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B7 Tokyo Summit Joint Recommendations

21 April 2016

On 20-21 April 2016, we, the business leaders of the G7 countries and the EU, convened at Keidanren Kaikan in Tokyo to discuss the world economy, trade and investment, digital revolution and global issues.

With the G7 Ise-Shima Summit to be held next month, we strongly urge the G7 leaders to prioritise the issues raised in our following joint recommendations, to incorporate them in the Leaders' Declaration, and to implement them without delay. The G7, as forerunners of finding solutions to emerging problems, who share common values and principles such as freedom, democracy, rule of law, basic human rights, and market economy, are urged to realise these recommendations through close policy coordination, thereby enabling the world economy to achieve stable and sustainable development. Now that the involvement of emerging economies has become indispensable to resolving global issues, we call on the other G20 countries to take action along the lines set forth below.

1. Realisation of resilient economy and inclusive growth

- ✓ The world economy is far from reassuring. Against the background of a downturn in emerging economies, a steep decline in crude oil prices and other growing concerns, financial and capital markets are in turmoil. Moreover, the uncertainty arising from the UK referendum on EU membership is causing a downside swing. Under these circumstances, the G7 should undertake close communication with policy authorities and market participants of the G20, including emerging countries.
- ✓ At the same time, it is imperative for the G7 to not rely solely on monetary policy but to implement flexible fiscal policy in accordance with the economic situation while ensuring sustainability. Also, from the perspective of achieving a resilient

economy, it is indispensable for each G7 country to carry out fearless structural reforms. Each country should also embark on the realisation of an inclusive society, where women and the youth can play active roles in every field of society. Furthermore, the G7 is urged to steadily address the challenges set forth below.

(1) Promote the elimination of excess capacity

A rapid increase in export caused by excess capacity of certain industries in emerging countries seriously damages equivalent industries in other countries. Against this backdrop, the G7 should address the issue of excess capacity, and appeal for restraint on market-distorting subsidies and other government support measures that bring excess capacity, and promote a coordinated approach to the problem at the international/multilateral level. Moreover, the G7 should work closely towards establishing rules on non-discriminatory treatment that apply to commercial purchases and sales by state-owned enterprises (SOEs) and non-commercial assistance that is provided to SOEs. If there are market distortions arising from overcapacity these should also be addressed by the use of efficient trade defence mechanisms and G7 countries should cooperate on this.

(2) Promote quality infrastructure investment

Infrastructure plays an instrumental role in economic growth and enhancement of interconnectivity in emerging and developing countries. The G7 should encourage the conclusion of investment treaties as well as the improvement of the investment climate in emerging and developing countries to create incentives to support long-term investment. At the same time, in close partnership with the Multilateral Development Banks (MDBs), the G7 should promote sustainable quality infrastructure investment, which contributes to job creation in the local economy as well as to environmental integrity. By doing so, international consensus regarding the importance of quality infrastructure investment as well as greater efficacy and transparency in public investment should be built.

(3) Establish a fair and modern international tax system

With a view to securing a level playing field among MNEs, minimising both negative impact on economic growth and additional compliance burdens, avoiding and eliminating double taxation on taxpayers and establishing a fair and modern international tax system, the G7 should endorse the inclusive framework proposed by the OECD for the globally coordinated implementation of the BEPS recommendations. In particular, it is essential for countries to:

- renew the recognition that confidentiality including non-disclosure, consistency and appropriate use are prerequisite for acquisition and use of the Country by Country Report, and
- make the dispute resolution mechanism more effective in the pursuit of existing commitments.

Any uncoordinated actions (such as the European Commission's proposal to make Country by Country Reporting public) will inevitably enhance uncertainty for tax payers, thereby hindering cross-border trade and investment.

2. Global rule making regarding trade and investment

- ✓ Persistent protectionism is one of the causes for stagnant world trade. The growth rate of global trade has slowed below the growth rate of the global economy in recent years. New forms of protectionism such as forced localisation measures have spread - particularly in emerging countries.
- ✓ The WTO is the most appropriate institution to foster an environment for free trade and investment, which are critical to growth and job creation. However, the 10th Ministerial Conference of the WTO that took place last December in Nairobi failed to conclude the Doha Round. While WTO members agreed that negotiations on the remaining Doha issues need to be advanced, they disagreed on how to address the negotiations. There was also disagreement among WTO members whether or not other issues should be put on the WTO negotiation agenda.
- ✓ It is indispensable to try to conclude the negotiation regarding remaining Doha issues, as well as at the same time tackle new issues, if appropriate also through plurilateral negotiations.
- ✓ In particular, we urge the G7 to expedite the following.

(1) Fight against all forms of protectionism

The G7 should call on future G20 summits to take up the deterrence of protectionism as one of top priorities. In order to deter all forms of protectionism, the G20 standstill agreement on protectionism should be reinforced and made permanent. In addition, the function of the WTO to monitor the implementation of the agreements should also be enhanced.

(2) Promote Mega-FTAs and bilateral/plurilateral agreements

The Japan-EU EPA/FTA and TTIP should be speedily concluded without lowering the level of ambition, and the Trans-Pacific Partnership (TPP) parties should complete their domestic procedures for legislative approval of the

agreement and secure its expeditious entry-into-force. Discrepancy between rules of Mega-FTAs (including rules of origin) should be minimised through international regulatory cooperation. Negotiations on plurilateral agreements such as those concerning services and environmental goods should be concluded in a way that takes the interests of the business community into consideration. Furthermore, these outcomes should be eventually reflected in WTO agreements.

(3) Rebuild multilateral trade and investment system

Multilateralism and the WTO should remain the cornerstone of free trade and investment. Decisions adopted at the MC10 should be swiftly implemented and the Trade Facilitation Agreement needs to rapidly enter into force. It is also imperative to agree on how to address the negotiations especially regarding market access, and to promptly solve the remaining Doha issues. Furthermore, in close partnership with business communities, the G7 needs to identify new issues for negotiation and effective ways to address these issues. The new issues should include outcomes of plurilateral and Mega-FTA negotiations as well as rule-making in the below areas. In particular, the G7 needs to make a leading contribution to the development of international investment rules in order to encourage global foreign direct investment flows.

- digital trade (tariff moratorium, cross-border data flow, prohibition of forced data localisation, prohibition of requiring the transfer of, or access to, source code of software, non-discrimination of digital products, categorisation in services-modes of digital cross-border services, etc.),
- investment (market access, protection, ISDS etc.), and
- competition policy (enhanced transparency of state-owned enterprises, abolition of export and import-substitution subsidies, etc.).

3. Promotion of digital revolution

- ✓ By virtue of digital technology, a super smart society takes on a reality today. Such society is oriented to address and solve the manifold agenda such as environmental and energy issues, safe and comfortable urban development and healthcare in aging society. A super smart society is, in other words, "Society 5.0," which arises after several developmental stages of human society, from hunter-gathering, settled agriculture, industrialisation, to today's information society.
- ✓ The key success factor of "Society 5.0" hinges on how we can collect, analyse, and utilise all data across the boundaries of companies, sectors, and countries. These data include information such as production and consumption, which can be characterised as "the oil of the 21st-century".

- ✓ Amid the digital era, it is also of utmost importance to provide high-speed and broadband IT-infrastructures. The G7 states should facilitate infrastructural test beds in a close public-private partnership.
- ✓ Against this background, we urge the G7 to especially address the following issues:

(1) Secure cross-border data flow

Protectionist regulations that hinder and limit internationally-provided data service need to be avoided. As stipulated in the TPP's Electronic Commerce Chapter, the G7 should allow free cross-border data flow, thereby taking the lead to make global rules. This initiative should be premised on an appropriate protection of personal information on the basis of legal framework applicable in each country, taking into account principles and guidelines of relevant international bodies. At the same time, the G7 should embark on the abolition of data localisation obligations, which are prevalent mainly in emerging economies.

(2) Strengthen cybersecurity measures

Society 5.0 needs a safe cyberspace. Cyberattacks cause serious damage across the world. The G7 should lead global discussions on cybersecurity and promote international public and private partnership. In this regard, it is effective to upgrade existing dialogue frameworks and promote exchange of best practices and cybersecurity expertise, joint training, and research and development (R&D). Furthermore, public authorities and business must work closely together to enable dynamic security measures.

(3) Develop conditions regarding fair use of data

It is necessary to constantly monitor markets and ensure competitive environments in order not to impede fair use of data through the internet.

(4) Promote regulatory cooperation

Current regulations and institutions do not necessarily reflect recent innovation, and sometimes hinder it. Moreover, in a world where everything is interconnected through the Internet of Things (IoT), country- or region-specific standards and technical regulations are stumbling blocks to growth. The G7 should therefore promote regulatory cooperation such as harmonisation of standards and technical regulations and mutual recognition, as well as broaden the circle of cooperation to third countries.

4. Policy coordination towards solving global agenda

- ✓ The forthcoming G7 Summit will be the first summit after the Sustainable Development Goals were formulated. We expect the G7 to take the lead in addressing the issues particularly raised below.
- ✓ The success of the Paris Agreement, which will open for signing on 22 April 2016, will depend on its effective implementation by all participating countries. Since emerging and developing countries are expected to generate a larger share of greenhouse gas emissions, it is essential that they also introduce lower-carbon technologies while ensuring robust protection of intellectual property. For all G7 and other major economies, it is imperative to develop and spread innovative technologies which contribute to a fundamental solution of climate change.
- ✓ In creating a sustainable socio-economy, efficient use of natural resources is an important issue which should be actively addressed. The business communities shall also upgrade initiatives to enhance resource efficiency and circular economies.
- ✓ In developing countries including Africa where access to energy is limited, it is a pressing issue to proactively take measures for non-electrified regions from the viewpoint of low-carbon and sustainable growth.
- ✓ Furthermore, while required actions to improve global health constantly evolve, some infectious and non-communicable diseases present a particularly pressing agenda that the international community should address in a close partnership with business.

<Climate change>

- It is imperative for all major emitters to promptly implement the Paris Agreement and ensure a swift commencement of the review and monitoring process.
- The Paris agreement is a positive step towards a global response to climate change, and words must now be translated into action. The comprehensive international framework with all major emitters is the key driver to establish a level playing field in global markets, predictable and transparent policies, and open trade and investment, all of which are a prerequisite for effective climate protection.
- Given the importance of the business community to the success of the Paris Agreement, G7 should seek that the UNFCCC institutionalise a channel to the business community based on the existing business dialogue so that it can benefit from the private sector's experience and expertise.
- In addition, a widespread deployment of energy-efficient as well as low-carbon technologies and products on a commercial basis will drive emission reductions on a global scale while achieving both environmental, energy security, and

economic goals. To this end, it will be necessary to reinforce international efforts to eliminate barriers to trade, including those with environmental goods while also constructing mechanisms to encourage technology transfer to developing countries on the premise of effective protection of intellectual property.

- In order to drastically reduce global GHG, it will be essential not only to foster the introduction of existing low-carbon technologies, but also to develop and commercialise innovative technologies, to achieve further breakthroughs. However, since many innovative technologies require very substantial budgets and long development timelines from basic research to development and commercialisation, it is difficult for individual companies and industries to shoulder the entire risk. Therefore, the G7 governments need to scale up their R&D investment.

< **Circular society (Resource efficiency)** >

- Governments should promote measures to improve resource productivity on a life-cycle basis such as 3R (Reduce, Reuse, Recycle), while having respect for diversity of cultures, societies, and economies in each country as well as paying close attention to the balance between resource efficiency and economic growth. It is particularly important to advance the development of corporate technologies and products such as the Design for Environment. Furthermore, the effectiveness of proactive initiatives by all stakeholders, including businesses, should be recognised.
- New types of collaboration between different sectors should be facilitated, in order to use resources more efficiently. In this regard, it is required to fully utilise the "G7 Alliance for Resource Efficiency," which was established by the Leaders' Declaration at the G7 Elmau Summit last year.

< **Electrification of Africa** >

- Given the worldwide recognition of the importance of universal access to energy in the SDGs and COP 21, the Multilateral Development Banks (MDBs) are providing a wide spectrum of financial resources, such as the new Africa50, the Pan-African infrastructure investment platform recently capitalised by the African Development Bank and by 22 African countries, and the AfricaGrid initiative. Against this background, the business communities also need to cooperate towards the materialising of programmes such as development of geothermal resources and use of related cutting-edge technology in Africa and developing countries, promotion of a green power supply through use of all efficient sources of energy and electrification in areas without access to electricity.

<Global health>

- Health is the cornerstone of a wealthy and secure economy. Therefore, we welcome that the G7 is expected to play a leading role to build sustainable healthcare systems premised on universal health coverage.
- At the same time, the G7 needs to strive to strengthen the international crisis management system to deal with pandemics and zoonoses as well as health systems in developing countries.
- Moreover, as part of the countermeasures against antimicrobial resistance (AMR) and neglected tropical diseases (NTDs), we encourage the continued research and development of new diagnostic medicines and vaccines against unmet needs and emerging pathogens, as well as to streamline new human and animal drug approval procedures and harmonise them to international standards.
- In doing so, it is effective to apply the advancement of digital technologies to healthcare, for instance, using big data to support the development of new treatments and optimal patient-centred care, as well as to encourage the partnership between digital and healthcare companies.
- Incentives for medical innovations, robust patent and intellectual property protection as well as enforcement are key factors for the private sector to undertake the cost and risk of pharmaceutical development. The public sector also needs to encourage R&D in close partnership with the private sector to ensure new medicines and vaccines for conditions such as infectious diseases, which today carry both tremendous financial and emotional burdens on society.





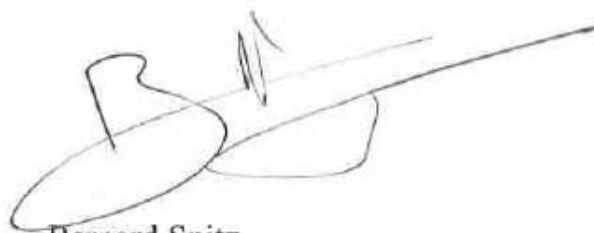
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