for global growth in 2017, with the latter while protectionism being a prime concern for GCP Members from Latin America and Russia.



4) GCP Members were asked to give their assessment on the opportunities and challenges pertaining to migration.

Migration and its impacts on society and the global economy have taken centre stage of the international agenda over the last year as according to the United Nations, there are currently 230 million migrants across the world, equalling around 3.3% of the world population. With that figure expected to increase even further in the future, GCP Members were asked on their expectations regarding the opportunities and challenges posed by migration. The answers by the GCP are mixed, with a slight majority of respondents indicating that the long-term challenges associated with migration outweigh potential economic benefits of hosting migrants in their region. This perception has been highlighted by GCP Members from Russia, China and the Gulf region. On the other hand, the opportunities of migration were also clearly highlighted by GCP Members from Turkey, Iran, East Asia / and the Pacific as well as Europe, who believe migration brings primarily

economic benefits to their region outweighing potential challenges and costs linked to their integration.

Some GCP Members also commented that integration is to be seen as a long process that has to be correctly managed with skills mapping, language courses, trainings and fair labour opportunities. Business associations such as Chambers of Commerce can have a key role to play in that regard.

II. Financial Services

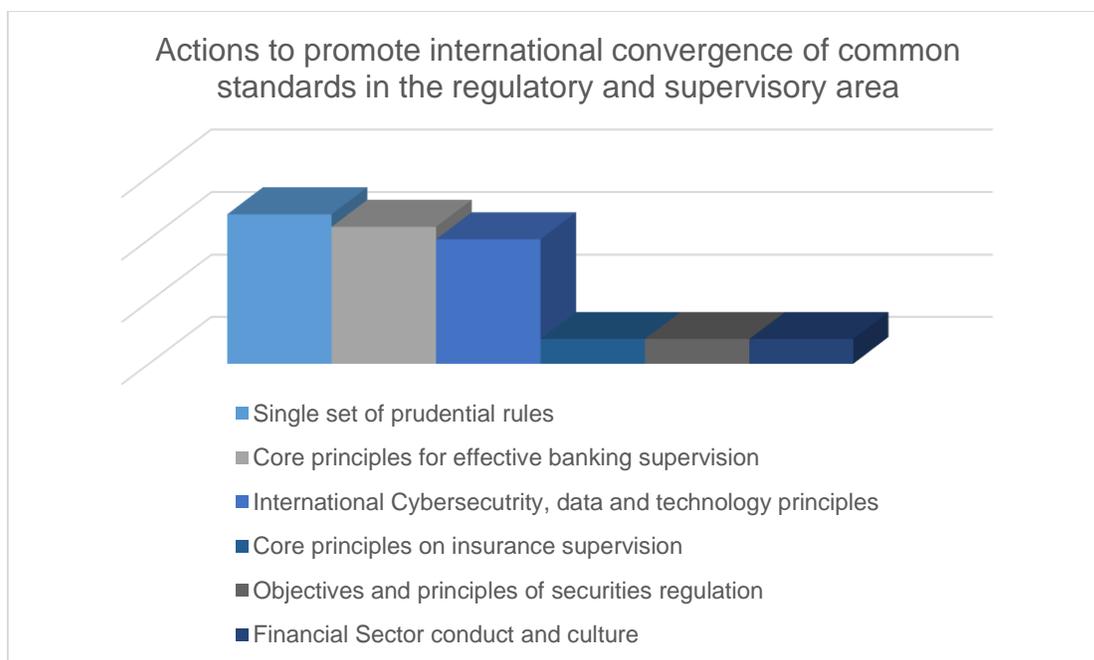
5) Last year, no Global Chamber Platform member was of the opinion that efforts undertaken so far were sufficient to stabilize the financial system, and prevent further crises. Do you think the situation has improved since last year?

Despite many efforts undertaken by policy makers and financial regulators the general perception among GCP members is that none of it was enough to sufficiently stabilize the financial system with an ultimate goal of preventing further crises. The signals coming from different corners of the world such as from GCP representatives from Latin America, India, China, Russia or the Gulf reflect the need for more efficient and concerted action to prevent further imbalances and fragmentation of the world financial system. At the same time, however, one needs to bear in mind that so far there is no evidence of the cumulative impact of financial regulation on the economy and one needs patience to gather expertise to judge its impact before entering into deeper regulatory changes. In the context of the recent financial crisis the measures implemented made the system more robust and stress resistant, however, it doesn't mean that future crises can be fully avoided. The lessons learnt allow to prepare for future crises, built in an early warning system, reaction schemes and institutions, but it is not going to prevent future crises from happening at all.

Economists argue that the current concerns of low or negative interest rates and post-crisis repercussions which are still felt worldwide need to be addressed by measures going beyond monetary policy of central banks solely. Structural reforms to increase growth rates have a vital role to play here, but they take time to materialize and to make an impact, so arguably there is a need for a third component: fiscal policy, and in this sense it is also up to governments to play their part in the fight against recessions.

6) Last year, GCP members identified promoting international convergence of common standards in the regulatory and supervisory area as the most favoured measure to improve global coordination of financial market regulation. In view of this, what actions would you prioritize?

In order to improve global coordination of financial market regulation, the GCP members believe there is a need for core principles for effective banking supervision, a single set of prudential rules and finally a better cooperation on an international level in field of cybersecurity, data and technology principles. The need is especially felt by GCP representatives in Latin America and Europe, with banking supervision and prudential rules being on top of the lists also for GCP members in China and Iran.



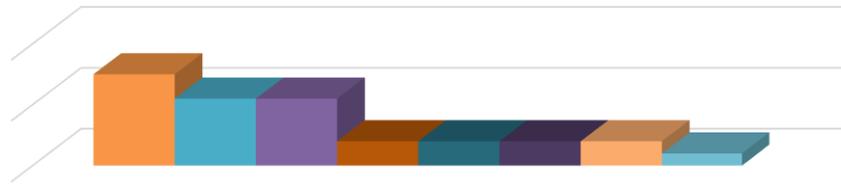
III. Climate Change

7) The Paris Agreement adopted at COP21 last year reflects the collective vision of 195 countries, setting themselves an objective to limit the increase in global warming to under two degrees by the end of this century. While the agreement lays out essential goals, it leaves it to the parties to decide how to achieve their intended national contribution. Which of the following policy instruments do you consider most appropriate to bring about the required economic paradigm shift in your country/region?

Investment programmes for sustainability and renewable energy are considered the most important instrument to boost the global transformation to a low carbon economy. With seven out of nine GCP members (all except China and Turkey) listing them as one of their top 3 priorities, this provides a clear signal to global leaders that developing further funding and financing schemes are vital to exploit the global potential of renewables.

High scores have also been attached to strengthened energy-efficiency performance standards, mainly advocated by countries deposing of high potentials in this regard, including China, India, Iran and Russia, while being less popular in Europe and Latin America. Moreover, several GCP members call for more public support for low carbon innovation, including EUROCHAMBRES, CCPIT (China), OEA (sub-Saharan Africa) and FICCI (India). National Carbon pricing systems enjoy strong support from TOBB (Turkey) and China (CCPIT), while EUROCHAMBRES and AILA (Latin America) push for attempts to establish global pricing schemes. A phase-out of fossil fuel subsidies received support from Turkey and India. Adaptation measures and awareness raising campaigns play a minor role in the consideration of GCP members.

Most preferred policy instruments to implement national contributions for COP 21



- Investment programmes to increase substantially the share of renewables in the national energy mix
- Strengthened energy-efficiency performance standards for buildings, industry and transport
- Increased public support for low carbon innovation
- (Partial) phase out of fossil-fuel subsidies
- Global Carbon pricing
- National carbon pricing
- Awareness raising campaigns on sustainable consumer behavior
- Increased focus on adaptation measures rather than mitigation

IV. Focus on Europe

8) GCP Members were asked whether the UK referendum on EU membership, in which a majority voted for Brexit, affected their region’s confidence to invest in the European Union

The verdict of some GCP is that the referendum on the so-called “Brexit” has had an effect on their world regions’ confidence to invest in the EU, but not for a majority of them. While GCP representatives from China, Latin America and the Caribbean as well as Turkey see their regions confidence to invest in the EU affected by the outcome of the referendum, other world regions see the overall confidence to invest in the EU unaffected by it.

The GCP representative from India, namely FICCI, believes that it is still too early to comment on such an issue.

9) GCP Members were asked whether the referendum on “Brexit” will set back the EU project

Overall, uncertainty is the main outcome on the questions on the future of the EU’s project after the Brexit referendum, with a sizeable number of GCP Members believing that the referendum on Brexit will set back the EU project. Among them are AICO & AILA, TOBB, CACCI and OEA Other GCP Members said that the Brexit referendum will not affect the EU project namely those from China, Iran and the Gulf region.

GCP representatives from India and Russia mentioned that it was too early to make any forecast.

10) GCP Members were asked whether their confidence in the EU's ability to effectively conclude trade deals with partners has been undermined by ongoing quarrels on the distribution of competence between the EU and its Member States on external trade

A majority of GCP members do see their confidence for the EU to effectively conclude trade deals affected by internal quarrels on competence, namely those from India, Turkey, Russia, the Gulf region, CACCI and AILA.

Conversely, AICO, CCPIT and ICCIM do not share the same vision. Participating EUROCHAMBRES Members to this survey are split on the issue.

V. International Trade and Investment

11) With globalization and international trade and investment coming under pressure in advanced economies, GCP Members were asked whether trade and investment liberalization has produced concrete benefits for companies in their region.

The opinion of the GCP is clear in that trade and investment have produced concrete benefits for the companies in their regions, with an ample majority of GCP Members responding affirmatively to the question. Only AICO, CACCI and the FGCCC seem not to fully share this opinion

We the above in mind, the GCP send a strong message to policy makers that trade matters for the global business community and for real entrepreneurs across the globe. It is an important message that comes at the right time, when global trade is set to grow at the slowest pace since the financial crisis, marking a sharp decrease from earlier predictions.

12) Trade restrictive measures in the G20 have increased despite previous G20 pledges to reduce them. What is the most appropriate solution for this on a global scale?

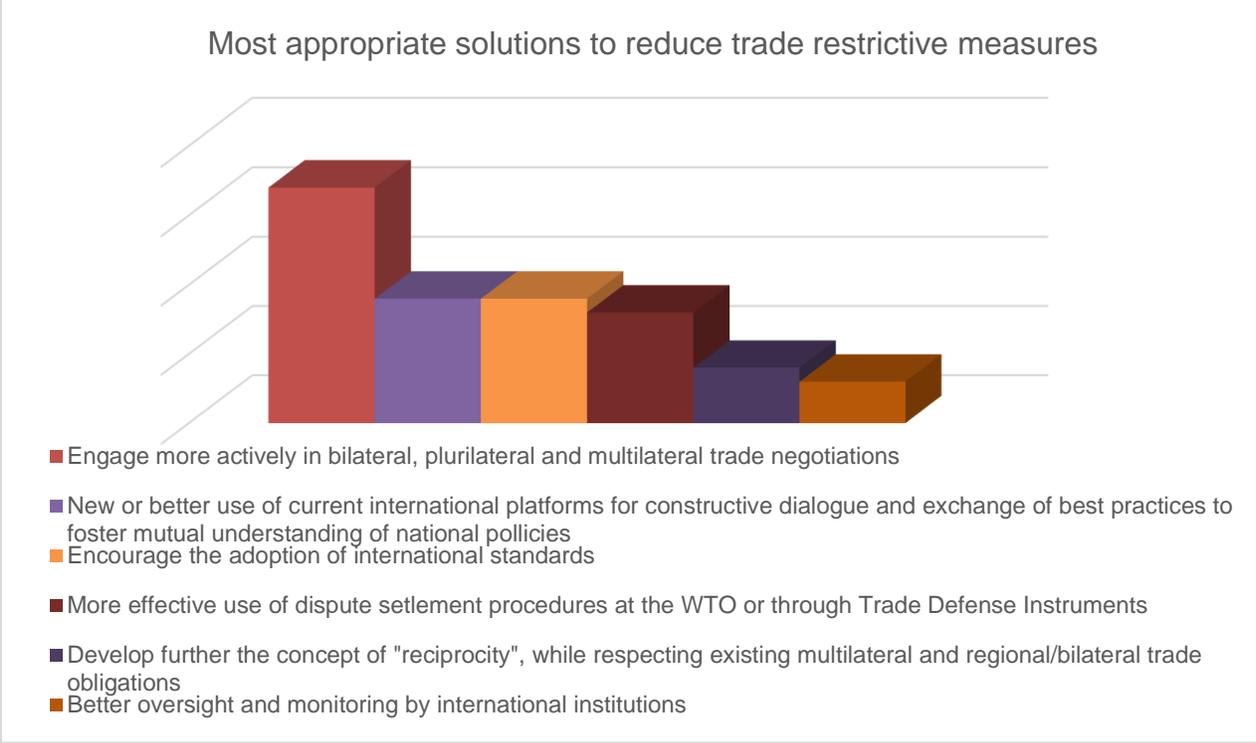
Over the past years, trade restrictive measures have continuously increased and continue to be a serious obstacle for long-term economic growth. As highlighted in the previous question, a large majority of GCP members are seen real benefits from mutually beneficial trade liberalization. Moreover, benefits from trade liberalization have numerously been underlined for instance by the OECD, who calculated that if G20 economies alone reduced trade barriers by 50%, they could benefit from an increase in jobs from 0.3% to 3.3% for lower-skilled workers and 0.9 to 3.9% for higher-skilled workers, depending on the country. Countries would also benefit from higher real wages 1.8% to 8% increase in real wages for lower-skilled workers and 0.8% to 8.1% for higher-skilled workers, depending on the country.

In order to access foreign growth centres and reduce trade restrictiveness on a global scale, GCP members ranked their most preferred solutions to surmount this challenge.

For the majority of GCP members, the best way to counter trade restrictions is for their respective governments to engage more actively in trade negotiations at bilateral, pluri-lateral and multilateral level. This solution was also ranked as a first priority in 2016 Global Economic Survey. With the exception of AICO and FICCI, all GCP participants ranked it as a priority.

The second most appropriate policy solution according to the GCP, is to better use current international platforms for a constructive dialogue and to exchange of best practices to foster mutual understanding of national policies. This priority has especially been underlined by GCP representatives from China. This result is very different from last year economic survey where GCP considered it the least preferred option.

For the third most preferred policy, two potential solutions are equally ranked. The first one being to encourage the adoption of international standards, which is particularly favoured by EUROCHAMBRES, and second one being to use more effectively dispute settlement procedures at the WTO or through Trade Defence Instruments, being particularly important to ICCIM and AILA.



13) GCP Members were asked to give their opinion on whether the G20 have underperformed in in the implementation of their pledges to reduce trade restrictions

For several years, G20 heads of government have pledged to decrease trade restrictive measures but almost all GCP members agree that the G20 have underperformed in the implementation of their pledges to reduce trade restrictions. This is mirrored by the increase of trade restrictions in G20 countries over the past years and sends a strong signal to G20 leaders that more focus needs to be placed on the implementation of G20 pledges in close collaboration with the business community.

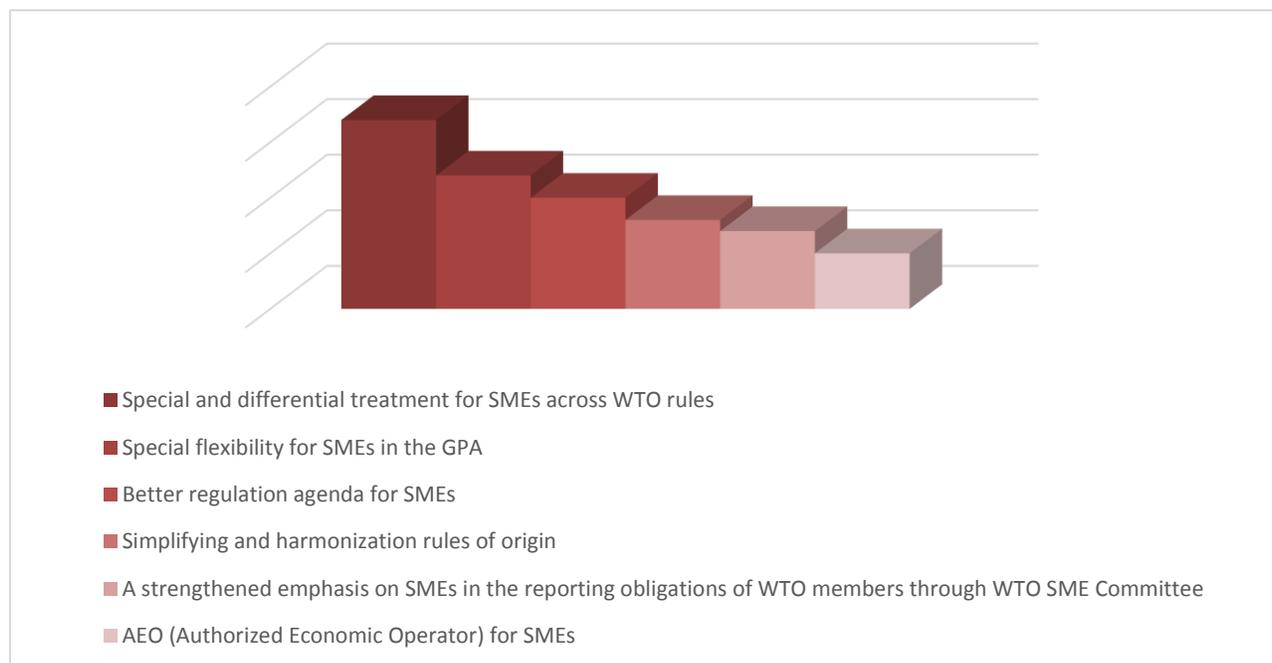
14) Last year's survey responses revealed support among GCP Members for a Small Business Initiative at the WTO. This year GCP Members were asked to signal their preference for a series of proposed measures which such a Small Business initiative at the WTO could contain.

GCP members expressed an overall preference for special and differential treatment for SMEs across WTO rules, so as to adapt them to the needs and priorities of SMEs. Yet this option is not seen as a priority by GCP representative from India, Russia and Europe.

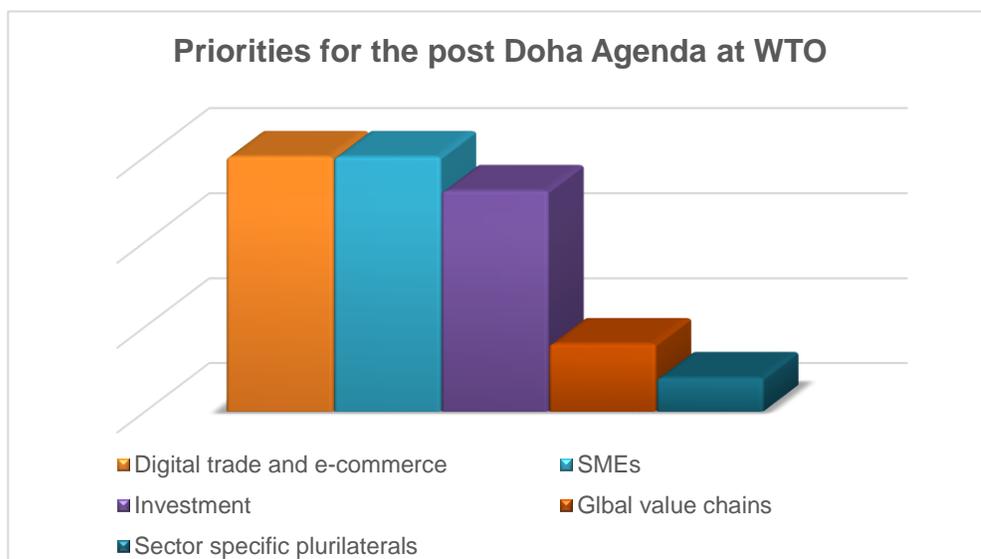
The second most preferred ingredient for a small business initiative at the WTO is to foresee flexibilities for SMEs in the government procurement, for instance in the GPA (government procurement agreement). This has been particularly highlighted by GCP representatives from Russia, China and Gulf region.

The third most important policy ingredient in the eyes of the GCP is to have a regulatory agenda tailored to the needs of SMEs. In this regard, good regulatory practices that ensure proper participation for the SME community and assess the impact of legislation on SMEs before its adoption are key element in good policy making and could be a starting for a global discussion on the subject.

EUROCHAMBRES sees the simplification and harmonization of rules of origin as the most favoured option that could be pursued in the framework of a Small Business initiative at the WTO.



15) GCP Members were asked to prioritize the main themes that should dominate the post Doha agenda of the WTO



With the successful conclusion of the last WTO Ministerial for many government and stakeholders the time has come to give thought to new issues that the WTO should encompass in its post-Doha negotiation agenda.

In this respect the GCP were also asked to identify their priorities and in this respect they have a clear preference for digital trade and e-commerce as well as SME's to be the main priorities of the multilateral trading body for the upcoming years. Both option received broad support across participating Members.

In third place, GCP Members ranked investment brought into the framework of multilateral trade rules, being particularly favoured by AILA, CCPIT and the FGCCC.

The GCP representative from Russia also noted for priority to be given to sector specific plurilaterals especially in the ICT, automotive and services sectors. Overall this option was not seen as a priority by the GCP.

VI. Competitiveness and Internationalization of Companies

16) GCP Members were asked to rank the biggest obstacles for SME internationalization in their country/region.

This year's survey has identified three main obstacles to the internationalization of businesses according to GCP, which are in line with the last two previous editions of the economic survey.

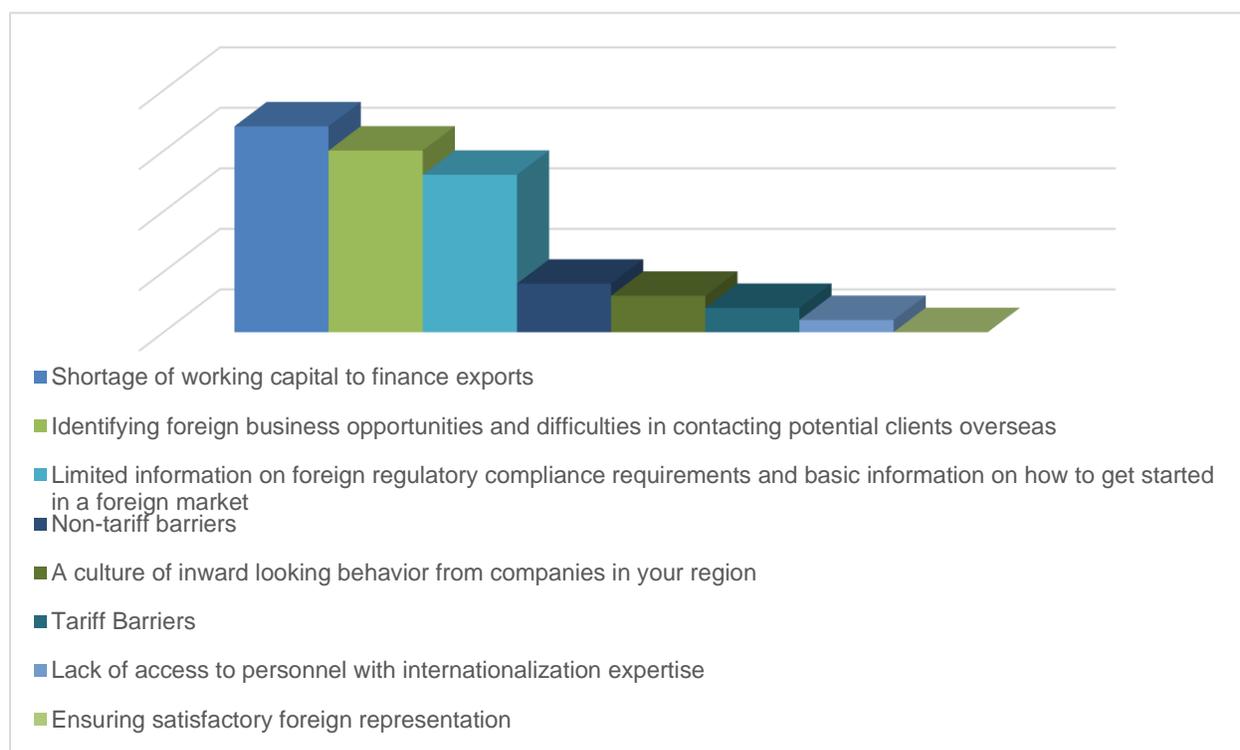
This year predominant challenge for more companies going international, is the shortage of working capital to finance exports. This challenge ranked third last year but has been attached significantly higher importance in this edition of the survey. Considering their answer over time

GCP Members seem to acknowledge that little progress has been made in bettering financial access for SMEs, which more global, regional and national efforts needed to remedy this problem.

The perceived difficulty to identify business opportunities and the difficulties in contracting potential clients overseas ranked second according to the GCP. This shows that despite noteworthy efforts at national and regional level, much remains to be done to reduce the information gap for SMES and provide targeted match making opportunities.

The third main challenge is the limited information on foreign regulatory compliance requirements and basic information on how to get started in a foreign market. Centralized intelligence portals in relevant markets could help ease the situation for many SMEs.

Overall it can be acknowledged that a key to increase the internationalization of SMES need to have better access to finance and policy makers should reducing the knowledge gap for SMEs in terms of both, a better identification of the regulatory environment and obstacles to penetrate foreign markets, as well as a better and more targeted identification of business partners.



17) GCP members were asked to rank the single most important policy in their region to ensure the competitiveness of their companies

As last year, GCP members ranked attracting more investments through a business friendly environment as the top policy to ensure competitiveness of companies in their respective regions. This policy has been ranked as the first one priority by AILA, EUROCHAMBRES, TOBB, the FGCCC and ICCIM.

The second most important policy to ensure competitiveness according to GCP members, is to enhance the skills of the workforce, which has become an ever more important policy to be developed when compared to previous editions of this report.

The third most important policy to ensure competitiveness is to encourage internationalization. This policy has gained one position compared to last year’s economic survey, and was particularly favoured by TPRRF, ICCIM and AICO.

The “greening” of the economy has been particularly highlighted by the OEA.



18) The GCP were asked to identify the main problems that companies in their region encounter in their day-to-day business?

For five consecutive years, GCP members have ranked access to finance and a decline in domestic demand and export as the main problems their businesses face in their day to day business. However Regulatory uncertainty is a particular challenge for companies from Iran, China and Latin America according to the respective GCP members from the region. At the same time, lack of skilled workforce is seen as the major challenge for European business according to EUROCHAMBRES.

