



NEWS

Introduction made by IOE President, Abraham Katz, at the launch of the World Bank's 2008 *Doing Business* report in New York on 26 September 2007

As President Emeritus of the United States Council for International Business (USCIB), let me add my words of welcome to those of our Chairman Bill Parrett. Bob (Robert Zoellick, World Bank President) is not new to the US Council; years ago more than I care to remember, I introduced him as guest speaker at our annual dinner. He was then under Secretary of State for Economic Affairs. Since then he has gone upwards and onwards to greater things. As President of the International Organization of Employers (IOE) I am pleased to greet both Bob and Mr. Michael Klein (Vice President for Financial and Private Sector Development for the World Bank and Chief Economist, IFC) on the launch of *Doing Business 2008*. This past June I had the pleasure of introducing Simeon Djankov (Chief Economist, Indicators Group) at the IOE General Council at which most of the hundred and forty member federations were represented – and I will draw on some of the comments made at that time.

The views of the IOE are clearly stated in the press release, which you have before you, and there is no need to repeat them. Statements attributed to me by the Geneva drafters of this release were drawn, knowing my views from that meeting of the General Council, and there is no need for me to repeat them. Let me instead make some further personal observations on this subject at hand.

For 15 years, as an employer member of the governing body of the ILO and Vice Chairman of its employment committee, I tried to preach the doctrine of structural adjustment, which I learned over the years at the OECD where the doctrine – at times called positive adjustment – was developed and articulated. At events such as this one I frequently used the metaphor of the three-legged stool to characterize positive adjustment. The legs are stabilization (meaning macro stability privatization which speaks for itself as a major aspect of increasing efficiency), and liberalization both in the sense of trade liberalization with which Bob as a former Trade Representative is very familiar. But liberalization also includes domestic liberalization in the sense of making regulations, both efficient and fair and non-discriminatory. In this sense the *Doing Business* project has made a major contribution. We have always preached this doctrine, but the *Doing Business* approach of measuring and comparing performance on specific matters has been a major incentive to countries to improve their economies through greater efficiency. The *doing business* project has introduced an element of competition among countries and of measuring reform of regulatory systems in a given country over time and has made a major contribution to the objectives of more efficient regulatory systems.

More...



Over a long career in the foreign service, I have had numerous occasions to hear the views of business groups, both domestic and foreign as to what is important to them in setting up and doing business in a given country. Obviously the right of establishment and the national treatment principle are important in assuring foreign investors – and this is what we have we have advocated for many years including in the defunct Multilateral Agreement on Investment. But when I talk to business people, they are more specific. They stress the need for one-stop shopping to get the answers to their questions and to get action on their requests for licenses and other matters that enable them to do business. They stress the importance of stability of regulations. They frequently say they could adapt to almost any regime as long as they know that the rules of the game have a certain permanence. Underlying everything is a legal system in which the right to private property is enshrined. I might point out parenthetically that at a recent ILO meeting, the labour contingent refused to admit in the final declaration that the right of private property should even be mentioned. Hernando de Soto of Peru has been a trailblazer in stressing that establishing property rights is a major component of enabling business to develop and prosper and reducing informality.

At our General Council some members commented that it was important that in addition to improved and reformed procedures, the underlying policies should be positive. To this I would add that it is not only the policies of the governments which are important, but also the views of existing and established businesses. All too frequently, I've come across cases where local, business interests made life so difficult for foreign investors that they were forced to retreat from that country; and is it not true that in quite a few countries existing businesses make it difficult to reform regulations in a way that would bring more people into the formal sector, fearing the competition, which they already have from the informal sector. Another suggestion at our General Council was that some indicators on Social Security –specifically in what is termed flexicurity (i.e. flexibility for the employer and security for the employee) – could be of value.

It will not surprise you that at the General Council of the International Organisation of Employers (IOE), which represents the employer interest in labour systems, it was stressed that systems that increase productivity, competitiveness, job creation and lead to a reduction in informality are vital and should apply to domestic as well as foreign enterprises. How often have we heard that enterprises do not hire in certain countries because they cannot lay off with reasonable conditions? This is one of the important measurements in the doing business project.

In conclusion, let me stress that the member federations and their business members have already benefited considerably from this project and they are eager to contribute to it both in terms of providing facts and numbers and acting as transmission belts to spread the gospel to other parts of society as well as to their governments. Again, we congratulate you on the launch of the latest Doing Business report and wish you well. Thank you.

Abraham Katz

President

International Organisation of Employers