

Interview with Phillip O'Reilly, Chairman of BIAC

OECD's Business & Industry Advisory Committee Could Contribute to Achieving Rules-Based Global Economy

By Japan SPOTLIGHT

Multinational companies, which are great beneficiaries of globalization, must have a strong incentive to stop any moves toward deglobalization and restore global governance for rules-based trade and security to prevent the US-China tech cold war from causing damage to the global economy. How can business lead this process in public policy decision-making? The Business and Industry Advisory Committee (BIAC) has long experience of playing an advisory role to the OECD in public policy and international rule-making discussions. We interviewed BIAC Chairman Phillip O'Reilly to discuss this issue.

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Introduction

JS: Could you give us a brief self-introduction and tell us a bit about your company?

O'Reilly: My name is Phillip O'Reilly, I am a New Zealand national. My role is chairing BIAC, which is based in Paris. I have a staff of 10-12 people, and I have chaired it for the last six and a half years now, and have been on the board for a bit longer. BIAC is the formal business partner of the OECD, set up a year after a trade union advisory committee was set up, so it's a tripartite structure. While we are technically part of the OECD, we are very independent and offer an independent advisory source. We have a number of observers from countries that maybe will join the OECD on the accession pathway, and have a number of other technical/international organizations – for example, on chemicals and banking – that also join BIAC because of the particular work that the OECD does. The core members are the business confederations, and in Japan of course that is the Japan Business Federation (Keidanren).

My company in New Zealand is called Iron Duke, based in Wellington. I used to run Business New Zealand, which is the equivalent of Keidanren in New Zealand. After 11 years of being CEO there, I left and formed this organization which is a public policy advisory firm. It's a commercial firm, and we have clients in central government, local government and in the private sector both in New Zealand and overseas. We are attempting to get to good public policy outcomes, and we do this by giving strategic advice to clients both in the public and private sectors.



Phillip O'Reilly

JS: Could you outline your recent activities at BIAC?

O'Reilly: BIAC is a formal part of the OECD framework. The core of the organization is about 33 committees that are made up of and chaired by members and align with the various committees within the OECD, such as trade, investment, and tax. There are hundreds of members engaged in advising the OECD process, and we also assist the OECD in terms of its outreach. We assist the outreach process in ASEAN, and also through the G20 and G7 processes, including the B20 and B7 processes. It's a busy job, and my role is really to make sure that the organization itself works. The policy work is done elsewhere, and my role is to make sure

that the organization is being run effectively. It is quite a complex organization but what it brings to the table is high-quality advice because it has these very big and well-resourced business organizations behind it. When we give advice to the OECD we can reach back to those federations and ask their opinion, so we can offer powerful and insightful advice. I will be travelling to Paris tomorrow for the Liaison Committee Meeting which happens every January and is our big set-piece meeting with the OECD to express what business wants, and how we respond to the OECD's work program. This meeting will be held by the most ambassadors and business people we have ever had. I am the chair of the process and have a board that I work with.

BIAC & Trade Policies

JS: You mentioned that BIAC is trying to influence

OECD programs. I am curious about programs on trade policies as today the international trade regime is facing a crisis.

O'Reilly: We work very closely with the Trade and Agriculture Directorate at the OECD. The head of that is a Canadian national, Ken Ash. We think that the OECD's trade work is second to none; I would rank it as the best trade work in the world. The reason it is important in the current times is that it brings evidence to the debate. The trade debate right now is often not one based on evidence but on slogans, on both sides. One of the reasons that the WTO is under such threat at the moment is that the trade debate has become rather isolated from the public. I make the joke that far too often in the past, trade negotiators said to the business end of the public, "This is our job, we will tell you when we are done," and they excluded people from their work because of secrecy and so on in the negotiations. That has got to stop. The work that Ken Ash and his team at OECD do is very important because it makes the benefits of trade much more real to the public and to the business community and that is a very important part of what the OECD does. We support that process; for example, the Services Trade Restrictiveness Index is a product that the OECD has put out, which measures trade restrictiveness and services. They have done a lot of work on trade and digital, around the costs of protectionism, and also about how to build advice around trade policy that makes it more inclusive. This is mission-critical work that they are doing.

JS: It seems to be very difficult for the trade policy people to convince the masses of the benefits of trade liberalization, in particular against the rising tide of populism.

O'Reilly: First of all, it is important to say that not everybody thinks in that way. We were recently in China, and they understand. In Japan, I don't think that people misunderstand the benefits of trade – I think they are generally on board with that. Indeed in the United States, citizens are more pro-trade than anti-trade. Two things have happened to the trade debate over the years.

One is that it has become isolated. It has become people of the WTO sitting behind their iron gates in Geneva and deciding things and then telling the world, rather than engaging with the world. That is not just the WTO, but other organizations too. Second, trade has become the thing to blame when people lose their jobs. If a country is struggling with welfare, trade is blamed. Yet it is often not to do with trade – for example, the US manufacturing job loss is largely the result of digitalization and is not much to do with China, but trade is blamed.

The other challenge is that oftentimes when politicians are faced with tough decisions internally – for example, reform of pension laws or taxation laws – they will often blame trade. How do we resolve that? I think that we need to make clearer to more people the value of trade. It is actually the job of our leaders and politicians to do that, and Prime Minister Shinzo Abe is doing an outstanding job of that in Japan, with the third arrow reforms and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It is actually the job of politicians to communicate to the public the value of trade; it is the job of businesses to explain to their stakeholders the value of trade, including their employees. It is also their job to engage in trade in a responsible fashion, making sure that they truly are competitive.

There is no one simple answer to this, but we certainly need to engage more people in the clear and evident benefits of trade, and then hold politicians to account for what they need to do to make sure that trade is good for all. We all knew when free trade deals and the Doha Round happened that one of the things that was going to happen was micro-economic, internal economic reform in countries to make them more efficient and more open, as it has implications for social welfare, education and infrastructure. Far too few countries have taken that process and done it well; they have not done some of the things that needed to be done internally very well, and I think that they need to be held to account to do that.

“Decoupling” of the Global Economy

JS: Technology has an impact on jobs, but also on national security as evident in the latest argument between the US and China. Journalists are saying that this could lead to the “decoupling” of the global economy. How would you assess this?

O'Reilly: I am personally quite optimistic. (This is my personal view and not from BIAC.) My sense is that both the Chinese and the Americans will have to react to that because the Chinese undoubtedly have some technological leadership, and the US has a great deal more technological leadership than the Chinese do. When it comes down to it, they both need each other which is why we are seeing a softening of the trade tensions of the last couple of years. My sense is that this will resolve itself without some kind of technological cold war, but we need it to resolve itself because the world will be a poorer place if we do not. If the rest of the world is forced to choose between US and Chinese technology just because of the flag on the box, it will make us a very poor world and increase other tensions as well. So it is incumbent on all of us to make sure that we don't go down that track.

Japan is right on the edge of this. You have a long-standing relationship with the US and you also have an increasingly close relationship with China, neither of which is without its tensions, of course. Japan will need the best technology it can get from wherever it can get it, so we need to make sure we resolve this and I do think it will be resolvable over time, but it will require a change in behavior from both the US and China.

JS: Decoupling of the world economy would potentially be disastrous for it. Should we assume that business circles, such as BIAC or multinational companies, would have an incentive to intervene?

O'Reilly: Exactly right. Businesses will make their own decisions – businesses in Japan, businesses in New Zealand, businesses in the United Kingdom. They will decide which technology to use independent of governments and we will be safer because businesses will use the best technology for their needs. It's fair to say that in the OECD we don't get engaged in that debate, but what is clear is that the OECD is for trade and for globalization. There are obviously some implications to that in the way that we think about US-China relations more generally, and technology wars generally as well. We don't get engaged in the Huawei versus US thing as much as others; we are much more about trade.

JS: On the question of national security, there are some sensitive technologies. Without business knowledge it would be very difficult to make rules on sensitive technologies as government people do not know exactly what sensitive technologies are with regard to national security. So business involvement is inevitable to achieve rules-based governance.

O'Reilly: You are seeing those debates playing out in the B20 and G20 process, of course, as well as the B7 and G7 process. They are also playing out at the OECD but not so much because it has never been an organization about, for example, military security. I would make the point that there has always been a situation where particular technologies have been held secret for the national interest: technologies around canons, and around maps back in the 18th century were kept secret. The same applies today. Some of the challenges are where telecom companies are private but have a massive role to play in the national situation, such as broadband technology.

I think we must be driven primarily by the need for efficient, competitive markets and if there is fear or a logical view or a view upheld by evidence that something the US or China is doing is

impeding that, then it needs to be resolved. I don't think it means that we don't buy each other's stuff. We need to resolve issues around security knowing that actually trade will be the biggest driver of security in the long run, as it has been since World War II. Multilateral trade is the biggest driver of national security and peace and prosperity that we have ever seen in the world's history. We need to be clear about that, and not to stop trade.

JS: There seem to be lots of issues intertwined. In the case of trade policy and structural policy, those issues should be discussed together, otherwise we cannot reap the benefits of trade liberalization. Also, security and trade should be discussed simultaneously as otherwise we cannot achieve a rule-making process for them.

O'Reilly: Precisely. There are times when other things trump trade – security will occasionally beat trade. In the trade debate, we have separated these two issues and the OECD has worked hard to put these two things together. You can't have a conversation about welfare reform or about national security without thinking about trade and vice versa. It does not surprise me that trade has become a victim of debate when that has not been occurring, and it has not been occurring.

Some Good Venues to Restore Global Governance

JS: What kind of venues would be appropriate for discussing these issues simultaneously? The OECD is an interdisciplinary organization with a wide range of experts able to work together on various issues. But what about other organizations when global governance is in crisis. How do you see the future of the WTO for example?

O'Reilly: My ambassador David Walker is trying to achieve some outcomes with the US and others regarding the re-instigation of dispute-settlement procedures. I am an optimist and I think we will get to some kind of outcome in time. One thing I know we need to do more of is to get the business community to step up more aggressively and to say that the WTO matters to us. This is another one of these institutions that sits between the big steel gates in Geneva and hasn't been particularly open to the business community and to others over the years, and it just needs to change. The WTO senior people recognize the need to reach out to business. Business can bring home the importance of the multilateral rules-based

system on trade much more powerfully than others, and to give an example of that, I was told by one of my chief trade negotiators in New Zealand that before the WTO's rule-making processes came in, when a ship of lamb meat left New Zealand for Hamburg in Germany we did not know what the tariff rate would be when the ship arrived. That's ridiculous, and now we do because of the rules-based system of the WTO.

I often tell people these illustrative stories to try and get them to understand the importance of a rules-based system – not just for small countries, but for big countries as well. So the WTO is definitely part of global governance, and other parts of the WTO move along. A piece of it has stopped, but there are lots of massively important issues that they are trying to resolve such as fishing subsidies, environmentally harmful subsidies. The point about global governance is that there is no one place – that is part of the challenge. Global governance is in the G20 this year in Saudi Arabia, through the WTO and the OECD, and also through the International Labour Organization and the UN agencies that are relevant to it. Parts of it aren't going too badly, but there is a lot of tension and it is not as powerful as it once was.

This is where the role of Japan in particular becomes important. It is the third-biggest economy in the world, and Abe is pro-trade, admirably pledging to lead the process through the CPTPP when the US left. So effective global governance requires leadership from leaders, and we need more leaders prepared to stand up and declare what they stand for. Global governance has some challenges; it is not all wrong though, and parts of it are going OK. We also need to recognize that global governance happens in lots of places and will only work effectively where leaders are prepared to step up and support it. Business leadership in the WTO is very important and people need to understand how important the WTO is so that it doesn't wither on the vine.

JS: Looking at other venues where issues can be deliberated simultaneously, APEC might be a good venue, but Americans have very little interest in APEC. Would the CPTPP be a better venue for initiating global governance?

O'Reilly: We need to be cautious and make sure that organizations stay within their mandate. I used to be a member of the APEC Business Advisory Council until very recently, and was asked a question in New York about whether or not APEC would be involved in the tensions in the South China Sea. The answer is no – APEC is successful because it sticks to its mandate of economic growth and integration and it does that well. If you start to give it rules-based or security roles it will immediately fail because that is not its mandate.

I would argue that the US has an interest in APEC that waxes and wanes, but it is actually pretty involved in APEC. The US has always had more of a suspicious view of multilateralism, even before President Donald Trump. If we get APEC right, then APEC can be a pathfinder for much else. If we get some rules around digital right at APEC through a voluntary approach, we can present them to the world and say look at those. In much of the work that APEC has done, there have been examples where because it was voluntary and done with many of the key countries of the world around the Pacific Rim, APEC work has become much more common elsewhere.

Likewise with the CPTPP, it is just a trade deal and is not technically part of global governance, but the fact that it exists and now countries like the UK want to join, implies that the UK may be prepared to comply with the rules and processes within the CPTPP. I have always been interested in the idea of taking a successful process or forum and running hard with it, making it successful. Others will want to join it, and by doing that you will reduce tension, get more economic integration, and get better things happening. APEC is a great example of that. The fact that the OECD has a number of countries that want to join suggests that it is successful, and once you join the OECD you have to sign up to all the investment criteria and anti-bribery legislation, so that is why business wants the OECD to expand these principles. For global governance, we need to show what is successful and what forms we can use to push a message of growth and integration and social success, and hope that others will join that process as a way of securing good outcomes.

JS: How about the Regional Comprehensive Economic Partnership (RCEP)? It is a bit generous to some protectionists and is not so ambitious, which could be a good thing as countries would find it easier to join. Structural reform would take time, so generous free trade agreements might work better.

O'Reilly: I would argue that you want the reduction of all tariffs to zero. You want free movement of investment and people over time, so for me the outcome of trade deals like the CPTPP or RCEP need to be tight and ambitious. The timeline for countries to get there is the issue. In New Zealand, we know that dairy subsidies around the world are massive, including in Japan, and so we want to get rid of them. But how long will it take to get rid of them? The point about RCEP is that if we can get countries like India to sign up eventually on the basis that it gets quite a long pathway to reform, then that is OK with me so long as it reforms and does not sign up to a free trade deal that is not very free at all. That would be where the business community would insist on ambitious outcomes. The way in which

people can link into those and move along at their own pace to some extent is very sensible and is common. The CPTPP does that, and the Doha Round did too.

JS: How about the idea of trying to have sectoral agreements, for example on digital products. Countries can get together on a voluntary basis to hold negotiations or discuss initiatives and perhaps this could be a good alternative to global governance?

O'Reilly: Global governance is a lot of things all at once, but as you know, these sorts of voluntary discussions go on all the time and are quite powerful. New Zealand and a number of other countries have started one on digital. P4 – the origins of the TPP – was a voluntary thing between these countries and done explicitly to say to Asia-Pacific and the rest of the world that they can play into it, and it leads to the CPTPP and more. I agree that if you can get countries to demonstrate to others and be open to others joining, it is a good thing that should be encouraged.

Role of Business in Rule-Making in the Global Community

JS: On the subject of discussions for rule-making, can BIAC play an important role ?

O'Reilly: It does. Through the mandate of the OECD, there are a number of rules on investment, chemicals, trade, anti-corruption, Corporate Social Responsibility and so on. There are a number of rules or quasi-rule processes that the OECD has through its mandate, and BIAC already plays a crucial role and will continue to do so. If you think about the other roles of the OECD, BIAC effectively follows the OECD around. So in terms of making those much more effective and a part of global governance, for example, OECD membership in ASEAN is poor. If the OECD can be assisted to improve membership among ASEAN nations, it would be good for business and a level playing field. We would encourage and support the OECD in doing that, and on a whole raft of issues. As well as rules on multinational tax, we support more countries becoming members, we support its role in the G7 and G20, and particularly for global governance. BIAC is one of the biggest repositories of business knowledge, information and research in the world, and is a massive engine of knowledge to assist governments in playing that role.

JS: In Japan, we are initiating discussions about how

to get businesses involved in policy decision-making, and how to play a key role in global governance in the international community. To be honest, business might be a little shy of doing so, and government people do not know how to attract business people to the policy discussions. Do you have any suggestions to ameliorate this situation?

O'Reilly: You would always start with the business associations. It is their role to bring business views together and put them in a language that policy officials and politicians can use. One of the challenges is that when you talk to business people about public policy, they think about it and describe it in a business way. Public policy officials and politicians are often unfamiliar with business, and so often we are talking in different languages to each other. Thus, it is a key role of business associations including BIAC and Keidanren to translate between the two, and to turn it both ways into advice that both sides can use. When business thinks something needs to change, government needs to listen to that and vice versa.

Also, we need to be clear about our respective roles. It is not the role of business to engage in global governance, as this is the domain of elected officials. It is, however, their role to try and ensure that the decisions made by public policy officials and politicians will make citizens better off, and from an economic development perspective business knows a lot about this. It is their role to advise the political process and then explain to their stakeholders what they have said and why, including their employees, the communities they serve, and their customers. Not the citizens – that is the job of government to explain to.

JS: The OECD is a global think tank. You mentioned some kind of mediating role between business and public policy. Could think tanks play this key role?

O'Reilly: Indeed they do, and there are many in Japan, the US and the UK. I always see business organizations as big think tanks too. A massive amount of thinking takes place within the OECD – the evidence is brought to bear, and the experiences of the companies around the table are massively important. So I would argue that business organizations are think tanks too, as they bring together the evidence, they distill it, and they represent it. Think tanks are important but it is about getting the right brains around the table. **JS**

Written with the cooperation of Joel Challender, who is a translator, interpreter, researcher and writer specializing in Japanese disaster preparedness.