



G20

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Welcome to Osaka

Prime Minister Shinzo Abe outlines host Japan's vision for Society 5.0

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A multilateral approach

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Japan

The Osaka Summit

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G20 Japan

The Osaka Summit

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The world demands more energy.



The world demands less carbon.





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Natural gas burns 50% cleaner than coal in power generation.

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»»» keep advancing



Shinzo Abe
Prime Minister, Japan



Welcome to Osaka: Japan's vision for the G20 and Society 5.0

Following the successful completion of the G20 Buenos Aires Summit on 1 December 2018, Japan has assumed the G20 presidency for the very first time. Japan will host the G20 Osaka Summit on 28–29 June 2019. In addition to the G20 members, we will also welcome leaders of invited guest countries and heads of invited international organisations. This will be the largest summit meeting that Japan has ever hosted.

Osaka will be the venue for hosting the G20, the premier forum for international economic cooperation, which gathers and brings together many developed countries and emerging countries with growing presence in the international economy. Osaka has historically prospered as a commercial hub and its unique tradition and culture, including food culture, has recently gained much reputation at home and abroad. Moreover, Osaka has thrived as a merchant city and has constantly sought to take in new ideas. It is a place where the spirit and willingness to take on new challenges have been nurtured, and has also been chosen to host the Osaka-Kansai Expo in 2025.

At the Osaka Summit, Japan is determined to lead global economic growth by promoting free trade and

innovation, achieving both economic growth and reduction of disparities, and contributing to the development agenda and other global issues with the Sustainable Development Goals at its core. Through these efforts, Japan seeks to realise and promote a free and open, inclusive and sustainable, human-centred future society.

In addition, we will lead discussions on the supply of global commons for realising global growth such as quality infrastructure and global health. As the presidency, we will exert strong leadership in discussions aimed towards resolving global issues such as climate change and ocean plastic waste.

Furthermore, we will discuss how to address the digital economy from an institutional perspective and issues that arise from an ageing society. We will introduce Japan's efforts, including the productivity revolution amid a 'Society 5.0' era, towards achieving a society where all individuals are actively engaged.

We have also been hosting related ministerial meetings starting with the finance ministers and central bank governors meeting in Fukuoka, agriculture ministers' meeting in Niigata, ministerial meeting on trade and digital economy in Tsukuba, Ibaraki, ministerial meeting on energy transitions and global environment for sustainable growth in Karuizawa, Nagano, labour and employment ministers' meeting in Matsuyama, Ehime, health ministers' meeting in Okayama, tourism ministers' meeting in Kutchan, Hokkaido, and foreign ministers' meeting in Nagoya, Aichi.

There will be many delegations and journalists from all over the world who will be visiting Japan on the occasion of the Osaka Summit and these ministerial meetings. We will take this as an opportunity to exhibit Japan's *Omotenashi* spirit (hospitality) and introduce the unique aspects and attractiveness of Japan and the host cities to the world.

With great support from you all, I am determined to lead the Osaka Summit towards great success. 



“

We will discuss how to address the digital economy from an institutional perspective and issues that arise from an ageing society”

Ending plastic waste



The increase of environmental risks resulting from plastic waste is one of the greatest challenges facing our society and, while we have seen some action from individual nations, the private sector must now step up to the challenge.

To date, various organisations including NPOs and communities have been working on this issue in order to advance solutions to eliminate plastic waste in the environment. Their focus to date has fallen on education and awareness, clean-up, infrastructure development, and innovation. Companies active in Japan's plastic value chain cannot be excluded from these efforts.

Leading by example, this year Mitsubishi Chemical Holdings, Mitsui Chemicals and Sumitomo Chemical harmonised and joined The Alliance to End Plastic Waste.

Collectively we are pursuing a common goal to solve the plastic waste issue and, as founding members, the three companies will lead the efforts of Japan – and all of Asia – on behalf of the chemical industry.

Three major Japanese chemical companies – Mitsubishi Chemical Holdings, Mitsui Chemicals and Sumitomo Chemical – have embarked on an ambitious yet crucial plan to end plastic waste

AEPW is a new CEO-led, cross-sector, not-for-profit organisation established in January of 2019, that today counts global companies from the plastics and consumer goods value chain worldwide as its members.

The participation of Mitsubishi Chemical Holdings, Mitsui Chemicals and Sumitomo Chemical in AEPW will prompt not only chemical companies but all companies in the plastic value chain, to further accelerate their efforts to help end plastics waste, in cooperation with other companies that share the same objectives.

OUR PHILOSOPHY

Mitsubishi Chemical Holdings conducts business with the vision of realising the sustainable well-being of people, society and our planet Earth. Here in Japan, we call it 'KAITEKI'.

Mitsui Chemicals is pursuing a transformation of its business model to

realise the principles of a cohesive society that is in harmony with the environment, and health and happiness in an ageing society. Both of these actively incorporate the idea of sustainability.

Sumitomo Chemical embraces a business philosophy founded on its basic principles for promoting sustainability, in accordance with the concept that our business must benefit itself and society as one and the same. This credo constitutes the Sumitomo Spirit.

Together, we aim to encourage efforts to solve the plastic waste issue across the entire value chain of businesses, industries, governments and communities.

Today, as the issue nears a crisis point and draws attention from across the world, we believe that it is time for private and public sector forces across Asia and other continents, to join us in driving meaningful and lasting change. 



**We are engaged in
the challenges to
solve the plastic
waste issue across the
entire value chain of
businesses, industries,
governments, and
communities**

Mitsubishi Chemical Holdings Corporation
Mitsui Chemicals Inc.
Sumitomo Chemical Co., Ltd.

Mauricio Macri

President, Argentina



From Buenos Aires to Osaka



It was an honour and a great responsibility for Argentina to lead the G20 throughout 2018. Last year, I wrote that Argentina would seek to act as an honest broker, listening to the voices of member and guest countries, civil society and international organisations. In an increasingly complex international context, it was by no means an easy task, but G20 members once again proved that we could address our present and future challenges in a collective and cooperative manner.

The consensus reached at last year's Buenos Aires Summit built on agreements reached across different workstreams throughout the year. They covered not only our presidency's priorities of the future of work, infrastructure for development, a sustainable food future and a gender mainstreaming strategy across the whole G20 agenda, but also on other important issues such as the fight against corruption, the digital economy, health, energy, climate change and trade.

We are proud of the collective effort we led. We found common ground to move ahead and commit to concrete actions that will help lead all our citizens to a more prosperous future. Working together puts us in the best position to address the challenges of our time, among them the overriding goal of building consensus for fair and sustainable development.

Three years before the Buenos Aires Summit, Argentinians embarked on a profound change. We decided we no longer wanted to be stuck in the past. In this spirit, we set ourselves the dream of being able to lead the G20; to be part of the global dialogue and to show our commitment to international cooperation, multilateralism and global governance. We sought to convey the views of our neighbours in the region and the developing world.

When we handed the baton to Japan on 1 December, we were confident that our decision to place consensus at the centre of our vision had contributed to the G20's relevance and inclusiveness. Japan has presented a series of important priorities that reflect both continuity and innovation. We welcome the importance given by this year's presidency to critical issues such as global economic growth, quality infrastructure, global health and the digital economy, seeking to promote a free and open, inclusive and sustainable, human-centred future society. And we thank the Japanese chair for the continuity of a dialogue to seek concrete progress on the need to modernise the World Trade Organization so that it can face current and future trade challenges, as agreed by the leaders in Buenos Aires, bearing in mind the views and needs of both developing and developed countries.

As a member of the troika and as a positive voice in the international community, Argentina will continue to strive for consensus and will cooperate in every way we can to make the Osaka Summit a successful one. 

Giuseppe Conte

Prime Minister, Italy



Working together for the common good

The international community has been experiencing upheavals that have provided extraordinary opportunities while also posing existential challenges. These challenges transcend borders and require internationally shared responses. The Osaka Summit will thus be a great occasion to come together and design the effective solutions that our citizens are demanding.

Italy firmly believes that a fair and truly effective multilateralism is the only way to defend the interests of the whole international community. In this spirit, we are ready to do our part to foster the adoption of relevant and concrete actions. We are fully aware of the complexity of the issues before us, but we are optimistic that the international community can accomplish meaningful results by working together in true partnership.

In a moment characterised by low levels of investment, low productivity growth and increasingly frequent natural disasters, we fully back the choice of Japan's presidency to identify quality infrastructure as a priority. Italy welcomes the development of ambitious G20 principles for quality infrastructure investments, such as transparency throughout project lifecycles, anti-corruption and resilience to natural disasters. As our long-standing experience shows, such principles are also crucial to mobilise private and public resources.

In shaping more inclusive growth, Italy attaches the highest priority to equality and women's empowerment. Italy fully supports Japan's presidency in stepping up the efforts of all members – in adherence with the commitments the G20 took in Brisbane – to close the gender gap in labour market participation. We agree to strengthen girls' and women's education potential and we are making efforts at the national level to enhance the development of women's entrepreneurship.

For a more equitable society, we are also committed to spare no effort to shape an inclusive, fair, sustainable future of work. Globalisation and technological progress have created unprecedented opportunities and lifted hundreds of millions of people out of poverty, but they have also deepened inequalities, impoverishing the middle class of advanced economies, above all through a decay in labour conditions. A

strengthen confidence and trust in the digital economy.

To maximise the benefits and minimise the risks related to the digital revolution, it is high time for the G20 to support the momentum of Society 5.0, appropriately regarded as a priority by Japan's presidency. Society 5.0 embraces concepts such as the Internet of Things, robotics, artificial intelligence and Big Data. These are the key drivers of economic growth and social well-being of the very near future. It will be important to agree on a common view in Osaka.

Two further challenges are of paramount importance to strengthen the resilience of our societies and guarantee a better future for our citizens: ageing populations and environmental protection.

Although G20 members face different stages of this demographic transition – Italy, for instance, is affected by a downward demographic trend – population ageing is common to both advanced countries and emerging economies. Therefore, it is important to share best practices in the G20 in order to understand how to tailor economic policies to address this new challenge.

Recognising the importance of environmental protection for the future, and also for the present, we appreciate the decision of Japan's presidency to include marine plastic litter in the G20 debate, rightly reflecting its global nature. We therefore share the commitment to facilitate implementing the action plan through the G20 marine plastic litter implementation framework. We also recognise the crucial role of international cooperation and the promotion of innovation in achieving our common goals. At the same time, we consider it necessary to reiterate the importance of the Paris Agreement and the implementation of its commitments.

Building on our broad support of the work of Japan's presidency, we look forward to collaborating with it and with the 2020 Saudi presidency in order to guarantee the continuity of the work of the G20, making the transition as smooth as possible. As Italy will hold the presidency in 2021, we are ready to enhance the G20's effectiveness at this historic moment when global cooperation is no more a matter of choice – but of necessity. 

joint international effort is thus needed to return dignity to workers negatively hit by these processes. Italy is fully committed to promote this goal in all international forums, including as a founding member of the International Labour Organization, which celebrates its centenary this year.

This does not mean, of course, rejecting globalisation; rather it implies the need to better govern this complex phenomenon. To this end, Italy fully backs G20 efforts to relaunch negotiations to reform the World Trade Organization, restoring its central function as a guarantee for a fair international rules-based system.

Digitalisation is among the most radical changes characterising the global economy. Italy endorses the Japanese presidency's initiative on 'data free flow with trust'. Digitalisation and the use of data could promote inclusion and sustainability by fostering innovation, but privacy and personal data protection are essential to



Security and analytics: Securing borders with AI

When leveraged correctly, data revolutionises national security. Enrique Segura, president and CEO of Securiport, explains the role of analytics and artificial intelligence in helping countries keep their borders safe

The security of nations depends on data. We need the necessary data to track known and existing threats and to identify unknown and emerging threats. We also require tools to analyse and apply data to strategic matters of security. In doing this, there are three key questions to ask.

WHY DO WE NEED DATA?

Since security is about human beings, and human nature is highly unpredictable, data – and, most importantly, data analytics – play a key role.

If someone is approaching a country’s border, that country needs to know: Who is this person? What are his or her intentions? Is this the right place for this individual?

The country also needs to quickly discern whether an individual is a criminal, terrorist, drug or human trafficker, or a money launderer, sexual predator, or potential kidnapper.

For a nation to maintain security, it must determine if the person seeking entry is trustworthy.

This individual must be able to interrelate with society in a healthy manner for the continued productivity and safety of all. The answers to these and other questions can be found by analysing data.

WHERE DO WE FIND DATA?

Data can be found literally everywhere: in government archives, libraries, newspapers, books, universities, credit reports, the internet, social media, purchase histories, and routine behaviours evinced through the everyday interaction with software. Having enough data is not the problem.

In fact, the volume of data available is so extraordinarily massive that the real challenge lies in identifying and extracting relevant, useful, and reliable data.

Data becomes biased (and therefore faulty, misleading, and useless) when we have preconceptions about what we want to see. As rational human beings, we need to justify our observations and conclusions. We gravitate subconsciously towards specific types of data that support our preconceived ideas.

However, sometimes data is simply wrong. It can become tainted by its association with unrelated or irrelevant issues. It may be unsubstantiated or perhaps biased for reasons unknown to the analyst.

All these factors can, and will, lead to erroneous results and assumptions. Our mass of data is vast and homogenised, and it ranges from the questionable and tainted to the extraordinarily crucial. Tools that can identify, quantify, and discard fake and irrelevant data are vital.

Data must be reliable enough to make secure decisions. We must be able to identify when data is unreliable and factor it into our conclusions. Tools that can filter fake and irrelevant data add essential refinement to the process. These tools are still in an embryonic state, but they are developing quickly due to their importance. This is where analytics comes in.

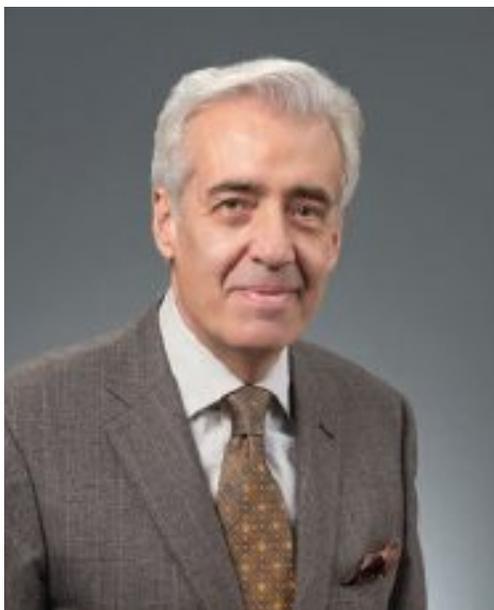
WHAT KIND OF DATA DO WE NEED?

This encompasses everything from the data we start with to the data critical to making a decision. We need data that constantly refines itself through exposure to analytical tools – tools that become increasingly better over time at discerning diagnostic facts from fiction and rendering our data more and more reliable.

It is said that science can be thought of as a discipline that requires a degree of evidence to build knowledge around phenomena, but it also blends logic with imagination. Therefore, the science of analytics must be self-learning so it can refine its conclusions as it progresses.

“

The volume of data available is so extraordinarily massive that the real challenge lies in identifying and extracting relevant, useful and reliable data”

**DR. ENRIQUE SEGURA**

President and CEO of Securiport

Dr. Segura, PhD, MBA, a native Argentine based in Washington DC, works with foreign governments and the civil aviation industry to design and implement next-generation border management solutions. As an avid philanthropist and an economist by trade, he has developed a financial model that allows immigration systems to be deployed across the globe with no cost to the host country.

www.securiport.com

This discipline is powered by artificial intelligence and facilitates the evaluation of data over time to discover changes, trends, and anomalies. These analytics adapt, refine, and grow. For instance, if an individual enters a country stating that his business is finance and the next time that he is in real estate, that discrepancy can

trigger other data evaluations. If the same person cannot certify his or her address upon the next border entry, or the data indicate a recent criminal activity or an over-extended visa, these data points can build vital signposts and orient further inquiry.

THE FOUNDATIONS OF AI ANALYTICS

Analytics powered by AI do not merely analyse the evolution of static data records. They also derive important information from the analysis of sensitive behavioural data that describe how people react in front of an authority. Do they hesitate? Do they act confused? Does their blood pressure go up? Do their eyes dilate? All these are important indicators that, when monitored and compared over time, provide clues about individuals and their possible intentions.

Behavioural data can go beyond the physical aspect of the individual to include social, financial, legal, educational, and medical information, allowing for the unique identification of each person.

Through AI-driven analytics, we can build a baseline of expectations and categories of data through which further and further comparisons may be made, while constantly refining the process. The result is ever greater accuracy and reduced risk for nations.

The combination of data records allows us to construct a map that can profoundly and powerfully define individuals, expose what they may be hiding, illuminate what laws they may be intent on violating, and what dangers they may pose. This is how we help nations maintain security, and safeguard their people, assets and peace. ⁵²⁰



Jair Messias Bolsonaro

President, Brazil



G20 cooperation in times of change

A new Brazil will be at Osaka to participate in the G20 summit. The Brazilian people have expressed, in the streets and at the ballot box, unequivocally, their desire for change.

We have left behind a time during which the state was bloated, inefficient, corrupt and permissive about violence. In its place, we are laying down the solid foundations of a lean government, made up of experts committed to balancing the public accounts, restoring the rule of law, and safeguarding the traditions and moral values that are most dear to our people.

This is the same sentiment that champions Brazil's return to the world stage. Mindful of our traditions and the real needs of Brazilians, we will ensure the necessary autonomy to cooperate with other countries and contribute to a free and stable international order.

And Brazil is in a hurry. In just four months of my government, there are signs that show a clear path forward.

For the first time in decades, the make-up of the ministries has been decided in accordance with strict criteria of executive competence, experience and integrity.

After long years of unsuccessful discussions, we have now presented a project for a comprehensive reform of the social security system. It is estimated to cut more than \$250 billion in public spending over 10 years, while protecting the poor and combating privileges.

We have already granted 16 airports, 27 port terminals and a stretch of the North-South Railway to the private sector, with premiums that have exceeded even the best forecasts. By the end of 2019, the projects of infrastructure concessions and privatisation in the Investment Partnership Programme will likely exceed \$60 billion.

We have put forward an anti-crime package that tackles the impunity that abetted corruption and crime in our country for too long. We are also debating urgent tax reforms in Congress to simplify the payment of tax and bring back competitiveness.

With these and further measures directed towards openness and elimination of red tape, we will turn the page from the political, economic and moral decay that

has plagued Brazil. My government is transforming the system of incentives to encourage competition, entrepreneurship and innovation. The resulting modern business environment will boost economic activity and job creation.

The prosperity of Brazilians, in today's interconnected world, also hinges on the rescue of our foreign policy. It must, above all, stem from society and reflect its own customs, aspirations, and firm belief in personal freedoms and democracy.

We are thus working to transform the arrangements for South American integration into mechanisms guided by democratic principles and that serve the interests of the peoples of our region.

Our message has been about a more pragmatic and results-oriented integration process, showcased by the very light infrastructure of the recently created Forum for the Progress and Development of South America (PROSUR).

We are also rescuing Mercosul's vocation for free trade and will prioritise those negotiations already at an advanced stage, including with the European Union, the European Free Trade Association and Canada. We will also start negotiations with Korea, Singapore, New Zealand and the United States.

With the same determination, we wish to join the Organisation for Economic Co-operation and Development without delay. We can only gain from adopting international best practices and exchanges with other countries open to trade and investment flows.

International trade is precisely among the most important items on the G20 agenda. The multilateral trading system needs reform to fulfil its original purpose of opening up markets and promoting the development of its member states.

Unacceptable differences between the rules on agricultural products and those on industrial products have created persistent distortions in the trade of agricultural goods, hindering the progress of many developing countries. Just as we cannot conceive of a reform of the trading system that does not include agricultural goods, we have also been active in negotiating new topics, including services, investment facilitation, small and medium-sized enterprises, and e-commerce.

At a time when commercial tensions demand a renewed consensus on international rules, Brazil is absolutely convinced that the balance of key interests must be secured in order to advance reforms.

Other main issues for the G20 are health and the development of human resources. Brazil endorses the high priority given to them by the Japanese presidency and is ready to present its view on the main challenges for the 21st century. This discussion should include funding and access to services, medicines and

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Mindful of our traditions and the real needs of Brazilians, we will ensure the necessary autonomy to cooperate with other countries and contribute to a free and stable international order”



vaccines. We also welcome the decision to prioritise issues related to quality education and its contribution towards sustainable development and innovation.

These issues cut across borders and challenge our ability to articulate solutions. The G20 proved its effectiveness as a tool of macroeconomic coordination during the financial crises of the late 1990s and the 2000s. It became a recognised forum for global governance and economic cooperation.

Brazil is confident that, through dialogue and the

engagement of its members, the G20 will deliver, in due course, the results that the world expects from us. To achieve their potential, our nations must, from their particular interests and realities, seek consensus and exchange experiences and knowledge. In doing so, I am certain, each and all of our countries will be freer, more prosperous and secure.

This new and vibrant Brazil, spurred by the self-confidence of its people, will take to Osaka the wish to contribute to an equally reinvigorated G20. 

A portrait of H.E. Hamad Buamim, a man with a goatee and glasses, wearing a white thobe and ghutra. He is looking directly at the camera against a dark blue background.

Globalisation for the greater good

H.E. Hamad Buamim, chairman of the ICC – World Chambers Federation and president and CEO of Dubai Chamber of Commerce and Industry, calls on leading economies to work towards a more inclusive system of globalisation and free trade

We live in a world that is more prosperous than at any other time in our history. Through trade and globalisation, we have raised living standards, boosted economic growth across nations, created wealth and eradicated many diseases.

In 2010 – five years ahead of schedule – the United Nations achieved its Millennium Development Goal to halve poverty, placing the world on track to eradicate poverty outside of Africa by the year 2050.

Globalisation and trade have been critical to this progress but now major challenges threaten the positive trajectory.

GLOBAL CHALLENGES

The 10 worst major global weather events in 2018 – each of which can be directly linked to climate change – caused \$84.8bn in damage, according to research by the charity Christian Aid.

From floods in Japan, China and India to wildfires in California, these events had direct and indirect consequences for global trade.

They also served to remind us that climate change does not discriminate between developed and developing economies. Without prompt action, the future impact on trade – damage to infrastructure and the disruption of supply chains, labour and capital flows – will be colossal.

Such events change the comparative advantages of economies, their trade flows and patterns. When combined with the rise in 4IR technologies, trade tensions and imbalances, growing protectionism and inequality, the global trade landscape becomes even more volatile and unpredictable.

NEW POLITICAL AGENDAS

Against this already challenging backdrop, quarrelling between trade giants, new tariffs and sweeping protectionist policies in major economies, create a domino effect that stifles investment flows, employment and growth, and eclipses any possible short-term gains.

Trade tensions hinder cooperation on global challenges, from improving the multilateral trading system to achieving the Sustainable Development Goals. At the ICC – World Chambers Federation and within Dubai Chamber, we believe

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Great things can be achieved when stakeholders from government and business share knowledge and align their efforts to solve challenges and work towards common goals”

that great things can be achieved when stakeholders from government and business share knowledge, and align their efforts to solve challenges and work towards common goals. Further, we support the IMF’s advice to address domestic economic issues head on, as opposed to implementing tariffs.

FAIR TRADE IN FOCUS

As a supporter and facilitator of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Japan has an unrivalled ability to promote a new international trade agenda that leads by example.

Not only does CPTPP realise high levels of liberalisation, it also raises the standard of trade and investment rules, which will improve the corporate business environment and contribute to the development of a seamless supply chain in the Asia-Pacific region.

We can learn from Japan’s experience in removing tariffs, promoting free trade, and of driving productivity alongside innovation.

Now Japan has taken the important step of leveraging its G20 presidency to advocate for a fairer global trading environment for all players, through WTO reform. There is no doubt this will bring tremendous economic benefits.

However, this rules-based framework must adapt to meet future challenges and incorporate the adoption of advanced technologies such as blockchain and artificial intelligence, that are reshaping

trade as we know it. Trade regulation must be adapted to reflect e-commerce activity and facilitate the sector’s future development within existing multilateral trading systems.

VOICES OF BUSINESS

Chambers of commerce and businesses around the world are in a unique position to create more inclusive solutions that drive prosperity and help SMEs access global opportunities.

Strong voices are vital, and the role of the ICC – World Chambers Federation as the voice of global business is now all the more important.

The ICC-WCF advocates for business by highlighting the important role of the private sector in the development of facilitation strategies, though public-private partnerships. At the same time, it encourages large enterprises to integrate SMEs in their supply chains, so more businesses can participate in – and leverage the benefits of – globalisation.

We call on all segments of the global community – chambers of commerce, public and private sector players, investors, and academic and research institutions – to collaborate and develop new solutions that address our greatest challenges.

The G20 and the World Trade Organization must use their platforms to foster cooperation and develop inclusive solutions that ensure globalisation serves the greater good, through innovation, multilateralism and sustainability. 



Back to basics for inclusive global growth

Cyril Ramaphosa

President, South Africa



As we prepare up for the 14th meeting of the G20 leaders in Osaka, we should reflect on the role of this important forum in not just addressing but also resolving some of the world's most pressing political, social and economic challenges.

We live in turbulent times. Levels of inequality both within and between countries are growing and deepening. Trade wars are looming between important actors in the global economy. Wars and conflicts continue to threaten the peace and security of millions of people, and have led to humanitarian crises in various parts of the world.

The rules-based multilateral system is being steadily eroded by, among other things, the troubling emergence of nativism and expressions of ultra-nationalism. Global debt levels are unsustainable. The impact of climate change is increasingly felt, and poses a real threat to lives and livelihoods.

Within this context, the G20 has an increasingly important role to play in contributing to global governance, stabilising the global economy and protecting the planet.

We were pleased with the outcomes of last year's Buenos Aires leaders' summit and particularly the focus on the Compact with Africa, illicit financial flows and early childhood development.

The success of the G20 in mitigating the impact of the 2008 global financial crisis and its measurable success in combating base erosion and profit shifting on tax are testament to the potential of the group.

The continued focus of the G20 on supporting developing countries in the implementation of the United Nations 2030 Agenda for Sustainable Development is to be commended. This needs to be scaled up, especially considering the \$2.6 trillion annual financing gap that threatens the ability of countries to realise the Sustainable Development Goals.

The Osaka Summit must also address challenges for developing countries in meeting their obligations under the Paris Agreement to combat climate change that come into effect next year.

Although climate change affects us all, it is countries with historically low levels of development that will be most adversely affected – and the provision of financing, technology and skills transfer to developing countries to adapt to climate change and mitigate its impacts will be critical.

Achieving sustainable growth in the global economy is one of the themes of the Osaka Summit and we are pleased that the priorities outlined by the Japanese presidency include quality infrastructure, universal health coverage and human capital development.

South Africa is working to address the triple challenge of inequality, unemployment and poverty. We are prioritising education and skills development starting with the introduction of two years of compulsory early childhood development. A national health insurance

scheme is being introduced to overcome inequality in our healthcare system.

We are implementing a national economic stimulus and recovery plan to promote inclusive growth. This includes reprioritising public spending towards key infrastructure such as schools, roads and clinics, and establishing an infrastructure fund to which government will contribute R100 billion over the next 10 years.

We are prioritising the oceans economy and tourism as key drivers of economic growth. Our low-carbon growth path includes measures to attract investment in renewable and clean energy. We have established the Commission on the Fourth Industrial Revolution to identify policies, strategies and plans that will position us as a leading country in the evolution and development of technological change.

We have ratified the agreement to establish the African Continental Free Trade Area, which will provide a market of more than one billion people and a combined GDP of \$3 trillion.

As the G20, our priority must be to overcome poverty and inequality, because uplifting the material conditions of our peoples is fundamental to stimulating the global economy. To do so means we must go back to basics.

We must focus on providing quality education, achieving universal health coverage, building the industrial capacity of developing countries through infrastructure development and addressing structural challenges that limit the ability of developing countries to trade.

We must mitigate and adapt to the impact of climate change and pursue low-carbon, inclusive and resilient developmental pathways.

We must ensure that the benefits of the digital economy are spread in an inclusive manner. We are pleased therefore that harnessing the power of technological innovation is one of the overarching themes of the Osaka Summit.

We must consistently reinforce the position that a rules-based multilateral system is the linchpin of global governance, and that dialogue and cooperation are critical if we are to achieve a world of peace and prosperity for all.

As nations of the world, our fortunes and our challenges are intertwined. Sluggish global growth impacts us all, but it is the poor, the disadvantaged and the marginalised who suffer most.

In his call to action at the 2005 Make Poverty History concert, President Nelson Mandela said: "Do not look the other way; do not hesitate. Recognise that the world is hungry for action, not words. Act with courage and vision."

Today, these powerful words are more relevant than ever. The G20 must act with courage and vision. We must harness our collective energies and act with determination to resolve the most pressing issues of our time. The success of the Osaka Summit will ultimately be judged by our actions and not our words. 

Recep Tayyip Erdoğan
President, Turkey



The G20's second decade challenge

We launch a new decade in G20 history with the Osaka Summit. The G20 has emerged as the premier forum for cooperation in responding to several challenges. The G20's critical steps in strengthening the global financial safety net and increasing the resilience of the financial system have reaffirmed this role. At present, the world needs the G20's contribution for strengthening cooperation more than ever.

Going beyond ongoing critical issues, the G20 should act as a guide in addressing future challenges, which undoubtedly necessitates an open-minded, different and more collaborative understanding. Digitisation is one of the main pillars of our efforts in shaping the future. We have made our Digital Transformation Roadmap public in 2018. We also contribute to the capacity building of the least-developed countries by facilitating the transfer of technology through the United Nations Technology Bank, recently established in our country.

Labour markets are among the most prominent sectors affected by digitalisation. As the leader of a country that has generated eight million additional jobs in the last decade, I would like to emphasise the importance of devising dynamic strategies to keep up with digital transformation. We should strengthen policies that enable youth and women to manifest their true potential.

Infrastructure investment is critical to continued economic success. We have realised mega projects that serve both our region and our country. We exhibit the best examples of public-private partnerships, such as the newly opened Istanbul airport and city



hospitals. We utilise technology and apply the highest environmental standards in our projects. We are open to sharing our experiences with all interested parties.

As the G20, we are confronted with challenges that directly or indirectly affect our economies. Our common resolution is to overcome the potential negative effects of these challenges. We believe that practices that are not in line with the principles and rules of the World Trade Organization pose a significant threat to the international trade system. We support the development of a multilateral and rules-based trading system that has the WTO at its centre. It is highly necessary that improvements be made in a transparent and participatory manner for the WTO to work more effectively.

Climate change is one of the major concerns threatening the welfare of present and future generations. All countries should take joint steps



“ Forced displacement has reached a global scale. The G20 should not ignore this reality and the accompanying responsibility”

in line with their historical responsibilities and level of development. Polluting countries should take substantial and progressively ambitious responsibilities, while financing opportunities for developing countries should be enabled without any discrimination.

Forced displacement has reached a global scale. The G20 should not ignore this reality and the accompanying responsibility. Turkey hosts the highest number of refugees – more than four million people. Responsibility sharing with host countries and a fair burden-sharing mechanism should be ensured. These increasing unfortunate tensions should be prevented and permanent solutions should be supported to reinstate peace and stability in areas that refugees have been forced to leave. More effective support should be provided in these places for preventing violence and improving humanitarian conditions.

As Turkey, we resolutely continue to combat terrorism in all its forms for both managing the effects of forced displacement and securing the safety and well-being of our citizens. We expect all G20 members to cooperate at the highest level in fighting terrorism in an indiscriminate manner.

I think ageing is one of the important items on the G20 agenda this year. In Turkey, we declared 2019 as the ‘Year of Older Persons’ and organised the first Council of Ageing. We should continue to develop our policies to ensure that elderly people maintain a healthy, productive, independent and respectful life through the full protection of their rights.

I hope that the G20 platform will continue to strengthen cooperation among our countries and I wish the Osaka Summit all success in generating prosperous outcomes for the multilateral global system. 



Multilateralism:
In search
of beautiful
harmony

Jean-Claude Juncker

President, European Commission



This year's G20 summit in Osaka will be the first ever held in Japan. And there could not be a more fitting time and place for the leaders of the world's largest economies to meet.

I say that because Osaka, as a merchant city, is a hub for trade and industry and a gateway to Japan and the rest of Asia. Over the centuries, it has constantly reinvented itself to adapt to economic transitions and the modern world, providing livelihoods for people locally and around the world.

The meeting also comes just weeks after Japan entered the new imperial era of Reiwa, loosely translated as 'beautiful harmony'. Admittedly, this would not be the first expression I would choose to describe recent G20 summits, but it is a reminder of why the group was formed and what it should focus on. The need for the world's major powers to work together for the good of all is more important than ever.

This need has become more pronounced. We share many of the same challenges and we are undergoing many of the same transitions. Climate change, sustainable development, migration, terrorism, trade, digital taxation, cybersecurity and global economic growth – these issues cut across boundaries, societies and economies. They require a concerted, comprehensive response within the multilateral rules-based system.

But just as the need becomes more acute, so do the challenges to this system. Some of our oldest partners are going down new paths on their own. New powers are emerging. Advocates for protectionist, nationalist policies have gained traction across the world, including in some G20 members.

The European Union will withstand these. Multilateralism is in Europe's DNA. It is the very foundation of our union. By being united and working together, we make ourselves individually and collectively stronger. Our voice in the world carries further and we are able to do more than we would alone. This is why the European Union will always fight to preserve the multilateral system, with the United Nations at its core. This is the message I will deliver to leaders in Osaka.

We believe in an open, fair economy because it delivers jobs and prosperity. Across Europe 36 million jobs are supported by exports, two-thirds more than in 2000. EU exports support almost 20 million jobs outside the European Union. New trade agreements have been concluded with 15 new partners under the Commission that I have had the honour of presiding over since 2014 – and there are more to come, with Mexico, Mercosur, Australia, New Zealand, Chile and Tunisia.

I will be particularly proud to be in Osaka in June because I will be able to see first-hand the impact of the new EU-Japan Economic Partnership Agreement. The agreement, which came into force this year, has created the largest open trade area in the world, accounting for a third of global gross domestic product. It will cut €1 billion worth of tariffs for European companies while upholding our shared values and ensuring the highest environmental and social standards. This shows the power of global economic cooperation and why we will always fight for the rules-based system.

But we also know that we must update that system. This will form the major part of our discussions in Osaka. We are working closely with the United States, Japan and others on reforming the World Trade Organization. This is about creating a level-playing field for all, ensuring that the rules of the game are fit for the modern, digital economy. We want to tackle unfair industrial subsidies and the forced transfer of technology. These are issues that all G20 members want to address but they can only be done together.

The same goes for fairness in the digital world. On average, digital businesses face an effective tax rate of 9.5%, compared to 23.2% for traditional business models. Here again, we have to update the global approach. We have put forward our proposals in Europe. We want to work, through the G20 and the Organisation for Economic Co-operation and Development, to find global solutions. On climate change, Europe is showing ambition and leadership, delivering on the goals we set ourselves in the Paris Agreement and supporting others to do the same.

We can do more when we work together. As a group, the G20 may still be searching for its beautiful harmony but there remains plenty it can do together to tackle issues of common interest.

Yes, there are legitimate concerns by those most affected by the changes in our societies and economies. And there is clearly a need to update the rules we all abide by. It is our duty to address those in Osaka and beyond.

But we should not forget how far we have come or how much we have achieved. Let us not undo the progress we have made. Multilateralism has underpinned global growth for decades, and lifted millions out of poverty. Globalisation has fundamentally changed how the world economy works. We live in one of the most peaceful periods of world history. We Europeans know the value of this more than most. And we will continue fighting for it. 

DRIVING INNOVATION

VISA

GOVERNMENT ENTITIES



INNOVATION TOGETHER



TECHNOLOGY PARTNERS & STARTUP COMMUNITY

MERCHANTS



Along the finance track

Taro Aso, Japan's, minister of finance, says the G20 must take urgent action on the risks and challenges to the global economy, from persistent external imbalances and rising debt inequalities to ageing societies – and the critical need for investment in people

Ten years since the global financial crisis, trade tensions are rising and confidence in multilateralism – the backbone of prosperity and stability since the Second World War – is being challenged. At the same time, widening inequality is destabilising the foundations of democratic institutions.

At such a time, the G20, representing 85% of global gross domestic product, has a duty to uphold its mission to ensure strong, sustainable, balanced and inclusive growth.

To do so, Japan has focused on the following three themes:

1. Risks and challenges to the global economy;
2. Concrete actions to strengthen medium-term growth potential; and,
3. Policy responses to the economic and social changes stemming from both technological innovation and globalisation.

First, we need to act on the risks and challenges to the global economy. Consistent with this core role of the G20, we are discussing the causes of, and possible responses to, large and persistent external imbalances. We believe that the G20, with its global membership, provides a suitable forum to discuss this issue. External imbalances are best addressed by restoring savings-investment balances in the context of multilateral cooperation, rather than bilateral trade measures. In the process, we are paying close attention to the structural drivers behind savings-investment imbalances, such as excessive corporate savings, and exploring policy options to promote the required adjustments.

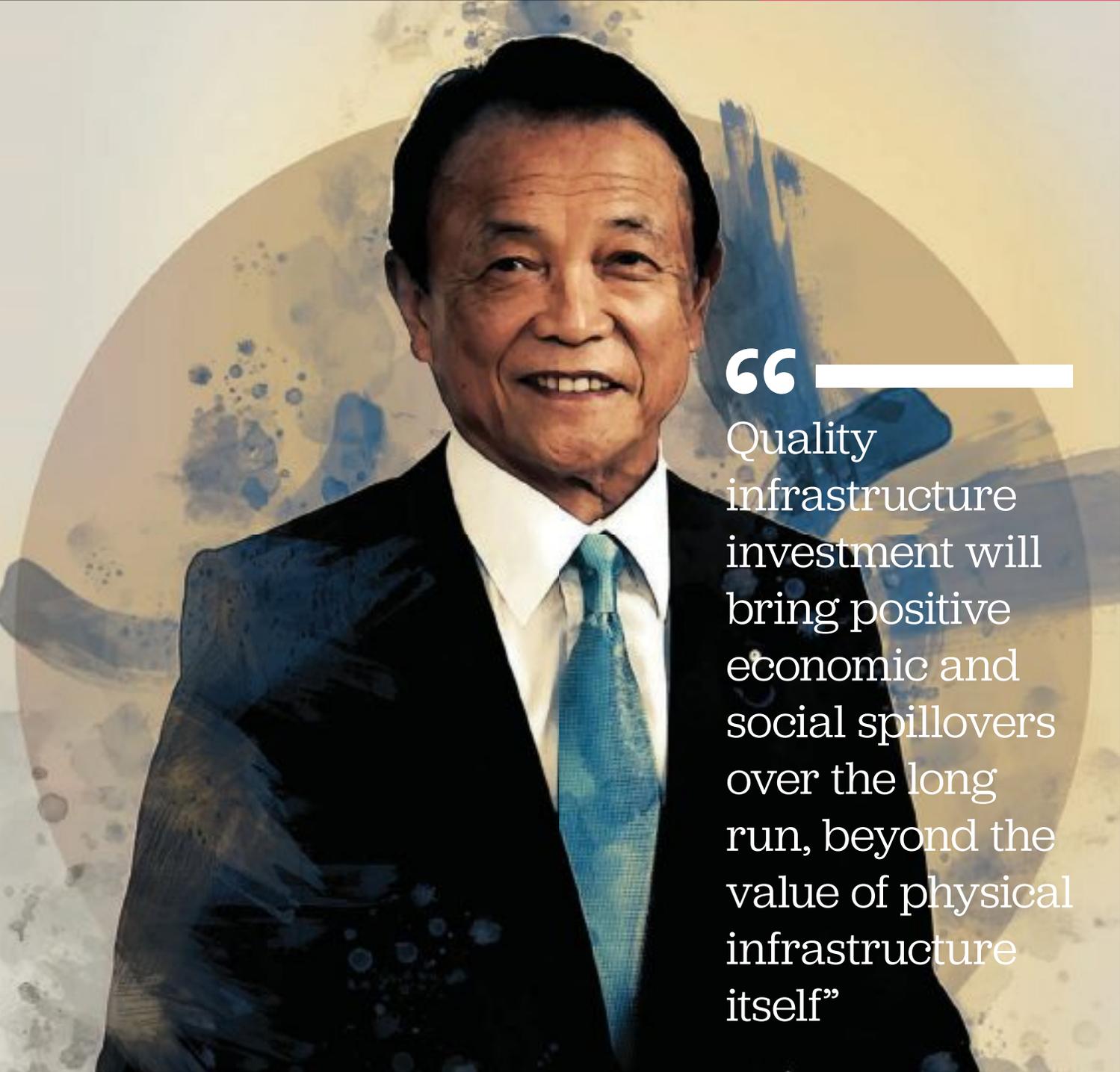
Ageing also poses wide-ranging and important policy challenges for both the already relatively older countries and rapidly ageing countries. Therefore, the G20 is discussing ageing in a comprehensive manner, covering related issues such as monetary and fiscal policy implications, labour supply challenges and financial inclusion.

Second, the G20 is focused on concrete actions to strengthen medium-term growth potential. I believe that the G20 should continue to promote quality infrastructure investment as a way of boosting economic productivity. Quality infrastructure investment will bring positive economic and social spillovers over the long run, beyond

the value of physical infrastructure itself. Specifically, QII helps mobilise private-sector capital, and forms a solid basis for sustainable growth by generating jobs, building capacity and transferring technologies. At our Fukuoka meeting of finance ministers and central bank governors, we are aiming to agree on high-level principles for promoting QII. Furthermore, sustainable growth needs an enabling environment, which includes enhanced resilience against natural disasters. Disaster risk financing and insurance schemes play a critical role in this regard.

We are also extending our discussion beyond physical infrastructure to investment in people. We are aiming to build a shared understanding of the importance of financing universal health coverage in developing countries, with a view to supporting sustainable economic growth and global health security. We will also hold a joint session of G20 finance and health ministers on the margins of the Osaka Summit.

The G20 is discussing how to address rising debt vulnerabilities in low-income countries. We are emphasising the joint efforts made by borrowers and creditors, both official and private, so as to enhance debt transparency and ensure debt sustainability.



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Quality infrastructure investment will bring positive economic and social spillovers over the long run, beyond the value of physical infrastructure itself”

Third, we will consider how governments can respond to the economic and social changes stemming from technological innovation and globalisation. Both have been drastically changing the economic and social landscape. Consequently, policymakers face the dual challenges of maximising their benefits while minimising the associated risks, without harmful fragmentation of the global economic system.

Specifically, in the area of international taxation, we would like to move the discussions forward on a review of the

existing tax framework triggered by digitalisation, in addition to fighting against tax avoidance and evasion. There is an urgent need for the G20 to lend its political support on tax and digitalisation, as some countries have started to act unilaterally, which reduces tax certainty. Japan has been helping set out policy directions for a consensus-based solution by 2020, including developing concrete steps with technical design issues and options for further consideration.

In the financial sector we have begun our work to address the issue of market fragmentation. We will also take steps to harness the potential benefits of technological innovation, such as distributed ledger technology, while mitigating its risks, including those posed by crypto-assets.

Japan seeks to leave a legacy of cooperation and sustainability at the conclusion of our G20 presidency. I look forward to working with all members to achieve this goal. 

On the agenda

Under Japan's presidency, the G20 Osaka Summit will provide an opportunity to cover more than economic risk over a series of meetings scheduled throughout the year, writes Taro Kono, foreign minister, Japan

Japan will host the G20 Osaka Summit on 28 and 29 June this year. The G20 summit is a forum for addressing the major economic challenges that the international community faces today. The G20 today must tackle pressing issues that go beyond preventing future economic and financial crisis. The G20 Osaka Summit will focus on fostering robust economic growth through the promotion of free trade and innovation. Furthermore, the Japanese presidency seeks to pave the way towards the creation of a virtuous cycle of economic growth and distribution, by addressing disparities and realising a society where all actors, including women, youth, the elderly and the disabled, can actively engage in society.

The G20 has traditionally discussed a wide range of global issues that have an immense impact on the world economy. These include topics of global significance such as development, environment and energy, labour and employment, sustainable development, health, and women's empowerment. Through these discussions and the efforts they foster, the G20 is striving to achieve an inclusive and sustainable world that 'leaves no one behind'.

For this year's summit, the Japanese G20 presidency has introduced innovation as the overarching theme. Emerging technologies such as the Internet of Things and artificial intelligence, robotics, and Big Data are bringing about transformative impacts on our economies and societies.

They have immense potential to drive global economic growth as well as play a key role in resolving a wide range of economic and social challenges, including various inequalities, while also contributing to global efforts towards achieving the Sustainable Development Goals.

In addition to the summit, eight related ministerial meetings will be hosted in different locations throughout Japan, including the G20 foreign ministers' meeting, which will take place in Nagoya on 22 and 23 November at the conclusion of our presidency.

The foreign ministers' meeting will serve as an opportunity to sum up Japan's contributions to the G20 process through the G7 Biarritz Summit and the Seventh Tokyo International Conference on African Development (TICAD VII) in August, and a series of high-level meetings during the United Nations High Level Week.

Furthermore, these meetings also provide opportunities to promote engagement with countries, including non-G20 members, in various international forums that will take place after the G20 Osaka Summit.

Many delegations and journalists from all over the world will be visiting Japan this year for the G20 Osaka Summit and related ministerial meetings. We would like to take this opportunity to showcase the spirit of Japanese hospitality as well as our unique culture and traditions to the world. 



NEVER STOP

IMPROVING THE FUTURE

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FUJIFILM
Value from Innovation

Pedro Sánchez
Prime Minister, Spain



A multilateral agenda for a fairer, more sustainable future

Osaka will be the 14th G20 summit since the group started meeting at the leaders' level in 2008. As a country strongly committed to multilateralism and international cooperation to tackle the world's biggest challenges, Spain has actively participated in each of those summits.

From reinforcing international financial institutions to strengthening international tax cooperation or addressing financial sector reform, the achievements of the G20 since the Washington Summit are impressive. Yet the rise of protectionism and unilateralism jeopardise these achievements and call into question the multilateral system as a whole – and the G20's role as a platform for economic cooperation for the world's largest economies.

The best way of defending multilateralism is by showing it can deliver concrete and effective results for our citizens. We need multilateralism that works – that can be perceived by our citizens as a useful tool to solve concrete challenges.

What does this mean in practice as we meet in Osaka? I think our citizens are expecting three main things from us G20 leaders: a clear message of confidence in the global economy, a commitment to a renewed social contract to ensure nobody is left behind and our determination to do what is needed to ensure a sustainable future for our planet.

Ten years ago, the G20 played a key role in fighting the worst economic crisis in nearly a century. We cannot afford to forget the lessons learnt at such heavy cost. Today, we need to act collectively to ensure that economic growth continues to be strong, sustainable, balanced and inclusive, as we reiterate year after year in our communiqués.

In this context, the ongoing trade tensions are a major source of concern for many companies, workers and citizens. The good news is that resolving these tensions is entirely in our hands. The Osaka Summit is an excellent opportunity to send a strong message of confidence in the ability of multilateral frameworks to tackle the root causes of these tensions and find a way forward.

Spain is firmly committed to the rules-based multilateral system with the World Trade Organization at its centre. Free and fair trade can be a powerful engine of economic growth and prosperity. G20 countries represent around 80% of global trade. Last year in Buenos Aires, we expressed our support for reforming the WTO to adapt its functioning to the realities of the 21st century, and to ensure that the benefits of trade can be broadly shared across and within countries. It is now time for the G20 to show firm leadership and give strong political momentum to this process.

But growth alone is not enough. Ten years after the global economic crisis, and

while the global economy continues to grow, it is time to tackle inequalities and social exclusion. It is those inequalities and a perception of unfairness that weaken the trust of citizens in governments and ultimately breed nationalism, populism and extremism. Our role as leaders is to act, domestically and multilaterally, to break that vicious circle by addressing the root causes of inequalities and develop a new social contract capable of regaining the trust of citizens.

This means strengthening and updating our social protection systems, lifelong learning and labour institutions to equip workers, firms and citizens to maximise the benefits of the digital transformation.

It also means tackling the challenges of ageing in countries such as Spain, which has the second longest life expectancy in the world.

An inclusiveness agenda should also place gender equality at the centre of public policy, helping women realise their full potential. There is strong evidence that shows the immense benefits when women increase their participation in the labour markets or economic life in general. We should thus focus our efforts on bridging gender gaps regarding access to quality jobs, equal pay, unpaid work or leadership positions in the public and private sectors.

A new social contract also calls for adapting our international taxation frameworks and domestic tax laws to level



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We need to listen to our younger generations, who increasingly take to the streets to demand a green new deal with concrete solutions, here and now, against the biggest threat to humankind”

the playing field, root out all tax havens and ensure everybody pays their fair share.

It also means working on comprehensive responses to migration and forced displacement based on the principles of international cooperation, partnership and solidarity.

Last but not least, we need to listen to our younger generations, who increasingly take to the streets to demand a green new deal with concrete solutions, here and now, against the biggest threat to humankind.

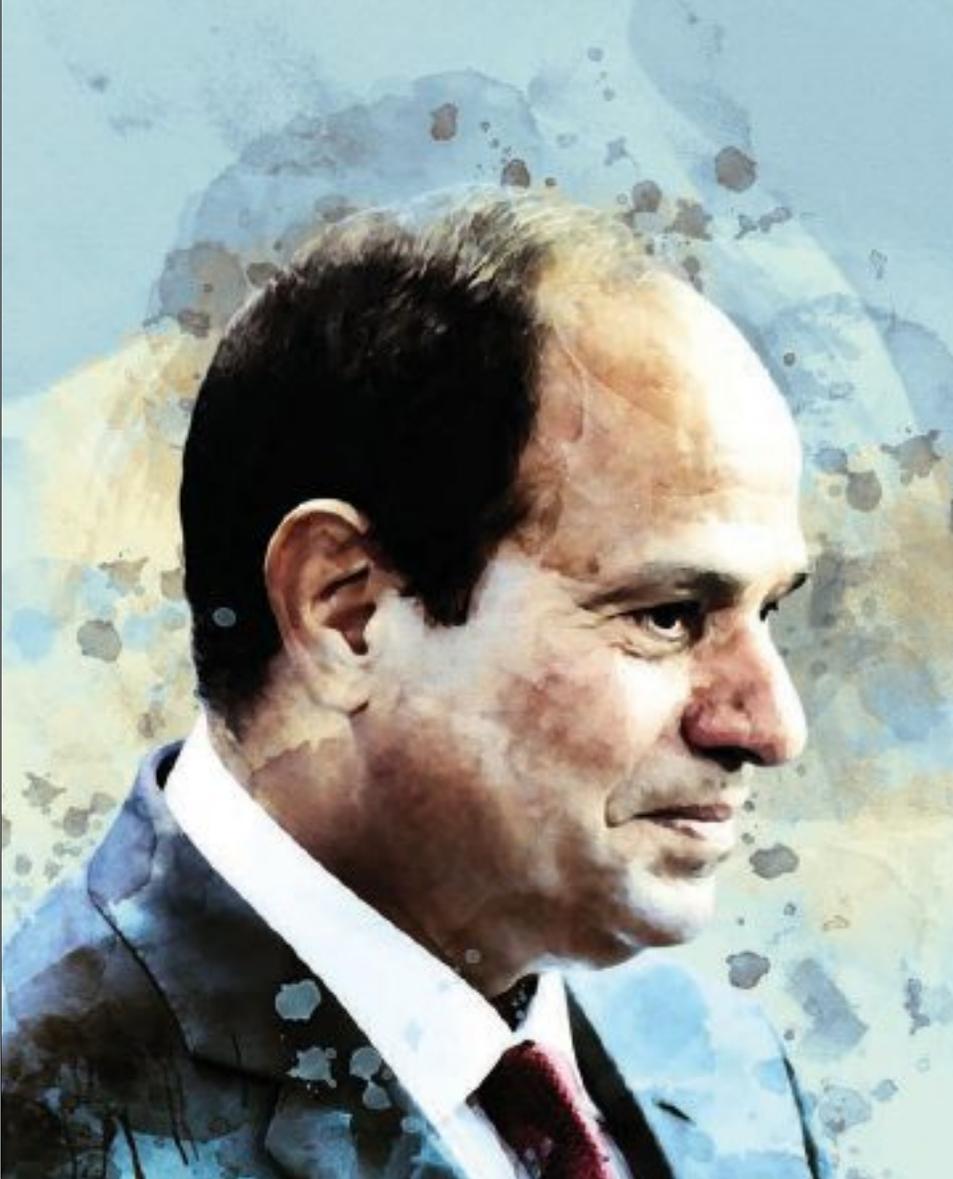
G20 members are not just the largest economies in the world, but also the major sources of greenhouse emissions. As scientists tell us, there is very little time left to act. So it is absolutely urgent that we lead the world by stepping up the ambition in implementing the Paris Agreement, without forgetting the need to protect biodiversity or eliminate plastic waste from our oceans.

These messages of confidence, fairness and sustainability have been at the core of my government's agenda since I took office a year ago. Building on the objectives of the 2030 Agenda for Sustainable Development, Spain continues to grow and create jobs, while enhancing the competitiveness of our economy, fostering social cohesion and laying the foundations for a just transition to a low-carbon economy.

These objectives should also inspire our discussions in Osaka as we continue to work together as G20 leaders to secure a fairer, more sustainable future for all. 

Abdel Fattah el-Sisi*President, Arab Republic of Egypt, and chair, African Union*

Africa and the G20: collaboration for shared prosperity



In Osaka, I will have the honour of participating in the G20 summit in my capacity as chair of the African Union. Recently, we celebrated with fellow African nations the entry into force of the agreement establishing the African Continental Free Trade Area, a landmark arrangement aimed at boosting intra-regional trade and unlocking investment potential. This is another step that highlights the promising prospects of Africa as envisaged in Agenda 2063: The Africa We Want. A closer collaboration between Africa and G20 members can help overcome challenges and achieve aspirations for sustainable development and shared prosperity.

AFRICA'S PROMISING PROSPECTS

The reality and dominant narratives about Africa in global markets are changing. While the global economic outlook is morose with a sluggish growth rate, Africa has been growing at 3.5% annually. Moreover, under current forecasts, Africa is home to nine of the 15 fastest-growing economies in 2019. More importantly, the current economic expansion in Africa stands on firm ground, since our middle class is expanding at a remarkable rate. This is a promising development, as it provides for stronger domestic consumer spending, which is expected to double by 2025 to reach



\$2.1 trillion. Furthermore, it implies more sustainable tax revenues as well as more socio-economic stability.

Africa is set to be the fastest-growing continent in terms of population, accounting for more than half of the global population growth until 2050. African nations need to guarantee this means a young, healthy and skilled population. This requires us to do more to end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases, address the growing burden of non-communicable diseases and invest more in education in order to reverse the forecast rise in extreme poverty by 2030. In addition to sustained political will, more resources coupled with bolder development cooperation will be necessary.

One avenue is to scale up and accelerate Africa's industrialisation process, which is expected to double the continent's manufacturing output by 2025, creating an additional 14 million jobs, according to recent studies. We are working closely with the United Nations Industrial Development Organization, the African Development Bank and other partners in this area to bring about an industrial transformation in Africa. In this regard, aligning G20 initiatives with industrialisation priorities in Africa is a much needed endeavour.

Amid mounting global trade tensions, African intra-trade is rising, without being limited to commodities as has historically been the case. Commerce in manufactured products, including technology-intensive ones, is expanding. In this vein, African leaders have pushed hard to agree to the AfCFTA to benefit our consumers, enable businesses to profit from economies of scale and facilitate the formation of regional value chains. Furthering regional integration is one of our main priorities under Egypt's 2018 African Union chairmanship.

PERSISTENT CHALLENGES

Despite these promising signs, Africa's share in global gross domestic product remains a tiny figure, around 2.8%. It conducts less than 3% of total trade and accounted for less than 3% of foreign direct investment inflows in recent years. Hence, the challenge of integrating Africa

in the global economy and developing its productive capacities is very much acute and persistent.

Other structural challenges such as high levels of indebtedness and the infrastructure gap continue to hamper our common development efforts. In the past, debt relief initiatives helped alleviate financial pressure on many countries. Currently, at least 16 African countries are either in debt distress or at high risk of debt distress. These debts take a toll on a country's capacity for public spending on medium- and long-term development priorities and its ability to mitigate shocks.

Infrastructure development has been credited for leading much of Africa's growth during recent years. Yet there is an estimated infrastructure need of \$130–170 billion a year, with a financing gap that reaches \$68–\$108 billion. Investment in infrastructure is challenging: it requires multi-year sustained financing, which is difficult to secure for any government, and more so in developing African nations. Such investment would promote connectivity across the continent and provide new opportunities for development and job creation. The G20 Compact with Africa has

a key role to play in this area.

For instance, projects to upgrade digital infrastructure are under way in many parts of Africa. They are critical to expand opportunities for e-commerce and harness the potential of digitalisation. But today, only 22% of Africans have broadband subscription, compared to 97% in the developed world. In this regard, access to affordable technologies remains a challenge that needs to be addressed in collaboration with partners and businesses.

FURTHER COOPERATION ON GLOBAL CHALLENGES

Africa is not immune to global challenges. It has been hit hard by the effects of climate change. Africa's highest mountain, Kilimanjaro, has seen its iconic glaciers shrinking, Mozambique was hit by unprecedented cyclones earlier this year and the Nile delta is being eroded because of rising sea levels. Africa has been paying the price of a global warming that it did not cause. Combined with its detrimental impact on water resources, climate change has been hard-hitting in rural communities in Africa. Equally worrying, evidence has shown that women are more likely than men to be affected by climate change, reversing decades-old efforts aimed at women's empowerment.

More recently, automation and the broader fourth industrial revolution have been provoking a high level of global uncertainties, with predictions of job losses varying widely from 20% to 80%. We should work together to expand opportunities where artificial intelligence and other frontier technologies could be employed to address developmental needs and favour job creation in agriculture development, healthcare provision and education services.

This year, we are looking more closely among African nations at avenues to jointly overcome challenges and harness opportunities for growth and job creation. In the same vein, Africa and G20 countries can collaborate closely in a spirit of partnership and mutual respect, with the objective of leaving no one behind, as envisaged by the 2030 Agenda for Sustainable Development. 

“Africa has been paying the price of a global warming that it did not cause”

General Prayut Chan-o-cha

Prime minister, Thailand, and chair, Association of

ASEAN and the G20: advancing partnership for sustainable prosperity

For Thailand, the G20 Osaka Summit is an important opportunity to highlight the vital issues of our time and set the agenda for international economic cooperation with G20 leaders, who collectively represent four-fifths of global gross domestic product and two-thirds of the world's population. In particular, Thailand believes that it is important that the voices of developing countries be heard, to ensure that we can deliver on our commitment for sustainable and inclusive growth, in line with the Sustainable Development Goals, by 2030.

Thailand has consistently advocated for advancing cooperation on sustainable and inclusive growth. Three years ago, Thailand attended the G20 Hangzhou Summit as the chair of the G77, where we highlighted the need to deepen cooperation between developed and developing countries to ensure inclusive economic and social development.

Last year, as chair of Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy, Thailand initiated the ACMECS Master Plan, putting in place a vision of seamless connectivity and inclusivity among mainland Southeast Asian nations.

This year, as chair of the Association of Southeast Asian Nations, Thailand has adopted the theme of 'advancing partnership for sustainability' because we believe that no nation can stand alone in dealing with the immense challenges of our times. Governments will need to not only coordinate policies, but also to form strong partnerships with international institutions, civil society and the business community. We also plan to take this idea forward in anticipation of chairing the Asia-Pacific Economic Cooperation forum in 2022.

As a mid-sized, open economy, and chair of ASEAN, Thailand is very aware of the

challenges and opportunities facing many governments and its peoples.

STABLE AND SECURE ECONOMIC ORDER

Our current globalised economy relies on a liberal, multilateral and rules-based order, which has underpinned the rise of globalisation and helped countries like Thailand achieve rapid development. However, this order is being challenged. Marginalised sections of society are questioning the benefits of globalisation and the multilateral order with the World Trade Organization at its core, especially given recent global economic crises and increased competition, which have fuelled the rise of protectionism. We therefore hope that the G20 summit will be able to take forward a dialogue on the future of the multilateral economic order, including the issue of WTO reform, so that we can all truly benefit from a stable and secure international environment while ensuring inclusive economic benefits. Sustaining such an environment will also require parallel efforts in maintaining global and regional peace and security.

BRIDGING THE DIGITAL DIVIDE

While the rapid growth of the digital economy and e-commerce has opened up new opportunities across every sector, there is a need to address some important issues to sustain this growth. First, enhancing trust in the digital economy should be a priority. ASEAN has already set its goal of becoming a 'Digital ASEAN', with a number of initiatives to enhance digital links and cybersecurities, while an ASEAN-Japan Cybersecurity Capacity-Building Centre has been established in Thailand since 2018. Correspondingly, regulating the use of data is another priority issue, since it affects consumer and civil rights.

Furthermore, providing affordable and high-quality digital infrastructure will be essential to facilitate the digital transformation and address the digital divide. This is especially the case when considering how the digital economy has opened up more opportunities for young entrepreneurs and small and medium-sized enterprises, especially those in remote communities and areas. In this regard, Thailand has seized this opportunity to implement its 'Village



Southeast Asian Nations

Broadband Internet Project' (Net Pracharat), which will provide affordable high-speed internet access to all villages in Thailand.

NEW CHALLENGES AND RESPONSIBILITIES

Significant demographic changes are taking place in many countries. Thailand will soon become an ageing society and our social services will need to adapt accordingly. Thailand is proud to have introduced universal health coverage to our citizens, but adapting to this new demographic structure will ultimately require innovative means to procure quality services for our ageing populations. Similarly, our education systems will need to provide reskilling and upskilling platforms for the current generation affected by new disruptive technologies, as well as prepare the next generation for quality employment opportunities.

Our demand for a better quality of life applies not only to public services, but also to physical infrastructure. In this sense, Thailand is in line with Japan's focus on quality infrastructure, which we believe provides more value in the long term through efficiency and environmental friendliness.

At the same time, economic progress over the past centuries has placed severe stress on our habitat. Dealing with the reality of

“ Providing affordable and high-quality digital infrastructure will be essential to facilitate the digital transformation”

climate change will thus require both commitment and concerted international action to reduce greenhouse gases and find alternative energy sources, among others. Environmental degradation has become a serious concern that requires a timely response, most notably the problem of our plastic waste ending up in the oceans. To that end, ASEAN already convened an ASEAN ministerial meeting on marine debris on 5 March in Bangkok, which was an important step towards more cooperation at both the regional and international levels.

Thailand believes that while we pursue our shared goals of sustainable and inclusive growth, we also have a shared responsibility to our planet and to future generations. Therefore, our actions now should not seek prosperity and growth that compromises our positive social ideals, but should aim for progress that truly uplifts the well-being of all global citizens. In this regard, Thailand very much looks forward to a productive participation at the G20 summit in Osaka, where we can share our ideas on strengthening international cooperation and advancing partnerships for sustainability with our global partners. 



John Kirton
Director, G20 Research Group

Prospects for the Osaka Summit

The 14th G20 summit, taking place in Osaka, Japan, on 28–29 June 2019, launches the second decade of G20 summitry since the first began in Washington DC in 2008. It is the first G20 summit hosted by Japan, the world's third most economically powerful country. It brings the G20 back to an Asia emerging as the centre of the global economy, following its successful summits in China in 2016, Australia in 2014 and Korea in 2010. It takes place only seven months after the G20 summit in Argentina in late 2018.

The Osaka Summit confronts the critical challenges of escalating trade and investment disputes, the climate crisis, rapid digitalisation, ageing populations, harms to human health, slowing and unbalanced economic growth, financial fragilities, and geopolitical tensions in Asia and elsewhere. It comes with concerns about the ability of the major multilateral organisations and order from the 1940s to cope, without the help of the systemically significant, intensely interconnected countries now assembled in the G20.

The Osaka Summit is hosted by Japanese prime minister Shinzo Abe, a veteran of six G20 summits and host of the G7's successful Ise-Shima Summit in 2016. The other veterans are Germany's Angela Merkel, China's Xi Jinping, Canada's Justin Trudeau, India's Narendra Modi, Turkey's Recep Tayyip Erdoğan, Argentina's Mauricio Macri and Saudi Arabia's Crown Prince Mohammad Bin Salman, who will

John Kirton, director of the G20 Research Group, relates the leading themes, focus areas and urgent global challenges to be addressed at the Osaka Summit



host in 2020. Jean-Claude Juncker, president of the European Commission, and Donald Tusk, president of the European Council, are veterans, too. The newer leaders are Korea's Moon Jae-in, the United Kingdom's Theresa May, France's Emmanuel Macron, South Africa's Cyril Ramaphosa, Indonesia's Joko Widodo, the United States' Donald Trump, Italy's Giuseppe Conte and Australia's Scott Morrison. The newcomers are Brazil's Jair Bolsonaro and Mexico's Andrés Manuel López Obrador, should he decide to come.

These leaders will mobilise the work of the G20's meetings of ministers responsible for agriculture on 11–12 May; finance and central bank governors on 8–9 June; trade and the digital economy on 8–9 June; energy transitions and the global environment for sustainable growth on 15–16 June; and finance and health together on the sidelines of the Osaka Summit itself. They will guide those for labour and employment on 1–2 September, health on 19–20 October, tourism on 25–26 October, and foreign affairs on 22–23 November.

At Osaka, leaders will focus on Japan's theme of promoting a free, open, inclusive and sustainable 'human-centred future society'. Their priorities are free trade and innovation as engines for shared growth that reduces disparities, global standards for 'data free flow with trust', development through quality infrastructure and the Sustainable Development Goals, international health, climate change, ocean marine litter, institutions for the digital economy, and an ageing society that affects financial and social policies and inclusion.

Other issues are safeguards for shared growth regarding debt sustainability and transparency in low-income countries, global imbalances and market fragmentation in financial regulation and supervision. Technological innovation embraces international tax, financial innovation (including crypto-assets) and development implications. The standard issues of money laundering and terrorist and proliferation finance also appear.

With this broad, demanding and innovative agenda, the leaders should produce a summit of substantial success. They will likely contain trade tensions, affirm that trade boosts growth and prosperity and should be rules-based, and support Prime Minister Abe's signature 'Osaka Track' to guide trade into the digital age. Climate change

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The Osaka Summit brings the G20 back to an Asia emerging as the centre of the global economy”

JOHN KIRTON

Director, G20 Research Group

John Kirton is director of the G20 Research Group, G7 Research Group and the Global Health Diplomacy Program and co-director of the BRICS Research Group, all based at the Munk School of Global Affairs and Public Policy at Trinity College in the University of Toronto, where he is a professor of political science. He is a visiting professor at the School for International Relations and Public Affairs at Shanghai International Studies University and a distinguished fellow of the Guangdong Institute for International Strategies at Guangdong University for Foreign Studies. Kirton is author of *G20 Governance for a Globalized World*, among other books.

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control and clean oceans through marine litter clean-up and waste management could be important achievements, with different members committing to their preferred approach on climate, to offset the escalating environmental shocks that highlight the vulnerability of all.

Leaders will launch the G20's innovative agenda on ageing populations and foster economic sustainability, labour force productivity and social well-being. They will advance human health and the broader SDGs, supporting universal health coverage as a long-term development ideal, healthy nutrition, ongoing work on anti-microbial resistance, malaria, tuberculosis and polio, and perhaps the International Health Regulations and the World Health Organization at the core. Also in store are advances on gender equality in the workplace, entrepreneurship and business leadership, and perhaps the broader social ecosystem enabling women to prosper.

The G20's strong success on tax will strengthen, with the complexities of digital taxation added to its work. Ambitious principles for quality infrastructure will appear. Initiatives on anti-corruption will also arrive, and perhaps extend to broader economic crimes. Serious action against terrorism could again arise, as the growing attacks in Asia from global networks kill ever more citizens of G20 members and beyond. 

Japan's opportunity at the Osaka Summit

Naoki Tanaka, president of the Centre for International Public Policy Studies, explains how challenges posed by recent events and political dynamics, will shape this year's G20 leaders' meeting

The financial crisis of 2008–09 gave the G20 momentum for two reasons: the simultaneous disappearance of final demand in G7 economies and the lack of liquidity faced by most private firms in G7 countries. Firms responded by postponing payments, stopping building inventory, selling products at reduced prices and delaying investment. This financial crisis, which came from the freezing of securitised financial products, hit all the economies in the G7.

At that time, large government expenditures by major emerging economies, led by China, were applauded by G7 economists.

To cooperate with China, the G20 framework became a top priority for US president Barack Obama's administration. In the G20, there were two camps: market economies, which were over-financed by securitised financial products, and state-directed economies, which were not always better than the market economies. However, after the financial crisis, those state-directed economies took the initiative to maintain global demand. Consequently, it became government-owned enterprises in progress, privately owned enterprises in retreat. That meant an inefficient allocation of resources in China. China acquired the dominant position within the G20, but at a very high cost.

The dynamics in the G20 changed in 2014, due to the conflict between Russia and Ukraine, and China's military assertiveness in the South China Sea.

Cyberattacks by the Internet Research Agency in Russia

have been implicated in the 2016 Brexit referendum and US presidential elections. In 2017, there were also incidents of fake news and cyberattacks in France. In 2018, Cambridge Analytica was implicated in a scandal involving large amounts of data collected by Facebook and used to influence voters. The Internet Research Agency appeared to intervene in the European parliamentary elections to negatively influence Europe's political centre. G20 efforts have not stopped such cyberattacks.

China's military assertiveness towards the South China Sea and theft of intellectual property rights through cyberspace have contributed to economic conflict with the United States. Their trade war does not merely reflect protectionist policies. In 2018, the G20 could not discuss these problems openly. Once again, that trade war will not be discussed openly at the Osaka Summit. The summit will not revitalise the G20's work on trade.

A NEW KIND OF ECONOMIC ADJUSTMENT

The new high tariffs on Chinese exports into the United States may continue for a long time. The Chinese economy will adjust. China is the factory of the world, manufacturing a quarter of the world's goods and accounting for about half of its manufacturing capabilities for industrial materials such as iron, steel, cement and petrochemical products. To expand,

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The dynamics in the G20 changed in 2014, due to the conflict between Russia and Ukraine, and China’s military assertiveness in the South China Sea”

Chinese businesses in these sectors have borrowed heavily. If their earnings drop, their financial position will deteriorate.

To survive, they will want to increase liquidity to repay their debts, and will thus reduce their selling price.

As to prices for basic industrial materials, producers of these goods are concerned about overproduction in China. If China adjusts production levels, the price of crude oil, copper and shipping freight would be severely affected.

THE G20’S ROLE

In this situation, there is the possibility of a systemic risk within and beyond China. In such financial distress, intermediation among financial institutions may diminish. It has been said that such a systemic risk would not arise under the Chinese system of government control. However, this optimistic view should be rejected in this new situation. The G20 can play a useful role in containing the new economic adjustments emerging in China. Japan especially can present the characteristics of such challenges and try to coordinate the efforts that will be needed at the G20 level. Japan has much knowledge of the economic adjustments of its Chinese neighbour. East Asia has had experience in exchanging opinions and solutions in similar situations since 1997. ●



Naoki Tanaka

President, Centre for International Public Policy Studies

Naoki Tanaka is president of the Centre for International Public Policy Studies and a freelance economic analyst specialising in a variety of fields, including international and Japanese economics, politics and industry. He was previously president of the 21st Century Public Policy Institute.

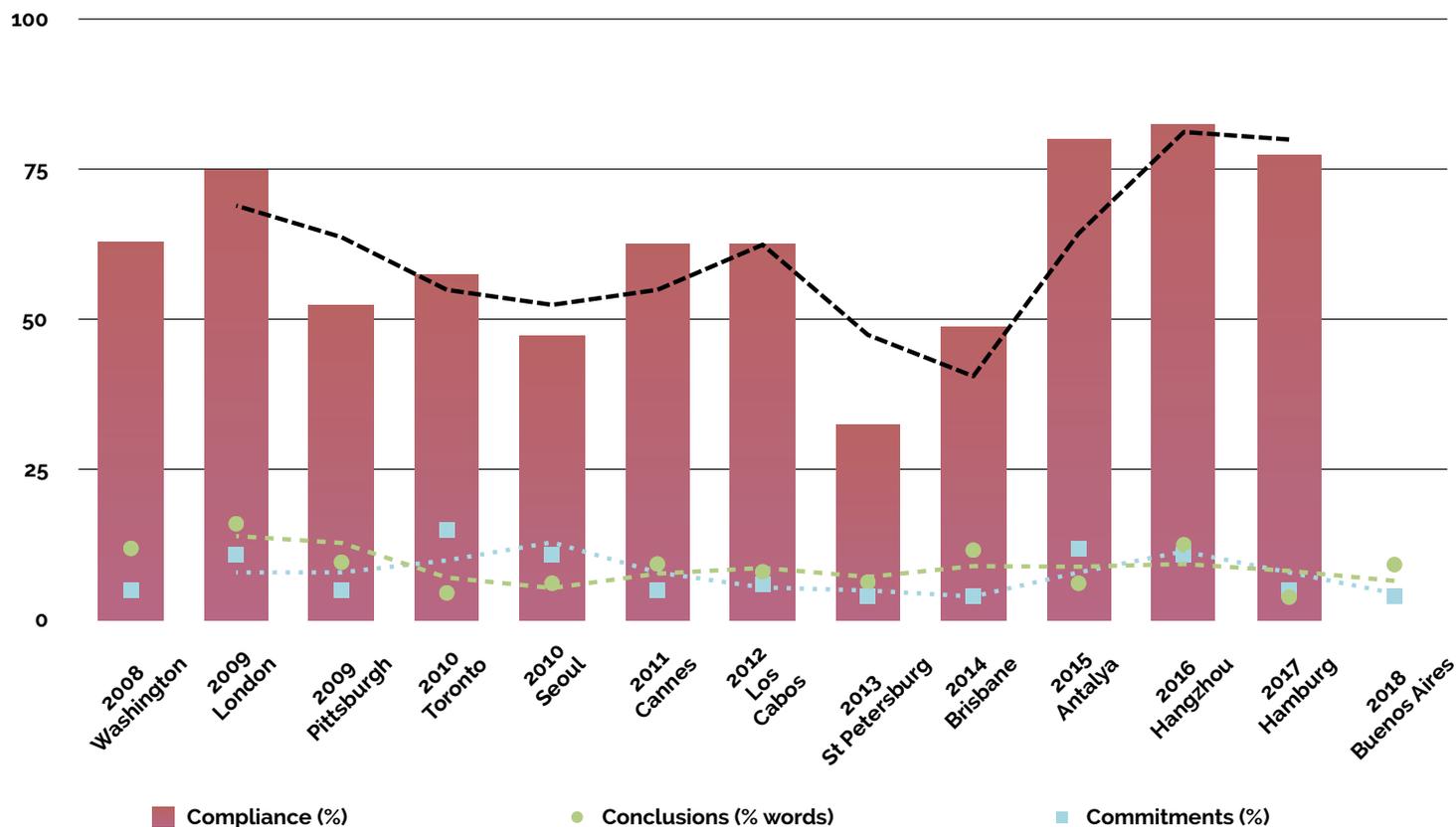
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TRADE AND INVESTMENT COOPERATION

Maria Marchyshyn, lead researcher on trade at the G20 Research Group, calls on G20 leaders to assess the links between trade and development, climate change, gender equality and digitalisation

G20 performance on **trade**

Compliance on trade commitments 2008–18



Since the first G20 summit in 2008, G20 leaders have shown strong support for free and fair trade, although it has not always been at the top of their agenda. They have often considered international trade and investment to be engines of economic growth, productivity, innovation, job creation and development. New protectionist positions in some G20 members, led by the United States, have begun causing uncertainty in the global economy. This has forced shifts and disruptions in long-established agreements, global value chains and trade routes.

At the 2018 Buenos Aires Summit, G20 leaders could not reach a consensus on any key trade issue, except for reforming the World Trade Organization. Now the world is looking to Japan's leadership at the G20 Osaka Summit, as Prime Minister Shinzo Abe has made the promotion of free trade a priority.

CONCLUSIONS

G20 leaders have dedicated an average of 1,087 words (9%) to trade in their communiqués at each summit. This number grew unevenly until the 2011 Cannes Summit, with 1,329 words dedicated to trade. It then dropped to 897 words (6%) at Antalya in 2015. The highest number came at Hangzhou in 2016 with 2,045 words (13%), followed by Hamburg in 2017 with 1,770 words (6%). It dropped again to 787 words (9%) at Buenos Aires in 2018.

COMMITMENTS

At their 13 summits from 2008 to 2018, G20 leaders

made 169 public, collective, precise, future-oriented, politically binding commitments on trade. This amounts only to 7% of all commitments made during 10 years. Of the 169 commitments on trade, 30 referred to development, seven to digitalisation, one to climate change and none to gender.

The most trade commitments (29) came at Hamburg in 2017, while the first 2008 Washington Summit and the most recent 2018 Buenos Aires Summits, both had the least trade commitments, with five each. The number rose slowly until the 2010 Seoul Summit, with 17, when leaders focused on anti-protectionism. Then the emphasis shifted towards trade liberalisation and facilitation, with support for the multilateral trading system and the successful completion of the WTO's Doha round. Given the rapid growth of bilateral and regional trade agreements, at the 2013 St Petersburg Summit, the leaders issued a separate document on trade, *Advancing Transparency in Regional Trade Agreements*. Trade commitments grew steadily to peak in 2016 with 24 and in 2017 with 29. The five commitments made in Buenos Aires focused on WTO reform.

COMPLIANCE

The G20 Research Group has assessed members' compliance with 20 of these trade commitments. Compliance averaged 67% – below the average of 71% across all subjects – and varied widely over 10 years. The two commitments with 90%, the highest compliance, were the 2016 endorsement

9%
On average is dedicated to trade in communiqués

85%
Compliance achieved by Australia

7%
Of all commitments over 10 years dedicated to trade

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Now the world is looking to Japan’s leadership at the G20 Osaka Summit, as Prime Minister Shinzo Abe has made the promotion of free trade a priority”

of the G20 Guiding Principles for Global Investment Policymaking, and the 2015 commitment on the importance of trade for development. The lowest compliance came with commitments on anti-protectionism: –35% in 2013 and –20% in 2008. By member, the highest trade compliance came from Australia at 85%, followed by the United Kingdom, Japan and Germany at 65%.

The number of commitments on trade made at each summit strongly and positively coincides with members’ subsequent compliance. The six summits with the most trade commitments had compliance that was 36% higher than the six summits with the fewest trade commitments (results for the Buenos Aires Summit are not yet available). The 10 trade commitments with the highest compliance came at summits that had made 7% more trade commitments than the 10 trade commitments with the lowest compliance.

CORRECTIONS

A trade ministerial meeting held prior to a summit increases compliance with that summit’s trade commitments by 25%. Ministers assist with resolving trade-related issues before the summit. If they were to meet after the summit, they might accelerate implementation.

Several catalysts, which are embedded in the commitment text and provide direction for implementation, coincide with decreased compliance with that commitment: a multi-year timetable (–34%), reference to a past summit (–17%), a one-year timetable (–7%) and reference to the WTO (–6%).

At Osaka, G20 leaders could increase members’ compliance by making more trade commitments, while avoiding references to a multi-year or one-year timetable, a past summit, or the WTO. The ministerial meeting scheduled for 6 – 8 June on trade and the digital economy should also increase compliance.

G20 leaders should also emphasise the increasingly important interrelationships among trade and development, climate change, gender equality and digitalisation, including e-commerce and financial technology. 



MARIA MARCHYSHYN

Lead researcher on trade, G20 Research Group

Maria Marchyshyn is the lead researcher on trade with the G20 Research Group as well as the G7 Research Group and the BRICS Research Group, based at the Munk School of Global Affairs and Public Policy at Trinity College in the University of Toronto. Her work focuses on macroeconomic issues, including international trade and finance and topics regarding the European Union. Maria served as vice president of finance on the board of directors of the Organization of Women in International Trade for five years until 2018. She has worked in the financial industry and as a researcher at the European Parliament in Brussels.

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Overview

The Islamic Corporation for the Development of the private sector (ICD) is a multilateral development organization and a member of the Islamic Development Bank (IsDB) Group. ICD has 54 member countries. The mandate of ICD is to support economic development and promote the development of the private sector in its member countries through providing financing facilities and/or investments in

accordance with the principles of Sharia'a. ICD also provides technical assistance and advisory services to member countries and their public and private enterprises with a view to improving the environment for private investment, facilitating the identification and promotion of investment opportunities, privatization of public enterprises and the development of the Islamic capital markets.

IC THE DEVELOPMENT



ICD helps private sector businesses to finance projects by providing a wide range of Sharia compliant services



www.icd-ps.org

 [icd_ps](#)

The G20's key deliverable

Matthew P. Goodman, senior vice president and senior advisor for Asian economics at the Center for Strategic and International Studies, highlights the unique role of trade in a globalised yet challenged world

Despite its many shortcomings, the G20 serves three unique and vital roles in global economic governance: it solves problems in the world economy (at the extreme, managing systemic financial crises, as it did in 2008–09); it sets agendas for policy action in and among its members; and it builds habits of cooperation among a diverse group of countries that do not always get along.

Even – or especially – when there is no financial crisis to galvanise joint action in the problem-solving dimension, the G20's agenda-setting function is particularly important. And nowhere is this truer than in trade. Although financial issues have dominated the G20's work, trade has been at the core of its agenda since the G20 leaders first met in Washington in September 2008. At the current time of severe strain in the global trading system, Japan plays a critical role as this year's host in ensuring that the G20 gives renewed momentum to the trade agenda at Osaka.

At each of the 12 summits prior to last year's gathering in Buenos Aires, G20 leaders pledged – in one form or another – to oppose protectionism and boost global trade. Largely as a result of unilateral tariff action by the United States against China and numerous allies, as well as the

Trump administration's skepticism about multilateral trade initiatives, the Buenos Aires communiqué omitted the usual reference to protectionism. In a too-short paragraph near the end, however, it did note that "trade and investment are important engines of growth", acknowledged the contributions of the multilateral trading system and called for joint work to reform the World Trade Organization.

Japan should push other G20 members to build on this language at Osaka, in several ways. First, leaders should specify the priorities for WTO reform and mandate that their trade officials work towards agreement by the time of the next WTO ministerial meeting in the summer of 2020.

Among the most pressing issues for reform are a better-functioning dispute settlement mechanism, enhanced notification of subsidies and other trade-distorting measures, and tightened criteria for self-designation of members as developing countries (a status that should clearly not apply to advanced countries such as Singapore and Korea, or to the world's second-largest economy, China).

Second, Japan should push for endorsement by G20 leaders of a positive agenda on trade. Reviving a multilateral round along the lines of the Doha Development Agenda is a bridge too far. But the G20 could recognise and encourage the array of plurilateral and sectoral deals being discussed in Geneva: on e-commerce, trade facilitation, services and environmental goods. Leaders should also acknowledge the useful progress towards market opening and rule making in high-quality mega-regional agreements, notably the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and call for expansion of their membership and ambition.

Finally, Japan should try to broker language in the Osaka communiqué that revives the long-standing pledge to oppose protectionism. With tit-for-tat tariff escalation underway between the United States and China, threats of new broad-based tariffs (for example on automobiles) and creeping protectionism everywhere, this is a dangerous time for the world trading system. The WTO estimates that global trade growth in 2019 will barely match the rate of growth in global gross domestic product, at 2.6%. If G20 leaders mean what they said last year in Buenos Aires – that trade is good for growth – then they should take a clearer stand against policies to restrict trade.

This is a tall order for any host country, and the Osaka outcomes are likely to fall short of these proposals. But Japan today arguably stands as the world's leading champion of open markets and sensible rules on trade. In 2018 it managed the Herculean feat of concluding the CPTPP, just a year after US withdrawal from its predecessor agreement, the Trans-Pacific Partnership. Tokyo also concluded a comprehensive deal with the European Union, the largest bilateral trade deal signed by either country, encompassing 28% of the world's GDP. And earlier this year at Davos, Prime Minister Shinzo Abe threw down a gauntlet on digital governance when he called for a global conversation on his concept of 'data free flow with trust'. Abe should challenge his peers at Osaka to reinvigorate the G20 trade agenda at a time of great peril for the multilateral trading system. 

2.6%

The WTO's estimate for global trade growth in 2019

28%

Of global GDP is generated through Japan/EU trade deal

12

G20 summits have seen leaders oppose protectionism

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At the current time of severe strain in the global trading system, Japan plays a critical role as this year’s host in ensuring that the G20 gives renewed momentum to the trade agenda at Osaka”

MATTHEW P. GOODMAN

Simon Chair in Political Economy, Center for Strategic and International Studies

Matthew P. Goodman is senior vice president and senior advisor for Asian economics, and holds the Simon Chair in Political Economy at the Center for Strategic and International Studies. Before joining CSIS in early 2012, he served as director for international economics on the US National Security Council, helping the president prepare for G20 and G8 summits. He was also White House coordinator for Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit. Prior to the White House, Goodman was senior advisor to the under secretary for economic, energy and agricultural affairs at the US Department of State.



 @mpgoodman33

Dynamic policies to reshape trade

UNCTAD secretary-general Mukhisa Kituyi lays out the proactive and dynamic policies that will help the world to rethink trade and investment

As countries continue to work on the levers of dynamic growth and sustainable development, a central strategy has been to attract foreign investment to enhance a country's participation and movement along global value chains. This approach is not only expected to increase a country's domestic productive capacity and competitiveness, but also, ideally, to instigate structural transformation.

Plugging into GVCs has indeed been correlated with higher growth and improved productivity, yet there are also significant risks to pursuing this as a development strategy. These risks include getting locked into relatively low value-added activities, the potential footlooseness of GVC activities and increased vulnerability to external shocks.

For the first time in 30 years, the growth of GVCs in the past decade has come to a halt, with the share of foreign added value declining to 30% in 2017. This decline is consistent with broader trends, including the recent slowdown in economic globalisation and weakened trends in foreign direct investment. Given that deeper integration in GVCs can act as an important development lever, this stagnation is worrying, especially for the poorest regions.

Despite the slowdown, many countries, including G20 members, are continuing to promote greater openness to foreign investments and integration within GVCs.

Investment liberalisation provisions were among the most prominent measures implemented, along with efforts to promote and facilitate investments by simplifying administrative procedures, providing incentives and establishing special economic zones.

Given that more and more measures are rather favourable to foreign investment, what then are some additional policy changes that countries need to consider in order to enhance trade and investment flows through GVCs, especially for the purpose of promoting the participation and competitiveness of local small and medium-sized enterprises?

A MORE COHERENT POLICYMAKING APPROACH

The transfer of intermediates and the coordination of tasks among network actors of a GVC results in business operations interacting with multiple policy areas at different levels on more than one occasion. Inconsistencies among these different policy areas or levels adds a layer of complexity and cost to the functioning of the GVCs.

Therefore, should a country want to pursue a strategy of creating a more enabling policy framework for GVCs, it cannot only undertake reforms within a specific policy area – in this case investment – but would rather have to ensure investment policy reforms are conducted coherently and synergistically with other policy areas.

Through its reform package of the international investment regime, the United Nations Conference on Trade and Development helps states identify the key areas of policy incoherence between investment policy instruments and other non-investment laws and policies, and in turn to consider solutions.

Specifically, UNCTAD helps countries enhance their policy coherence and synergies holistically across two dimensions: first by maximising synergies between international investment agreements and the national legal framework for domestic and foreign investment; second by managing the interaction between those agreements and other bodies of international law that touch upon investment.

PRESERVING SPACE FOR DYNAMIC POLICYMAKING

Experience shows that measures to attract foreign direct investment are not enough, given that the positive spillovers and linkages expected from plugging into GVCs do not necessarily materialise



MUKHISA KITUYI

Secretary-general, UNCTAD

Mukhisa Kituyi is in his second term as secretary-general of the United Nations Conference on Trade and Development, having first been appointed in 2013. He has served as Kenya's minister of trade and industry, chair of the Council of Ministers of the Common Market for Eastern and Southern Africa, the African Trade Ministers' Council and the Council of Ministers of the African, Caribbean and Pacific Group of States. As a consultant for the African Union Commission, he helped to develop the structure for a pan-African free trade area.

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30%
Decline in the share of foreign added value in GVCs in 2017

84
Countries have adopted formal industrial development strategies since 2014

90%
Of global GDP is generated by these countries

automatically or optimally. Countries are therefore increasingly undertaking more proactive and dynamic policymaking to experiment and identify the right mix of policy instruments that would enable them to respond effectively to rapidly changing global circumstances and to achieve their national development priorities. Consequently, industrial policies have become ubiquitous. Just in the last five years, at least 84 countries – both developed and developing, accounting for 90% of global gross domestic product – have adopted formal industrial development strategies.

Recognising the impetus towards policy dynamism, UNCTAD in its *World Investment Report 2018* provides guidance on how to update investment policy instruments for creating more effective modern industrial policy strategies. It provides specific guidance on how to reorient domestic investment policymaking and how to leverage flexibility mechanisms to avoid creating undue policy constraints through international investment agreements.

We recognise that striking the right balance between policy coherence, consistency and dynamism will be a significant challenge for all countries, and for developing and least-developed countries in particular. A more collaborative approach will be needed, one that encourages the exchange of best practices, is open to international productive-capacity cooperation and coordinates efforts to avoid beggar-thy-neighbour outcomes. Given the importance of GVCs as a lever for development, the G20 has a vital role to play in promoting such a collaborative approach. 

Small island economies: The WCO's renewed focus

Small island economies face distinct challenges, demanding bespoke economic and developmental support. Kunio Mikuriya, secretary-general of the World Customs Organization, details the work that is underway

The World Customs Organization's initiative on small island economies was launched in June 2018 to provide the customs administrations of such economies with tailor-made capacity-building and technical assistance that would help them curb illicit trade and smuggling more effectively, while facilitating trade flows and reducing cross-border business costs.

VARIOUS CHALLENGES

There is no formal definition of small island economies. Their 'smallness' often refers to the size of their population, their land mass or their share in international trade. Depending on their level of development, such states or jurisdictions are loosely referred to as small economies, small and vulnerable economies, small island developing states, or structurally weak, vulnerable and small economies.

They were recognised in 1992 as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities at the United Nations Conference on Environment and Development, also known as the Earth Summit, held in Rio de Janeiro, Brazil. The UN's Millennium Development Goals also mentioned small island economies.

The challenges they face, in varying degrees, include:

- Lack of connectedness to global value chains, negatively affecting their share of international trade and investment;

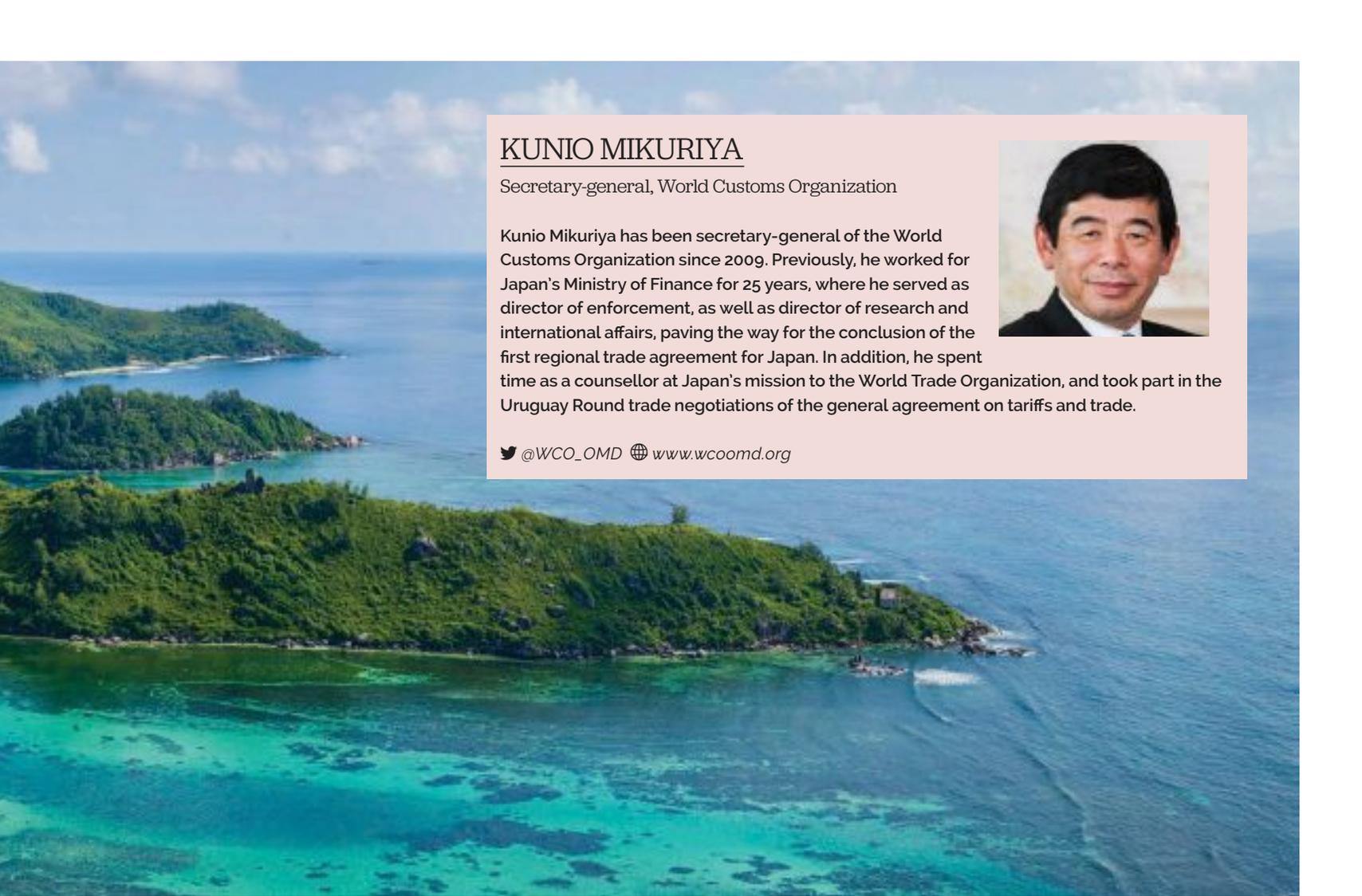
- Remoteness from large markets, resulting in increased transportation costs;
- High communication costs, often exacerbated by poor maritime and air connectivity;
- Inadequate institutional capacity, hindering their accession to international conventions; and
- Proneness and vulnerability to natural disasters, due in part to climate change.

They are also disadvantaged by a narrow range of resources, excessive dependence on international trade, overuse of resources and their premature depletion and domestic markets that are too small to provide significant economies of scale.

They rely heavily on imported goods, which often translates into high costs of living, and they have limited export volumes with a narrow range of products. Many of these disadvantages are magnified by the fact that not only are they small, but they also often comprise a number of small islands.

KEY ACHIEVEMENTS

In order to support the customs administrations of small island economies in effectively tackling these challenges and to respond better to their specific needs, the WCO has been providing customised capacity-building and technical assistance, through more than 60 activities over the 2017/2018 financial year.



KUNIO MIKURIYA

Secretary-general, World Customs Organization



Kunio Mikuriya has been secretary-general of the World Customs Organization since 2009. Previously, he worked for Japan's Ministry of Finance for 25 years, where he served as director of enforcement, as well as director of research and international affairs, paving the way for the conclusion of the first regional trade agreement for Japan. In addition, he spent time as a counsellor at Japan's mission to the World Trade Organization, and took part in the Uruguay Round trade negotiations of the general agreement on tariffs and trade.

🐦 @WCO_OMD 🌐 www.wcoomd.org

To enumerate some, a workshop on the Revised Kyoto Convention and other key WCO instruments in June 2017 gathered representatives from six small island economies in the Pacific, including a few non-WCO members. This led to Kiribati and Vanuatu acceding to the convention. In 2018, a workshop for countries in the Caribbean generated further interest in the convention.

Some small island economies have been assisted by the WCO's Cargo Targeting System and its National Customs Enforcement Network, which have enhanced their data analysis and targeting capacities. In addition, the Global Travel Assessment System, a standardised system for collecting and analysing passenger data, was implemented in the Maldives in 2018.

Guidance framework collaborators

Guidance is being developed in close collaboration with:

- Oceania Customs Organisation
- Caribbean Customs Law Enforcement Council
- Caribbean Community
- Commonwealth Secretariat
- African, Caribbean and Pacific Group of States
- Pacific Islands Forum
- United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

GOING FORWARD

The WCO will continue to engage with the customs administrations of small island economies, in order to obtain a deeper understanding of their current realities. This engagement will facilitate the development of tailor-made and effective solutions that respond to their unique peculiarities and challenges.

The WCO intends to organise regional workshops for the customs administrations of small island economies in the Pacific and Caribbean, and further engage with relevant regional and international bodies to collect more national and regional experiences and practices.

Specific guidance for these administrations will also be developed. In this regard, the specificities, challenges and priorities of small island economies will be analysed to determine areas of change and measures to be taken, while keeping their diversity and needs in mind. The guidance is being developed in close collaboration with various international and regional organisations (see box).

In addition, the WCO will develop customised capacity-building programmes for the customs administrations of small island economies based on their identified needs and priorities. The WCO's regional structures will assist in delivering these programmes, including train-the-trainer courses.

Regarding accession to the Convention Establishing the Customs Co-operation Council (the WCO's founding instrument) and other WCO instruments and tools, the organisation will support small island economies in tackling the difficulties they face in this regard.

Although encouraging and supporting small island economies to accede to WCO conventions is important, it is equally important that they not only leverage existing WCO instruments and tools, but also participate in the development and enhancement of those tools to reflect their perspectives and aspirations. 🌐

Facilitating global trade

Today, Saudi Arabia is the world's 20th largest exporter of goods and the 32nd largest importer in the world. In 2018, the Kingdom ranked 39 out of 140 countries in the Global Competitiveness Report. As a result, trade is a crucial tool for building on this success.

In its 2018 budget, Saudi Arabia increased its investment in infrastructure and transportation by 86%, reaching a total of \$14.4 billion. These funds are supporting key organisations and stakeholders, who are transforming Saudi Arabia into an advanced global logistics hub.

Railway capacity, ports, airports and roads are all crucial to the strategic plans of the General Customs Authority, where the Ministry of Transport received \$46.6 million to enhance the efficiency of port infrastructure – with more than 3,400km of coastline, Saudi Arabia's ports are vital to international maritime trade.

Many of the most recent developments have been pioneered through the ambitious goals of Saudi Vision 2030, launched by HRH Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud.

As part of the Kingdom's future strategy and the Customs' reforms, trade is a driving force for a diversified and prosperous economy.

LEADING CHANGE

For more than 90 years, the General Customs Authority of Saudi Arabia has forged the development of trade and logistics in the kingdom, and spurred the development of a fully integrated, trade and logistics hub, between east and west.

The organisation, led by governor of the General Customs Authority, His Excellency

The General Customs Authority of Saudi Arabia is driving strategic change in how the kingdom trades with the world, by facilitating the advancement of a global logistics hub

Ahmed AlHakbani, has counted many success stories throughout its history. However, the pace has increased in recent years as the kingdom pushes towards the achievement of Vision 2030.

Driving its own transformation in line with these objectives, Saudi Customs streamlined the export-import processes, and radically transformed the administrative and documentary process, enabling traders to submit their documents electronically before vessel arrival to the port. Today more than 80% of pre-arrival declarations clear in less than 24 hours, compared to eight days previously.

In this regards, Saudi Customs established the Customs Targeting Center, an innovative centre that helps in overcoming operational obstacles, and finding technical solutions that would contribute to enhancing the speed and flexibility of import flows while reducing the level of illegal smuggling.

Saudi Customs has also embarked on such initiatives as the establishment of bonded zones and the implementation of the Authorised Economic Operator (AEO) programme.

Bonded zones are key to positioning the kingdom as a global logistics hub and leveraging its strategic geographic position, which links Asia, Europe and Africa.

THE HISTORY OF SAUDI CUSTOMS

- ...● **1927**
Establishment of the Customs Office
- ...● **1931**
Issuance of the first customs system in Saudi Arabia
- ...● **1953**
Establishment of the General Directorate of Customs
- ...● **1973**
Saudi Arabia joins the World Customs Organization
- ...● **1981**
Establishment of the Gulf Cooperation Council and the signing of the Unified Economic Agreement
- ...● **2003**
Issuance of the Unified Customs System and the application of the GCC Customs Union
- ...● **2005**
Saudi Arabia joins the World Trade Organization
- ...● **2015**
Launch of the Transformation Programme and Vision 2030
- ...● **2017**
Updating of the Strategic Plan of the General Customs Authority and launch of a new brand identity

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Looking to the next developmental milestone, digitalisation of procedures is currently underway, facilitated by digital ledger technology”



HIS EXCELLENCY AHMED ALHAKBANI

Governor of Saudi Customs

His Excellency Ahmed AlHakbani is governor of Saudi Customs. He was formally appointed to the role in April 2017 by His Majesty the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz. AlHakbani also holds a number of prominent positions with leading Saudi organisations, including chairman of the board of the King Fahad Causeway Authority and Tabadul. He is also a serving board member of Saudi Arabian Airlines, Saudi Ports Authority (Mawani), Saudi Food and Drug Authority, Flyadeal and Saudi Ports Authority (Mawani) .

Bonded and re-export zones have been established to conform to GCC unified customs law and match international standards. Saudi Customs is currently expanding the number of bonded zones in partnership with King Salman Energy Park, the Royal Commission for Jubail and Yanbu, and Saudi Cargo.

In line with the ambitions set out in Vision 2030, the bonded and re-export zones provide integrated logistics services to support the facilitation of exports, attract foreign and local investments, support domestic production, diversify GDP sources and open new markets.

Meanwhile the AEO initiative – officially launched in 2017 – enhances economic and social security and empowers Saudi Customs to improve the security of global supply chains and facilitate international trade.

The General Customs Authority launched AEO to enhance and strengthen its partnership with private business entities and the programme is a pillar of the World Customs Organization’s framework of standards to secure and facilitate trade.

TRADE FOR THE FUTURE

Looking to the next developmental milestone, digitalisation of procedures is currently underway, facilitated by digital ledger technology such as blockchain.

In a pilot programme with IT partner Tabadul, the National Single Window FASAH integrated with TradeLens, a blockchain-enabled global shipping solution jointly developed by Maersk and IBM.

The aim was to encompass immutability and traceability, reduce reconciliation, and boost auditability, and compliance.

Building on this success, the second milestone was the first TradeLens shipment powered by blockchain, which travelled

from Dammam Port in Saudi Arabia to Rotterdam.

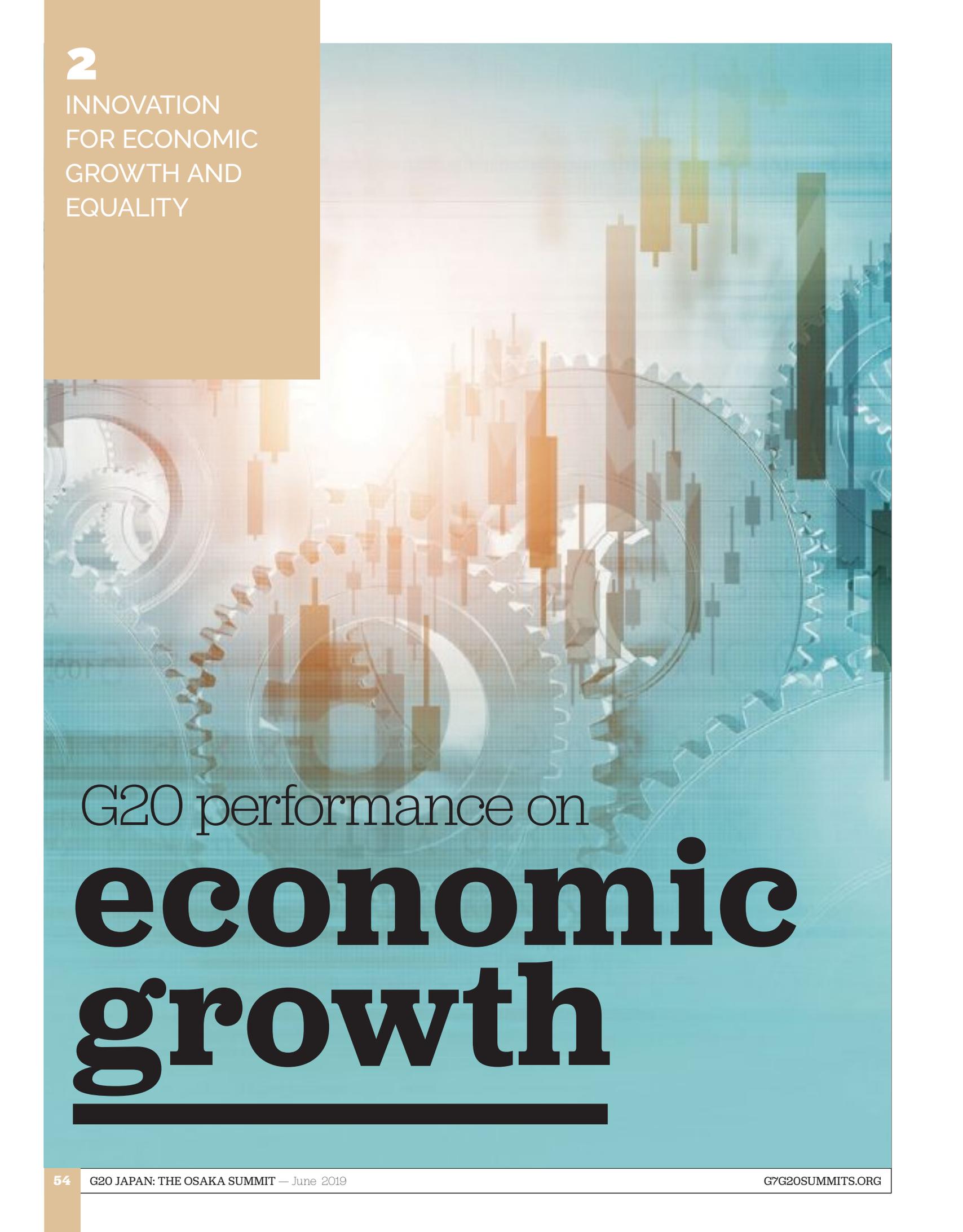
In its mandate to transform the kingdom into a global logistics hub, Saudi Customs will continue to increase the volume of electronic declarations, fully implement the AEO programme, and continue to digitise processes to enhance efficiency and effectiveness. We ask that G20 leaders continue to push for the necessary regulatory framework to ensure the kingdom’s visions become reality. 

الجمارك السعودية
SAUDI CUSTOMS



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INNOVATION
FOR ECONOMIC
GROWTH AND
EQUALITY



G20 performance on
**economic
growth**

Alissa Wang, with the G20 Research Group, says G20 leaders should infuse macroeconomic policy promises with multi-year timetables for change

The G20 is an increasingly significant international summit for global economic governance; economic growth has always been at the core of its agenda. Since its start in 2008 the G20 has performed well in governing economic growth through strong deliberation and decision making on macroeconomic policy, and outstanding delivery of its macroeconomic policy commitments. Low-cost accountability measures seem to have helped cause this compliance success. Such measures should be used in relation to Japan's economic growth priority at the G20 Osaka Summit in June.

CONCLUSIONS

Since 2008, the G20 has consistently dedicated substantial attention to economic growth, as measured by the size of the summit's public conclusions on macroeconomics. At its first summit in Washington in 2008, the

G20 dedicated 651 words (or 18%) to macroeconomics. This rose above 1,700 words (28%) at London in April 2009, over 2,800 (30%) at Pittsburgh in September 2009, over 3,700 (34%) at Toronto in June 2010, and over 5,900 (38%) at Seoul in November 2010. The number decreased slightly at Cannes in 2011 and Los Cabos in 2012. It surged to peak at 12,000 words (42%) at St Petersburg in 2013, where macroeconomics appeared in all 11 outcome documents. Recent summits have seen a slight decline to around 8,000 words (23%) at Hamburg in 2017 and 2,500 words (29%) at Buenos Aires in 2018. Still, macroeconomics always occupied more than 20% of the total conclusions in summit outcome documents.

COMMITMENTS

G20 decision making on economic growth has also been strong but declined in recent years. The G20 summit made 467 public, collective, precise, future-oriented, politically binding commitments on macroeconomic policy. The issue ranks first among all subjects the summit has made commitments on. Macroeconomic policy accounted for 19% of the total of 2,526 commitments made by all 13 of the G20 summits. In 2008, there were six macroeconomic commitments. This rose to a peak of 91 commitments in 2011 at Cannes. The number gradually declined to 21 commitments in 2018.

42%

Of summit conclusions dedicated in 2013

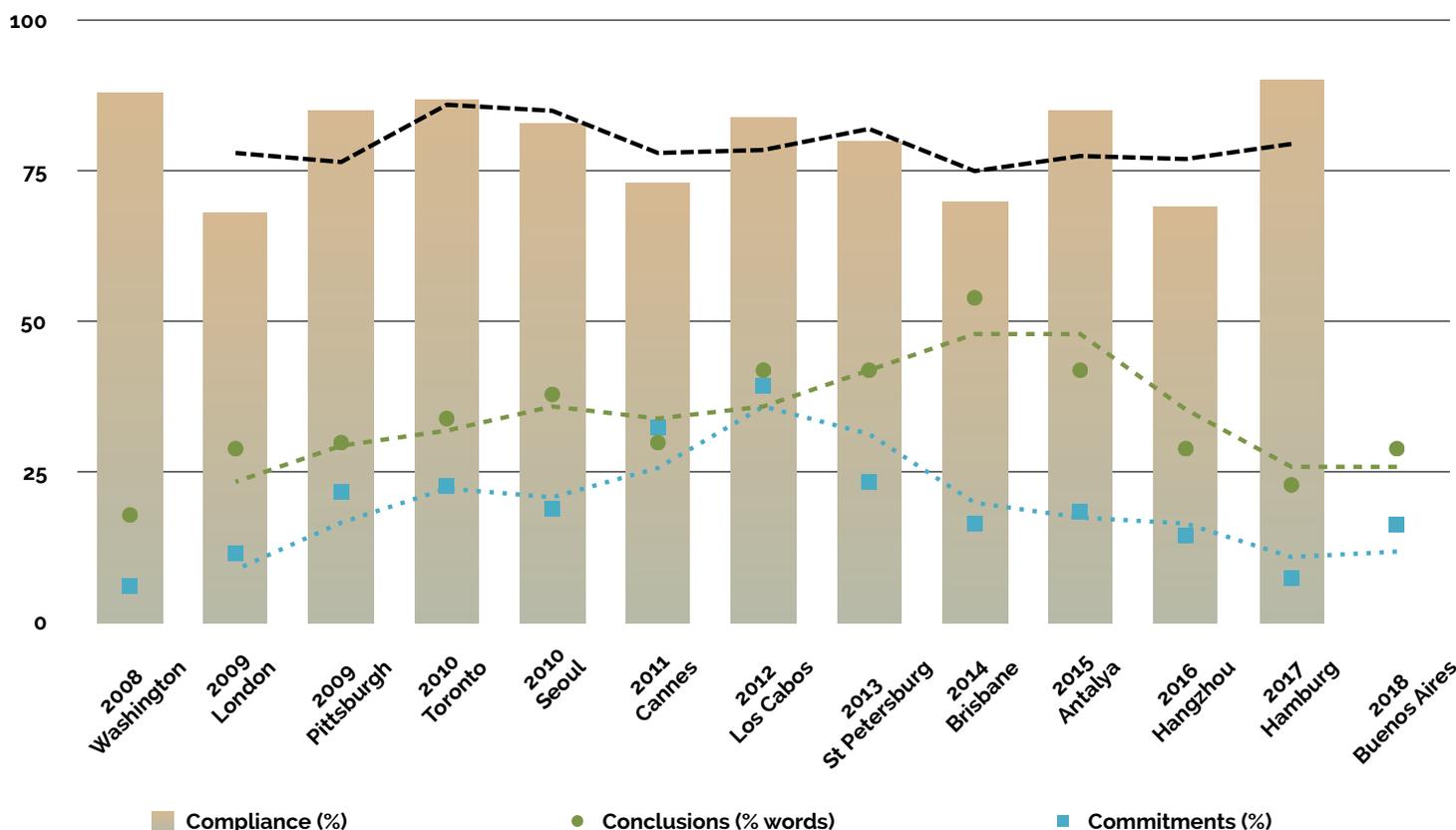
29%

Of summit conclusions dedicated in 2018

90%

Compliance recorded in Hamburg in 2017

Compliance on macroeconomic commitments 2008–18



COMPLIANCE

Of the G20's 467 macroeconomic policy commitments, the G20 Research Group has assessed 27 for G20 members' compliance. They averaged a strong 80%, well above the G20 71% average across all subjects.

Over time, compliance has been strong, with a few plunges. The G20 started well after the 2008 summit at 88%. Compliance dropped to 68% after London, but climbed back to 80% after Pittsburgh, Toronto and Seoul. After Cannes in 2011, compliance dropped to 73%, but again rose above 80% in 2012 and 2013. In 2014, compliance dropped to 70%, climbed back to 85% in 2015, dropped again to 69% in 2016 and then rose to a very strong 90% after Hamburg in 2017.

The top complier from 2008 to 2017 was Canada, at 96%. It was followed closely by Germany at 95.5% and the European Union at 91%.

CAUSES

The G20's strong compliance with its macroeconomic policy commitments coincides with summits where fewer policy commitments are made. The six summits with the highest number of commitments have compliance of 78%, while the six summits with the lowest number have compliance of 83% (results for the Buenos Aires Summit are not yet available).

Similarly, the six summits with the highest compliance, averaging 87%, produced fewer commitments — at 138 — than did the six summits with the lowest compliance, of 74%, which produced 314 commitments.

Macroeconomic policy compliance also coincides with particular catalysts

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These low-cost, leader-controlled accountability measures, can improve the G20's already strong performance in governing global economic growth”

embedded in the commitment text that provides direction for implementation.

The sheer number of catalysts of any kind makes no difference. Ten of the 27 assessed macroeconomics commitments contained at least one catalyst. They averaged 80% compliance, compared to the 79.5% for the other 17 commitments that contained none.

Yet several specific catalysts seem to stand out in their possible compliance-boosting effect. The two commitments containing a multi-year timetable averaged 92% compliance, compared to 79% for those without this catalyst. The two commitments containing a one-year timetable averaged 91% compliance, compared to the 79% average otherwise. The one assessed commitment containing a specific target had 89%

compliance, compared to 79% for those without this catalyst.

The two commitments with a reference to a past summit averaged 85% compliance, compared to 79% for those with no reference.

CORRECTIONS

To improve compliance with their Osaka commitments, G20 leaders should thus make fewer commitments on macroeconomic policy. They should increase the specificity of their commitments by adding a multi-year or one-year timetable, a specific target or a reference to a previous summit. These low-cost, leader-controlled accountability measures, can improve the G20's already strong performance in governing global economic growth. 

ALISSA WANG

Researcher, G20 Research Group

Alissa Wang is a researcher with the G20 Research Group and the G7 Research Group, and chair of summit studies for the BRICS Research Group, all based at the Munk School of Global Affairs and Public Policy at Trinity College in the University of Toronto. She is pursuing a combined JD/PhD in political science with a focus on international relations and comparative politics.

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G20 Research Group

G20 Research Group

The G20 Research Group is a global network of scholars, students and professionals in the academic, research, business, non-governmental and other communities who follow the work of the G20 leaders, finance ministers and central bank governors, and other G20 institutions. It is directed from Trinity College, the Munk School of Global Affairs and the Department of Political Science at the University of Toronto, which also host the G7 Research Group and the BRICS Research Group.

Our mission is to serve as the world's leading independent source of information and analysis on the G20. As scholars, we accurately describe, explain and interpret what the G20 and its members do. As teachers and public educators, we present to the global community and G20 governments the results of our research and information about the G20. As citizens, we foster transparency and accountability in G20 governance, through assessments of G20 members' compliance with their summit commitments and the connection between civil society and G20 governors. And as professionals, we offer evidence-based policy advice about G20 governance, but do not engage in advocacy for or about the G20 or the issues it might address.

Publications include:

Accountability for Effectiveness in Global Governance, by Marina Larionova and John Kirton, eds. (Routledge)

China's G20 Leadership, by John Kirton (Routledge)

The Global Governance of Climate Change: G7, G20 and UN Leadership, by John Kirton and Ella Kokotsis (Routledge)

G20 Governance for a Globalized World, by John Kirton (Routledge) (also available in Chinese)

The G20: Evolution, Interrelationships, Documentation, by Peter I. Hajnal (Routledge)

Background Books and eBooks

For each summit the G20 Research Group produces a "background book," available free of charge in print and online, outlining the perspectives of the leaders and key stakeholders and offering analysis by leading global experts. It also works with GT Media on the Global Governance Project to produce related analysis and publications.

Compliance Assessments

For each summit the G20 Research Group, working with the Russian Presidential Academy of National Economy and Public Administration (RANEPA), assesses each G20 member's compliance with the previous summit's priority commitments. Cumulative compliance assessments are compiled on key issues.

Pre-summit Conferences

With a local partner in the country hosting the summit along with a core group of international partners, the G20 Research Group produces a conference in the lead-up to each summit analyzing the institutional workings of the G20 and the issues, plans and prospects for the summit.

Field Team

The G20 Research Group sends a field team to each summit and some ministerial meetings to assist the world's media, issue its own reports and analyses, allow students to witness

world politics at the highest level at close hand, and collect the documents and artifacts uniquely available at the summit, to build the G20 archives at Trinity College's John Graham Library and online at the G20 Information Centre website.

G20 Information Centre

@ www.g20.utoronto.ca

The G20 Information Centre is a comprehensive permanent collection of material available online at no charge. It complements the G7 Information Centre, which houses publicly available archives on the G20 as well as the G7 and G8, and the BRICS Information Centre, and the Global Governance Project at g7g20summits.org.

Speaker Series

The G20 Research Group hosts occasional speakers in its efforts to educate scholars and the public about the issues and workings of the G20. Past speakers have included senior officials of the International Monetary Fund and the World Bank and scholars and policy makers from Mexico, Turkey, China, Australia, Brazil, Italy and elsewhere.

Research

The G20 Research Group conducts research on the causes of summit and system performance and the G20's relationship with the G7/8, BRICS, United Nations and other formal multilateral institutions.

Interview with Angel Gurría

OECD secretary-general Angel Gurría tells John Kirton where the organisation is placing focus – from emerging technologies and ensuring social protection follows the worker to solving global issues with multilateral approaches

Inclusive growth in a changing world

In which areas has the Organisation for Economic Co-operation and Development been most engaged in working with the G20 this year?

The first is the digital economy and the second is the development of emerging technologies, including data management and flows and artificial intelligence, where we're working on a set of principles. We're also working with the Japanese on quality infrastructure, regarding environmental, social, governance and integrity standards and the massive gap in financing.

There is also tax, with the automatic exchange of information, as well as base erosion and profit shifting. There's the Global Forum on Steel Excess Capacity, from the 2016 Hangzhou Summit, the 25 by 25 commitment on closing the gender gap in the workforce, and the revised code of liberalisation of capital movements. We continue to report twice a year on trade and investment issues.

For Japan, ageing is a very big issue. It also affects Korea, Italy, Spain and Germany. The impact of ageing on the labour market is very important.

What are the toughest issues for Osaka?

The elephants in the room are trade and climate. First,

on the resolution of the China-US trade dispute, as long as the two parties continue to talk, there's hope. Second, on climate change, we seem to be regressing rather than progressing. Emissions are going up again.

What are your priorities for the Osaka Summit?

Digital and tax are very important. We have to present to the finance ministers in Fukuoka and the leaders in Osaka the components of the end game and work on the specifics for the roadmap to be delivered in 2020.

What does the OECD recommend regarding the impact of automation on jobs and work?

First of all, a good diagnosis because countries start from different points. Second, a continuum that starts with formal education, from early childhood, through primary, secondary, high secondary and then tertiary education, but then goes into vocational training and lifelong learning. It's about skills, upskilling and reskilling. Classification of jobs is crucial. If you get classification right, you immediately see some solutions. And how does one protect workers when there's a tendency towards lower unionisation? Typically the

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At this time of uncertainty – a deceleration in the world economy, and ebbing trade and investment flows – having the G20 becomes doubly important”

workers in digital jobs are very independent individuals, but they may end up with no protection of any kind. How can social protection follow the worker and not the job?

What message you would like to highlight for the Osaka Summit?

The world has changed since the 2008 global financial crisis, when we started having G20 summits. China has emerged. India, Brazil, Indonesia and South Africa are leaders in their own regions and are influential globally. So the G20 offers a very positive, constructive form of governance because it is so representative, with 20 members, and participants such as the African Union and the Association of Southeast Asian Nations. It contains very developed countries, emerging economies and even underdeveloped countries in relative terms. It is crucial that they work together so there is consistency in policies to reinforce each other, rather than compete with or cancel each other.

At this time of uncertainty – a deceleration in the world economy, and ebbing trade and investment flows – having the G20 becomes doubly important. It’s a forum for discussion and raising awareness that delivers a direction of where things should go, so at least no one goes in the obviously opposite direction. It also confirms that global issues can only be dealt with through global, multilateral approaches.

How is your work progressing with Saudi Arabia for its G20 summit in 2020?

We are working on their priorities. It is going to be a crucial year for the taxation of the digital economy because the deadline is 2020. It is the same for artificial intelligence and data. Much will depend on what happens in the next few months on trade and climate change.

The Saudis will watch very carefully what happens in Osaka, but also at the World Trade Organization and elsewhere. There will be a summit on climate change in New York in September. All these will be very big moments, with all the countries in the world getting together and expressing how far they would like to go. Here again, the G20 is an important natural leader. 



ANGEL GURRÍA
 Secretary-general, Organisation for Economic Co-operation and Development

Angel Gurría has been secretary-general of the OECD since 2006, having been reappointed in 2010. He served as Mexico’s minister of foreign affairs from 1994 to 1998 and minister of finance and public credit from 1998 to 2000. Gurría has participated in various international organisations, including the Population Council and the Center for Global Development. He chaired the International Task Force on Financing Water for All and was a member of the United Nations secretary general’s Advisory Board on Water and Sanitation.

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EY



As cross-border tax frameworks continue to evolve Kate Barton, global vice chair of tax at EY, explains how key takeaways from the BEPS project can be used as a framework for the current G20-OECD project

Breaking through complexity amid global tax reform

Kate Barton's career has taken her to the top tax role at one of the world's largest professional services companies, currently serving as global vice chair of tax at EY. What lessons can she share from her journey as cross-border tax enters a new period of transformation?

"The sheer volume of global legislative change is enormous right now," says Barton. "The recent comprehensive US tax reform is a big element, but many other countries also are making major changes to their tax systems," she says, noting that one-third of the 48 countries tracked in EY's annual *Tax Policy & Controversy Outlook* are undergoing significant tax reform.

The G20-OECD work on base erosion and profit shifting has significantly changed the international tax landscape, with countries around the world modifying many aspects of their tax systems in response to the recommendations and best practices developed in the BEPS project. The current G20-OECD project on addressing the tax challenges of digitalisation of

the economy is an even more ambitious effort. This work is being conducted in real time as digitalisation is transforming operating models for taxpayers and tax administrations alike.

“The pace of digital disruption is a key megatrend we focus on with our clients; it’s taking place at unprecedented speed and scope. But as companies digitalise operations, automate supply chains and offer new digital services, the tax implications need to be considered every step of the way,” says Barton.

At the same time, digital approaches in tax administration are expanding in many countries. “We are going to see uses of technology that we can’t even dream of right now transforming both the way the tax function operates and the way in which business is taxed,” Barton continues.

Barton highlights three key takeaways from the BEPS project that she believes can provide guidance as the current G20-OECD project moves forward.

1 Active engagement by all stakeholders – taxpayers, tax policymakers, and tax administrators – is key to development of reforms that are practical and workable.

Even though the current G20-OECD project is in the earliest stages, the OECD has already had a public consultation. Barton sees this as a good first step. “The business community provided input throughout the BEPS project; because of that participation, the BEPS recommendations reflected a greater awareness by policymakers of business considerations and taxpayers were better prepared for countries’ implementation of the recommendations.”

The fundamental nature of the reforms contemplated in the current project mean it is essential that taxpayers take the opportunities offered by the OECD to contribute to the discussions, Barton urges.

2 True consensus requires a common understanding and full agreement with respect to the specifics of any proposed reforms

“It’s always interesting to see how something can be interpreted differently and to a certain extent, that’s what happened with the BEPS project” says Barton. Implementation of the BEPS recommendations saw both differences in interpretation and use of unilateral measures.

“It’s always interesting to see how something can be interpreted differently and to a certain extent, that’s what happened with the BEPS project”



KATE BARTON

Global vice chair of tax, EY

Kate Barton oversees all aspects of EY’s Tax strategy and operations, people development, client relations, quality control, risk management, thought leadership, knowledge and learning. She also leads the EY Tax Executive Committee. She has extensive, proven experience in providing international tax services and working with large multinational, public companies.

🐦 @EY_Tax and @KateBartonEY

🌐 ey.com/tax

Concern about unilateral measures is one of the driving forces behind the current project and any difference in the application of the types of reforms under consideration would result in double or multiple taxation.

In Barton’s view, this makes common understanding more important than ever. “The G20 and OECD will achieve success with the ongoing work only if the solutions developed are understood and applied by countries in a consistent manner, and there is a commitment not to adopt or continue any unilateral measures,” Barton explains.

3 Robust tax dispute resolution processes are a necessary element of any reforms

Barton is concerned that tax controversy is growing beyond the capacity of existing dispute resolution processes, a problem that will be exacerbated given the likelihood that reforms of the type being contemplated would give rise to disputes that involve multiple parties. “Any new reforms should be back-stopped with effective multilateral resolution processes,” she says. “These should ideally be in place before the reforms are implemented.”

With technological transformation happening faster and faster, its implications will continue to be felt across the spectrum of tax – from tax policy to tax compliance to tax administration. Barton believes that active engagement by all stakeholders will be vital to successfully navigating these waves of change, allowing governments and businesses alike to focus more on adding value and less on managing uncertainty. 🌐



Interview with Larry Summers

Governing global imbalances

What is the current state of the global economy?

Mediocre. There are signs that growth is slowing in the United States and Europe, that growth has slowed from previous levels in China, that there's instability in key emerging markets such as Argentina and Turkey. But forward momentum is being maintained, albeit more uneasily than in the recent past.

What central issues are facing the economy today?

The more things change, the more they stay the same. Markets are suggesting a greater concern about the return to zero interest rates in the United States, Europe and Japan, raising the prospects of brittleness if a next recession comes. There certainly doesn't seem to be any movement towards repairing the attitudes that make trade agreements more difficult. If anything, the Brexit situation looks more fraught and more complex than it did last fall. There's increasing confidence that an agreement will be reached between the United States and China, but no one supposes that's anything but an interim truce. The dangers of economic nationalism, protectionism and limitations on the flows of people are as real as they were at the time of the Buenos Aires Summit. The central stabilisation policy challenge is that the world has had a basic strategy for dealing with recessions, namely to cut central bank interest rates by 500 basis points, but that kind of room is not available now. That will be a problem going forward.

What lies in store for the global economy?

The most likely guess is roughly in line with the International Monetary Fund forecasts: adequate

From political shocks and zero interest rates, to trade tensions between G20 economies, there are many challenges ahead. In an interview on 19 April, Larry Summers, president emeritus at Harvard University tells John Kirton, director of the G20 Research Group, what the coming months could bring

growth without a big buzz, perhaps some slowing from the previous year. The risks, which are around 25% a year, are more of a discontinuity on the downside than an extremely positive performance. Greater difficulties in integration, larger risks of political shocks, the challenges of economic efficiency with very low interest rates — all these issues loom.

Are rising government fiscal deficits and debts a problem?

One would always prefer that everything was smooth. I don't think the US budget deficit is one of the more pressing problems right now. One has to, in looking at debts, look at the denominator, and US incomes are growing. Indeed, the growth rate of nominal gross domestic product significantly exceeds the interest

rate, which means we're capable of carrying sustained primary budget deficits. Moreover, at low interest rates, debt sustainability burdens – which for many purposes are a better measure than deficits and debt-to-GDP ratios – actually appear relatively sustainable. I look at the US infrastructure deficit, I look at the education deficit with respect to disadvantaged kids, I look at the innovation and science deficits, and those strike me as higher priorities than the budget deficit.

Do the G20's leading central banks currently have the right monetary policy?

The monetary policies are broadly appropriate given the constraints on monetary policy. Rates are essentially zero in Europe and Japan, and the US Federal Reserve has signalled a clear willingness and indeed likelihood that its next rate move will be downwards. Monetary policy is unlikely to be as potent in the future than it has been in the past, given, apart from the technological challenges, the political taboos that surround zero interest rates.

Are the trade tensions among the G20's major economies a drag on economic growth?

All of it is unhelpful. Any prospect that trade policy pressure will result in more open markets has benefits that are far exceeded by the costs of the more closed markets that exist while the tariffs are present and the inhibitions to investment created by the possibility that future tariffs will be put in place. We are driving away from the kind of integrated supply chains that offer the greatest efficiency and the lowest priced production for the benefit of global consumers. If the trade rhetoric stays as it is, if even a fraction of the actions that are threatened actually take place, there's plenty of room for the situation to get worse.

As the global economy digitalises, how important is the regulation of digital trade in its capacity to foster growth?

I think we are going to need global agreements on data use, data sharing, privacy and data protection, and that's a process that's not going to be the work of one summit, but many.

What should the G20 leaders do to foster strong, sustained, balanced and inclusive growth?

They need to think very hard on how they're going to organise and coordinate fiscal policy the next time an economic downturn happens, and how they're going to qualify and organise financial emergency policy to ensure there are adequate safety nets for emerging markets that will likely be caught up in the next recession. The world is behind the curve on the global public goods threats such as global climate change and pandemics, so I would hope those would also figure on the agenda. 



LARRY SUMMERS

Charles W Eliot University professor, and president emeritus, Harvard University

Lawrence H Summers is the Charles W Eliot University Professor and president emeritus at Harvard University, and the Weil Director of the Mossavar-Rahmani Center for Business and Government at Harvard Kennedy School. Over the past two decades, he has served in several senior policy positions in Washington DC, including treasury secretary for President Bill Clinton, director of the National Economic Council for President Barack Obama and the World Bank's vice president of development economics and chief economist.

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Interview with Robert Fauver

*Robert Fauver, former US
sherpa, tells John Kirton,
director of the G20 Research
Group, how economic policies
in Japan and the United States
could set a strong example for
other members and lift global
growth prospects*

Lifting global growth

What is the current state of the global economy?

We're in a transition between a pretty solid year in 2018 and a somewhat weaker year now. It's not clear that the weakness is widespread. There is no immediate fear of a recession or significant downturn. The Europeans have again failed to live up to expectations. The Chinese had a fairly significant slowdown in 2018, but it seems their economy will be back to a very solid performance. North America and

Japan are not looking bad. The world economy will probably grow slightly slower, but hardly enough to be statistically significant.

The United States is in the middle of its best economic performance in a decade, maybe two. Unemployment is at historic lows. Investment will remain strong this year. There is a downside risk of a rising budget deficit, which leads to bigger debt. This overhangs the bond market and monetary

policy. In part, the outlook depends more on political events than on economic ones. Continued disagreements with the Chinese over trade and the imposition of tariffs will feed back on expectations and the domestic economy.

What is the state of the Japanese economy?

Japan is holding firm at 1% of real gross domestic product growth. For Japan that's good. With declining inflation, real growth is probably around 2%. With a declining workforce and an ageing population, 1–2% real growth is not bad. For the 2020 Olympics, there will be an influx of tourism spending. The downside is again on the political side. If US-North Korea or US-South Korea talks go badly, that directly feeds back on confidence and expectations in Japan.

What about Japan's debt-to-GDP ratio and the scheduled increase in the consumption tax?

I'm not worried about Japan's sizeable national debt. It is not like that in the United States where China owns a significant share of our national debt. In Japan, 90–95% of the total bonds issued by the government are owned by the Bank of Japan. Raising the consumption tax a significant amount has been well anticipated. Japan is smart to raise it in what looks like a solid year.

How should the G20 leaders respond to the current global slowdown?

It's so difficult for the G20 to come up with a single set of policy recommendations. It is very important that the advanced members set appropriate economic policies in their countries that will allow the less developed members room for trade-financed growth. Europe needs to focus internally to set the stage for better growth and more flexible economies. This will signal to Asia and Latin America that by introducing flexibility in their economies they too open the way for growth. That would allow for price flexibility and labour movement in various growing sectors. The United States needs to show the world it can control its national debt problems so they don't turn into larger external deficits and larger national debts. China has significant problems within its domestic economy, with underlying structural and financial market issues. It needs to focus internally, for itself and to provide an import market for southeast and northern Asia.

What about monetary policy for the world's major central banks?

The Europeans were the last major central bank to move towards a zero interest rate policy and monetary easing. They then started to come off it late, and now they're going back to it. The latest International Monetary Fund report suggests they need both monetary and fiscal easing at the same time. Japan has rightly come off easing by buying back bonds without a significant change in interest rates. The Bank of Japan has been able to modestly tighten monetary conditions without fanfare.

The United States has had more of a mix. Financial markets took a real hit and the Fed is leery about publicly talking about rising interest rates. But it's not clear it has reversed course. That would imply easing.

What are you most worried about as the greatest risk to the global economy?

Two things. First, the state of trade discussions between United States and China. I'm well aware of the Trump technique to hit them between the eyes and then backpedal to end up with a compromise. However, that classic negotiating style upsets markets. Second is the Chinese authorities'

“ It is very important that the advanced members set appropriate economic policies in their countries that will allow the less developed members room for trade-financed growth ”

mishandling of their economy. China is such a big part of the world economy, with very large and rising defence expenditures. It is now a bigger overall player in economic and strategic terms. If its economy comes off the rails, this will have significant spillover effects. Its lack of structural reforms means its labour market is messed up. The further in from the coastline, the worse the domestic imperfections and economic disparities.

There is a potential for rising social problems inside China that would have huge spillover effects on the rest of the world. 🌐

ROBERT FAUVER

Robert Fauver is president of Fauver Associates, LLC. He spent 32 years as a career public servant in the United States working in the Treasury, State Department, White House and National Intelligence Council. He was President Bill Clinton's sherpa for the G7 summits of 1993 and 1994 and special assistant to the president for national security and Pakistan following their testing of nuclear weapons. He negotiated the yen-dollar agreement that led to the beginning of the liberalisation and internationalisation of Japan's financial markets.



The private sector's contribution to growth

B2o chair Shuzo Sumi details the role of private sector business as the world transitions to Society 5.0, and the collaborative action governments must take to support it

Keidanren, Japan's business federation, hosted the Business 20 Tokyo Summit on 14–15 March 2019. As chair of the B2o, and representing Keidanren, I would like to introduce our basic view of the world economy, our vision for a future society and policy recommendations for the G2o.

WHERE THE WORLD STANDS

Today, the world is changing quickly and dramatically in many spheres. Escalating trade conflicts and geopolitical tensions have brought downside risks, which we, the B2o, are concerned will eventually lead to a slowdown in the steady expansion of the world economy. Anti-globalisation sentiments are also becoming widespread in quite a few G2o countries.

These developments pose serious challenges to existing global and domestic governance structures. To overcome these challenges in a steadfast manner, the rules-based, free, fair and open international economic order needs to be strengthened through enhanced policy coordination, updated rules and increased compliance. In parallel, each country should undertake the necessary structural reforms in a decisive manner.

WHERE TO GO

Furthermore, we should not overlook the enormous challenges that face us on a global scale. Governments should mobilise the appropriate policy tools to achieve the United Nations Sustainable Development Goals.

To this end, governments should encourage the adoption of digital technologies, while paying due attention to their economic and social impact, such as the Internet of Things, the 5G mobile communication system, Big Data, cloud computing and artificial intelligence. This will lead us to the next stage of humankind, Society 5.0, which follows from the first stage of the Hunting Society, through the Agrarian Society, Industrial Society and then the Information

Society. Against this backdrop, we set the overarching theme of the B2o Tokyo Summit as Society 5.0 for the Sustainable Development Goals.

Business plays a critical role in achieving the SDGs, which will change how we do business. In this process, the role of the B2o in G2o governance will further increase.

HOW TO SHAPE THE FUTURE

We, the B2o, developed joint recommendations in seven areas: the digital transformation, trade and investment, energy and the environment, quality infrastructure, the future of work, health and well-being, and integrity. Every topic is followed by the phrase 'for all' to show our commitment to ensure no one is left behind.

Digital transformation and trade and investment issues deserve to be prioritised, given present challenges. Regarding the digital transformation, because vast amounts of relevant trustworthy data must flow across borders to provide solutions for all, it is essential to promote the international interoperability of risk-based security and privacy protection standards across jurisdictions. In this regard, I have high expectations for the G2o's discussion on 'data free flow with trust', proposed by Prime Minister Shinzo Abe at Davos last January.

As for trade and investment, in order to preserve and strengthen the rules-based, free, fair and international order, it is imperative to reform the World Trade Organization and ensure a level playing field so that businesses can pursue free and fair competition.

WHAT THE BUSINESS WILL CONTRIBUTE

We, the B2o, do not merely ask political leaders to adopt appropriate policies and measures. We also take



SHUZO SUMI

Chair, B2O, and vice chair, Keidanren

Shuzo Sumi is chair of the board of Tokio Marine Holdings and vice chair of Keidanren, Japan's Business Federation. He became director and chief executive of Tokio Marine and Fire Insurance UK in 2000, and president and CEO of Tokio Marine Holdings in 2007. In 2018, his name was added to the Insurance Hall of Fame, which is administered by the International Insurance Society, Inc.



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To overcome these challenges in a steadfast manner, the rules-based, free, fair and open international economic order needs to be strengthened through enhanced policy coordination, updated rules and increased compliance”

tangible action ourselves. In this regard, we developed the B20 Business Voluntary Action Plan, and declared our intention to implement various initiatives such as integrating the SDGs into corporate strategies. In addition, we gathered more than 80 examples of actions by individual companies throughout the world that demonstrate our commitment to Society 5.0 for the SDGs. A network of national business federations in the G20 members as well as international business federations have enabled the B20 to do such extensive work.

THE G20 AS A PREMIER FORUM FOR INTERNATIONAL ECONOMIC COOPERATION

Being a formal engagement group of the G20, the B20 has been given several opportunities to present our joint recommendations through the G20 process, such as at ministerial meetings and task force meetings. I myself was honoured to speak at the G20 finance ministers and central bank governors meeting in April.

Ten years after the global financial crisis, international cooperation is more vital than ever. The G20, as the premier forum for international economic cooperation, will play a more important role than ever before. We, the B20, are looking forward to witnessing the real outcomes from the G20 Osaka Summit. 

Interview with John Denton

A close-up portrait of John Denton, an older man with short, graying hair, wearing a dark suit jacket, white shirt, and dark tie. He is looking slightly to the right of the camera with a neutral expression.

*John Denton,
secretary-general
of the International
Chamber of
Commerce, shares
with John Kirton his
vision for how the
G20 can work more
effectively with the
business community
to ensure necessary
focus points are not
superseded by more
immediate issues*

Closer alignment:
ICC's contribution
to the B20 and G20

How have you streamlined ICC's vision for its second century?

Since I joined ICC last year, I have set about determining ICC's purpose in the context of the 21st century. I identified tipping points in the last century that ICC was involved in helping to shift, coming out of the important observations by the founders that if goods and commerce could cross borders without the need for troops or without undue inhibitions, business could support peace, prosperity and opportunity for all.

Over the past 100 years, the organisation has grown from a small group of industrialists in the northern hemisphere into the institutional global representative of about 45 billion businesses in the North and the South and the developed and developing world.

We have reimagined ICC's purpose. We have also been thinking about the values that drive it, looking at the economic model that underpins it, looking at what we stand for. We've identified five big campaigns to support that revitalised purpose: to make trade work for our people and our planet; to make action on climate change everyone's business; to make tech work for all; to stop the rise in global inequality; and to lead for the long term.

What role does the B20 play in furthering these priorities?

Long ago I took the idea of a Business 20 to Australian prime minister Kevin Rudd. I thought it would give balance to the G20. I was part of the APEC [Asia-Pacific Economic Cooperation] Business Advisory Council and chaired its finance and economic working group. There was always an extraordinary alignment between the business leadership and the APEC leaders. That was an effective model, especially as Asia-Pacific has been the fastest-growing region and the world has relied upon it to drive economic growth – it is more than coincidence that business has been at that table.

I have been involved with every B20 since Toronto in 2010, originally as one of the two Australian delegates. It expanded with Seoul later that year. The G20's Seoul declaration describes the G20 with the B20. I see the G20 as the single most important inflection point in the global economic architecture in 30 years, and I want to ensure it stays focused on improving global economic growth.

The G20 waxes and wanes depending on the leadership. The B20 is most useful in providing ballast but also in trying to help keep leaders focused. Having the business community intimately involved does help to provide a bit of risk assurance. Frankly, from my experience with multilateralism, unless you do that, the immediate takes over from the necessary. So the B20 plays an important role in maintaining focus on the necessary issues.

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We have reimagined ICC's purpose. We have also been thinking about the values that drive it, looking at the economic model that underpins it”

The 2014 Australian G20 was the first to separate the G20 from the B20. But you can only crowd in the most senior CEOs if they are going to engage with the leaders. The last people the leaders often talk to on the way to their summits is the business community from their country. There's a countervailing view I do not share that the quality of B20 recommendations may be stronger if they are prepared some time apart from the G20 and then negotiated with the sherpas. But then the immediacy is just not there. This year originally the Japanese were thinking of having it much more aligned.

Is trade a central priority now for Osaka?

Absolutely. If you look at the G20 troika, the current chair is the most important, and if there's a leader in the world who has political capital to spend, it is Shinzo Abe. He needs to spend it on preserving and modernising the global trading system to maintain its relevance in the 21st century. This is a systems preservation period, and it is very important that he use his political capital – particularly with the United States and also important developing, systemically important countries such as India, China, South Africa and Brazil – to bring attention to today's existential challenge over a system that has generally served us very well and been a constant, reliable partner in supporting multilateral trade.

What specific components of the trade agenda might you point to?

Two over-ambitious assumptions underpinned the World Trade Organization: that multilateral trade will universally enable all ships to rise, and that the systemically important economies that were normalised, for example, China, Brazil and India, would continue to reform to enable their directed economies to operate within the WTO-supported marketplace framework. That has not happened. Our push is to ensure that a fit-for-purpose WTO is preserved and that systemically important economies continue reforming to enable the framework to be effective. The system depends on a global regulatory trade framework that reflects market economies and we need to ensure that happens. 

JOHN DENTON

Secretary-general, International Chamber of Commerce

John Denton is the secretary-general of the International Chamber of Commerce. He is a board member of the United Nations Global Compact and a founding member of the Business 20 and the Australia–China CEO Roundtable. He serves on the board of IFM Investors and co-chairs the Trade and Investment Working Group for G20 Japan. He co-led the Australian Government's 2012 white paper on 'Australia in the Asian Century' and chaired the APEC Finance and Economics Working Group. A former diplomat, Denton served for two decades as partner and CEO of Corrs Chambers Westgarth.

 @ICCSecGen  www.iccwbo.org

A large group of people, seen from an aerial perspective, are arranged in a large 'U' shape on a white background. The people are wearing various colorful clothing, and their shadows are cast on the white surface. The 'U' shape is formed by a dense line of people, with some individuals standing slightly outside the main line.

The policy formula for well-being

*Dennis J. Snower, president of
the Global Solutions Initiative,
proposes a three-point agenda
for integrating well-being
indicators in policy development*

No policymaker would dispute that ultimately the goal of all policies must be the promotion of human well-being. If policies do not serve well-being, directly or indirectly, how can they be justified?

Despite the self-evident nature of this proposition, it is an extraordinary fact of economic, business and political life that most policies are not rationalised with reference to well-being. Mainstream economics assumes that economic decisions can be explained through the goals of purely self-interested, consumption-oriented agents. Mainstream business pursues the maximisation of profits and shareholder value, without regard to whether such objectives are likely to promote well-being. Mainstream politics is divided into silos, each with its distinct goals: central banks fight inflation and stabilise financial markets; fiscal authorities focus on stimulating economic growth, overseeing the distribution of income and providing public goods; environmental authorities limit environmental degradation and regulate resource use; labour authorities promote employment and training; and so on. Hardly ever are these goals evaluated together in terms of their joint effects on well-being.

Such is the division of responsibilities and specialisation within academic disciplines, business management and politics, that these domains have developed goals that have become untethered from the ultimate objective of promoting human well-being. Thus the aim of recoupling economies, business and politics with social prosperity – thriving individuals in thriving communities – is both important and challenging.

THE APPROACH

No policymaker would dispute that, in the pursuit of human well-being, multilateral policies must be consistent with, and complementary to, national policies. Nevertheless, it is not uncommon for national policies to be formulated independently of multilateral policies, in terms of policy objectives, criteria of success, political participation, institutional processes and target groups. It is increasingly common for nationalism to be portrayed as being opposed to multilateralism. National policies are often pursued via political ideologies, with little regard to whether and how these ideologies serve human well-being. Multilateral policies are often expressed in terms of cosmopolitan principles that are not shared by national policies. This conflict between nationalism and multilateralism points to the significant failing of both.

The G20 has a special responsibility in refocusing policy at all levels on well-being. The G20 allows both for the exchange of ideas by heads of state and government, meetings by expert groups, and engagement with civil societies. It is thus in a strong position to influence global social norms and encourage their implementation through political decision makers. This is not how the G20 conceived its role in its first two decades. Since G20 finance ministers and central bankers began meeting in 1999, they focused primarily on economic goals. This focus was appropriate as long as the non-economic sources of well-being were largely

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The world faces a climate crisis, a natural resource crisis and a crisis of social fragmentation, in addition to various economic threats. Under these circumstances, the exclusive focus on economic goals is indefensible”

assured while the economic sources were not. The focus on expansionary monetary and fiscal policies in the aftermath of the financial crisis of 2008 is a good example. Here the major dangers to human well-being arose from the threat of global depression, as in the 1930s. By acting in unison to prevent this outcome, now also at the leaders’ level, the G20 undoubtedly made a substantial contribution to global well-being.

NEW CRISES

Today, the world faces a climate crisis, a natural resource crisis and a crisis of social fragmentation, in addition to various economic threats. Under these circumstances, the exclusive focus on economic goals is indefensible.

Germany’s Hamburg Summit in 2017 specified objectives that extended well beyond the traditional economic ones. Argentina’s Buenos Aires Summit in 2018 did so too. In addition to promoting growth, trade and financial stability, environmental and social goals were articulated. Japan’s Osaka Summit aims at such a well-being-oriented agenda as well, with its emphasis on universal health, support for small and medium-sized enterprises (and thereby local communities), and quality infrastructure that promotes economic growth as well as environmental and social regeneration.

For such an agenda to be successful, it is necessary to develop, first, a small number of key well-being indicators, in addition to the standard economic ones. Current indicators – such as the 17 Sustainable Development Goals – are too numerous, ambiguous and divorced from well-being to be sufficient guides for policy. Rather, the indicators must be simple enough to be incorporated into simple narratives, which serve to communicate G20 goals to the public and to align the policies of different G20 members in pursuit of common purposes.

Second, the G20 must encourage its members to incorporate these well-being indicators into the standard reporting of government and business performance and, third, the G20 must identify best-practice policies to achieve success with regard to these indicators. 

DENNIS SNOWER

President of the Global Solutions Initiative

Dennis J. Snower is president of the Global Solutions Initiative, a professor of economics at the Hertie School of Governance in Berlin, a senior research fellow at the Blavatnik School of Governance at Oxford University, a non-resident fellow of the Brookings Institution, and a visiting professor at University College, London.

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G20 performance on anti-money laundering and corruption

When it comes to action on tackling criminal financial activity, there is plenty of room for improvement. Denisse Rudich, director of the G20 Research Group London, calls on the G20 to consider several catalysts to increase the low level of compliance on commitments in this wide-reaching area

Money laundering, terrorist financing and corruption have been a constant presence on the G20 agenda since the first summit in Washington DC in 2008. Leaders recognised that laundering the proceeds of crime and terrorist funds was a global phenomenon that required a concerted collaborative response. It estimated that between 3% and 5% of global gross domestic product is laundered annually, or between \$800 trillion and \$1.5 trillion.

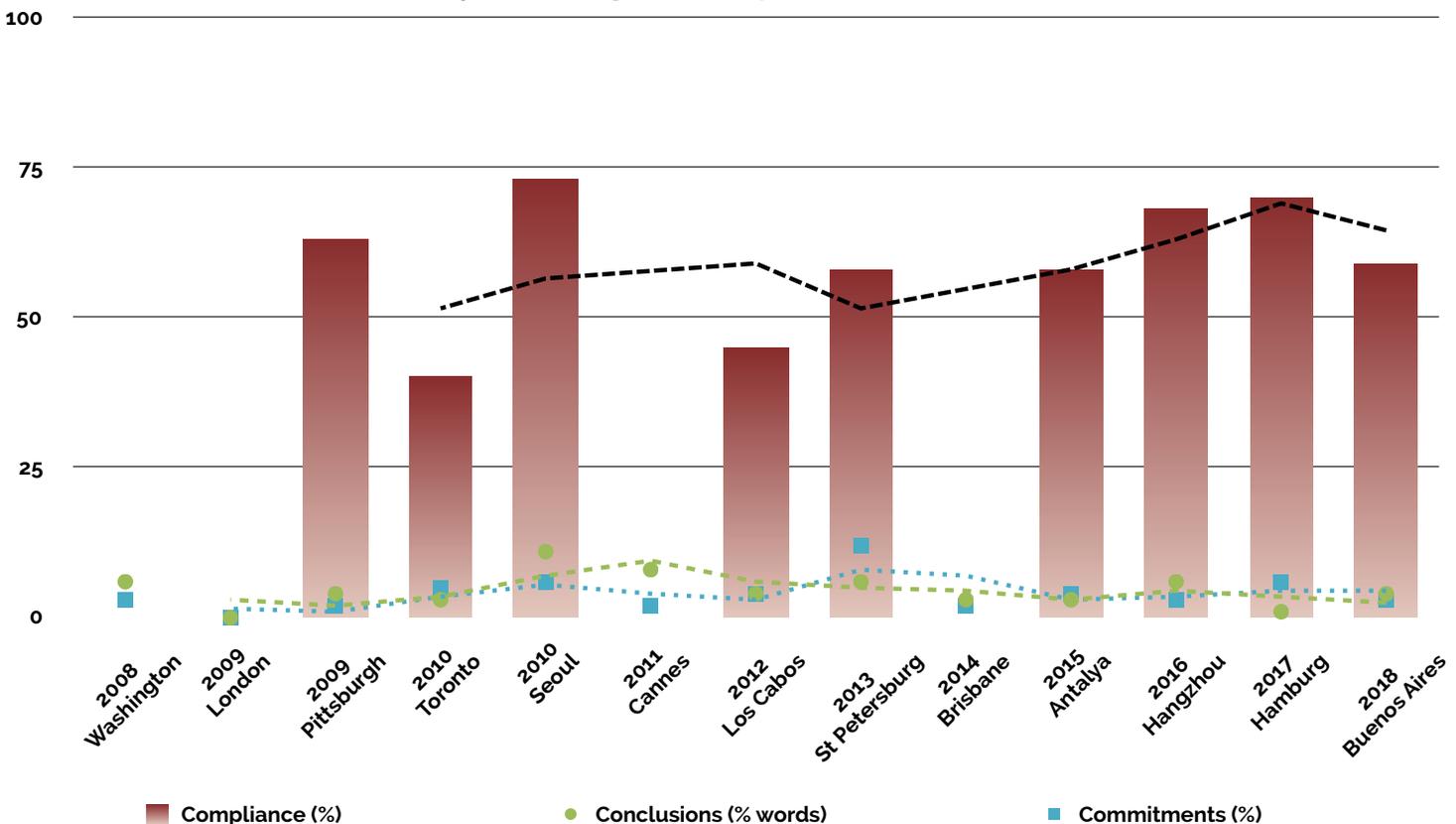
This allows organised criminal networks, corrupt politicians, terrorists and war criminals to continue to traffic drugs, humans, wildlife and arms and to commit atrocities that harm human lives, economic growth, development, peace and security.

CONCLUSIONS

Since the Washington Summit, leaders have continued to set the global agenda, tasking international bodies, particularly the Financial Action Task Force (FATF),

the International Monetary Fund and the World Bank, and other multilateral organisations, to lead efforts in developing measures to fight money laundering, terrorist financing and corruption. Words associated with anti-money laundering, combating the financing of terrorism, crime and corruption have been referenced at G20 summits more than 8,500 times for an average of 5% per summit. More than 100 paragraphs have been dedicated to these issues, appearing in 25 documents.

Commitments made on anti-money laundering and corruption:





115

Total commitments
since 2008

Average compliance
on nine assessed
commitments:

60%

AML/CFT (anti-money laundering and countering financing of terrorism) and corruption featured most prominently at the 2010 Seoul Summit with 1,799 words, followed by the 2013 St Petersburg Summit with 1,779 words, 2011 Cannes Summit with 1,143 words and the 2016 Hangzhou Summit with 896 words. The Seoul Summit focused especially on developing a global anti-corruption response through the *Anti-Corruption Action Plan* and initiatives on politically exposed persons, such as denial of entry of corrupt politicians, mutual legal assistance for asset recovery, public-sector transparency and the development of public-private partnerships.

The 2011 Cannes Summit continued to support the work of the Anti-Corruption Working Group, also focusing on tax evasion and addressing the need to tackle transparency in beneficial ownership of corporate structures. In 2013, the St Petersburg Summit placed special attention to tax crimes and renewed focus on bribery and corruption. The 2016 Hangzhou Summit highlighted the need to step up measures to combat corruption, through corporate and public-sector transparency and asset recovery via the World Bank's Stolen Asset Recovery Initiative. It also addressed unintended consequences of complying with measures on anti-money laundering and countering terrorist financing, such as de-risking in correspondent banking and remittance issuers.

COMMITMENTS

Since 2008, G20 leaders have made 115 commitments on anti-money laundering and corruption. There were three each at Washington in 2008, Pittsburgh in 2009 and Toronto in 2010. This number tripled to nine at the 2010 Seoul Summit, decreased to five at Cannes in 2011, and increased to seven at Los Cabos in 2012. There was a peak of 33

commitments made at St Petersburg in 2013. The number plunged to four each at the 2014 Brisbane and 2015 Antalya summits, and increased to seven at Hangzhou in 2016. It soared to 32 at Hamburg in 2017 and dropped to five at Buenos Aires in 2018.

DENISSE RUDICH

Director, G20 Research Group, London

Denisse is director of the G20 and G7 Research Groups (London) and a financial crime prevention specialist in policy development, strategic advisory and risk management. She has experience in setting up global frameworks in the investment and wholesale banking sectors, advising regulators, government and emerging fintech/regtech firms, and supporting forensic investigations in both the public and private sectors. Denisse is involved in several global initiatives aimed at building effectiveness and collaboration in the fight against financial crime, including as senior advisor to The Sentry.

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COMPLIANCE

The G20 Research Group has assessed nine of these 115 commitments for compliance by G20 members. It found average compliance of 60%. The highest compliance came from the United Kingdom, European Union, Brazil and Canada. The lowest compliance came from Japan, Saudi Arabia and Turkey.

CORRECTIONS

To increase this low level of compliance, G20 leaders can consider including several catalysts – text embedded in the commitment that provides direction for its implementation. They should:

- Continue to refer to the FATF as the global standard-setter in this field;
- Add a one-year timetable to commitments, as with the commitment on virtual assets;
- Encourage innovative ways of linking initiatives on AML/CFT to corruption and to the Sustainable Development Goals as a priority in the G20 agenda, perhaps through the use of new technology;
- Make commitments that are specific, measurable, achievable or attainable, relevant and time-bound (in other words, follow the SMART – specific, measurable, appropriate, realistic, timely – formula); and
- Promote domestic or regional implementation of commitments with the offer of technical assistance to non-G20 countries or FATF-style regional bodies.

Given the FATF's recently extended mandate, G20 leaders should also highlight that adequate resourcing is key. 

Marshall Billinglesea, president of the Financial Action Task Force profiles the next generation of challenges the world must address, from funding terrorism to state-sponsored cyberattacks

Forwarding the work of the Financial Action Task Force

Terrorism has many manifestations. From organised groups (such as al-Qaida) to semi-organisational groups (such as the so-called Islamic State) and lone wolf extremists, terrorists continue to conduct bloody attacks on innocent civilians around the world, at devastating human and economic cost. No country is immune from this ever-evolving threat.

Disrupting the financing behind terrorist organisations and their activities – ranging from procurement of weapons

and supplies to logistical support for travel and safe houses – remains one of the most effective methods for preventing terror attacks. Every country should make it a priority to close the loopholes that terrorists exploit to raise, move and use funds. Moreover, since criminals look for these loopholes to launder, disguise and move the proceeds of their crimes, efforts against terrorist financing have broader significance for the global effort to combat money laundering and corruption.

Since its creation in 1989, the Financial

Action Task Force has evolved from an effort to stem the financial flows of drug trafficking into a body whose role is recognised by the United Nations Security Council, and whose members provided it a permanent mandate to combat illicit finance. The FATF and its members have spurred significant progress worldwide. Through FATF-style regional bodies, our standards are now endorsed by more than 200 countries and enforced through peer reviews (known as mutual evaluations). In this respect, financial institutions are a

close partner; by tracking FATF evaluations and our public identification process closely, global and regional banks give added impetus to governments to meet and exceed FATF standards.

FATF's success in driving compliance with its standards has enabled it to pivot to focus on effectiveness. Countries realise that now they will be assessed not just on whether they possess the capability to enforce anti-money laundering standards, but also on their capacity and demonstrated political will to do so. Countries around the globe have repeatedly proven that they are now better able to detect illicit flows, and identify both complicit actors and those that turn a blind eye. A spate of recent high-profile money laundering prosecutions does not so much indicate an expanding money laundering problem, but rather that governments are better at monitoring, supervising and enforcing (including in collaboration with one another).

The FATF's success relies on its members taking robust and effective action and cooperation in pursuing the financial flows associated with criminals and terrorists. Countries must also have sound legal, regulatory and operational frameworks and effective national security policies to identify illicit sources of funds and those who are behind these transactions. Only when each country has done its part will the global financial system be afforded the protection it demands. That is why the peer review process is critical: every state must meet its obligations, and has the right to expect the same of all others.

But with all we have accomplished over the past 30 years, our mission is far from complete. Threats to the financial system are evolving, with organised criminal groups pioneering new tradecraft and state sponsors launching unprecedented cyberattacks against banks, money exchangers and virtual asset service providers. Indeed, despite our best efforts, the threat posed by proliferators of weapons of mass destruction and terror financing networks has grown. Likewise, the financial landscape is ever changing, both in terms of technological advances and the political will to appropriately address illicit finance. Some countries have progressed in capability and commitment; others, on occasion, have regressed. This all requires the FATF's constant vigilance as well as new standards, guidance and methodologies so that the FATF network stays abreast of new business models, products and financial innovations.

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Threats to the financial system are evolving, with organised criminal groups pioneering new tradecraft and state sponsors launching unprecedented cyberattacks against banks, money exchangers and virtual asset service providers”

The FATF's continued success relies on every member's unwavering high-level political commitment to combat illicit finance at the national level, and to provide the FATF with the support it needs to do so collectively. FATF ministers – almost all G20 members – clearly signalled this commitment by agreeing to meet every two years to discuss the FATF's progress. This increased engagement will ensure that each country prioritises the necessary action, including new or amended legislation and the necessary resources, both nationally, and internationally.

The G20 members, as supporters of the FATF, should lead by example to fully and effectively implement the FATF standards, and to levy the expectation on all other countries to do likewise. 

MARSHALL BILLINGSLEA

President of the Financial Action Task Force

Marshall Billingslea assumed the position of president of the Financial Action Task Force on 1 July 2018 for a 12-month term. He also serves as assistant secretary in the US Department of the Treasury, heading the Office of Terrorist Financing and Financial Crimes. Previously, he was a managing director at Deloitte. He has more than a decade of service within the US government, including as deputy under secretary of the Navy, and also served as staff member on the Senate Committee on Foreign Relations.

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Qatar Financial Centre

We mean business



Yousuf Mohamed Al-Jaida, CEO

At the heart of Qatar’s robust economic landscape, the Qatar Financial Centre provides a multitude of opportunities for private sector businesses and will become home to 1,000 domestic, regional and international firms by 2022

Qatar is one of the fastest growing economies in the world and the second most competitive in the Middle East. According to IMF calculations, its GDP is expected to grow by 2.6% in 2019 and 3.2% in 2020.

Established in 2005, the Qatar Financial Centre is the powerhouse of this economy and a catalyst for development and diversification in Qatar, providing a world-class commercial, legal and regulatory environment where firms thrive.

Testament to its success, the Qatar Financial Centre recorded 66% growth in 2017 and a further 31% growth in 2018. The QFC is currently home to over 670 firms. These firms have more than \$20 billion in assets under management, and include a range of businesses from the Bank of

China Qatar, to Bloomberg, Oracle, KPMG and others.

KEY SECTORS

Qatar’s diversified private sector provides lucrative growth opportunities in varied industries, from finance and manufacturing, to media, technology, construction and hydrocarbons.

The country’s distinctive business environment is almost exclusively powered by SMEs, which constitute 96% of the 25,000 registered private sector entities.

Both the LNG and non-hydro carbon sectors are growing significantly – in fact, non-hydrocarbon output grew by around 6% during the first half of 2018, including in the financial sector.

Additionally, the contribution of the non-oil sector to GDP at constant prices, was approximately 52% in 2017.

UNIQUE PROPOSITION

In terms of competition and ease of access, Qatar’s business environment is characterised as being one of the most versatile in the world.

Qatar is the second most competitive economy in the region and the 30th globally. Additionally, the World Tourism Organization named Qatar the most open business environment in the Middle East, and eighth in the world for visa facilitation.

As the country and its financial centre look to the future, these advantages will grow further through the ongoing digitalisation of the economy – the benefits of which are already emerging.

In 2017, Qatar ranked first globally for internet penetration at 99%, according to the *Digital in 2018 Insight Report*.

Emboldened by this success, the QFC is now working towards hosting 1,000 firms by 2022. To achieve this, the QFC will create 10,000 private sector jobs, reach 5% capitalisation on the Qatar Stock Exchange, and establish a financial city in the prestigious Msheireb Downtown Doha.

The expansion will be pioneered by the QFC CEO Yousuf Mohamed Al-Jaida, and aims to support the realisation of the objectives outlined in the Qatar National Vision 2030.

Not only will this next generation of firms have the chance to position themselves in a fast-growing regional economy, they will also benefit from Qatar’s extensive DTA network with 81 countries, up to 100% foreign ownership, 100% repatriation of profits, trading in any currency, a transparent operating environment based on English common law, and extensive set-up support. 

Benefits of operating at the QFC

- Up to 100% foreign ownership
- 100% repatriation of profits with no withholding tax
- 10% corporate tax on locally sourced profits
- Trading in any currency
- Transparent, accessible and predictable operating environment based on English common law
- Streamlined and simple setup process
- Access to DTAs with 81 countries



YOUR PLATFORM TO GROW IN QATAR AND BEYOND



World-class
regulator



Up to 100%
foreign ownership



Compelling
tax & business
environment



Corporate tax on
locally-sourced
profits



Repatriation
of profits



Legal environment
based on English
common law



Trade in any
currency



Streamlined &
transparent company
registration & licensing
process



مركز قطر للمال
Qatar Financial Centre

G20 performance on development

The director of the G20 Research Group's South Africa office, Courtney Hallink, outlines the key role sustainable development has played in G20 meetings to date, and what this means for the Osaka Summit

Sustainable development has been a key subject for the G20 since its first summit in Washington in 2008. For the Osaka Summit, Japan has identified seven priority subjects. Sustainable development was listed as one priority but was also featured in related priorities, including infrastructure for development and climate change. Sustainable development, then, is set to be a central topic at the Osaka Summit.

CONCLUSIONS

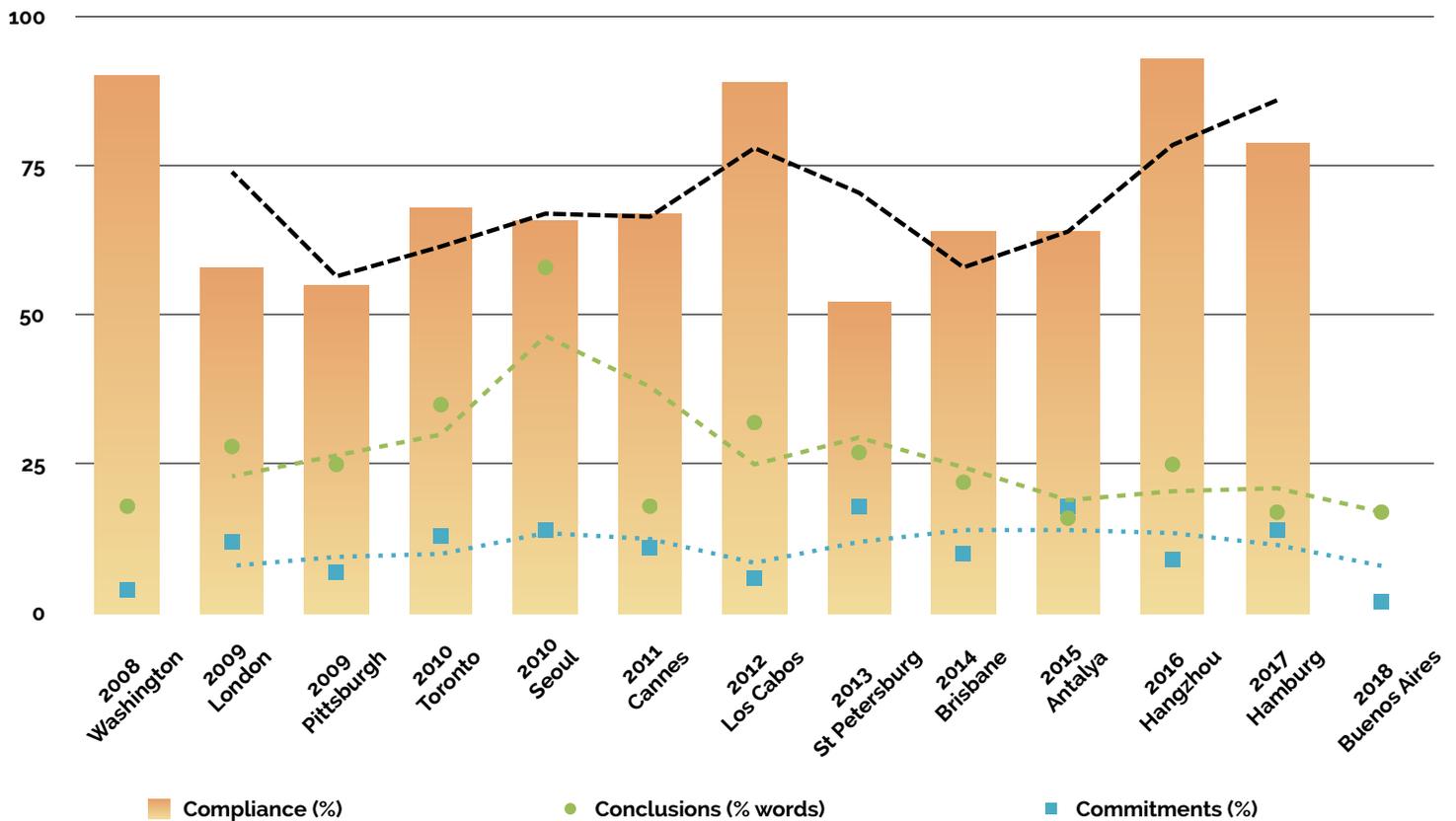
Between 2008 and 2018, G20 leaders have given a notable number of words to development in their communiqués, with an overall average of 26% at each summit. They started off strong, with 18% of the total words dedicated to development at the 2008 Washington Summit. That number increased steadily to 2010 when it spiked to 58% at Seoul. Then came a steady decline. At the Buenos Aires meeting in 2018, sustainable development accounted for 17% of the words.

COMMITMENTS

G20 leaders have made 271 commitments on development since Washington in 2008. They began with a modest four commitments at Washington. That number gradually, if not continuously, increased until St Petersburg in 2013, where 50 commitments were made. Then came a steady decline, eventually punctuated with the historic high of 75 commitments at the 2017 Hamburg Summit. The number of commitments plunged to only three at Buenos Aires in 2018. These commitments centred on assisting developing countries and ensuring the implementation of the Millennium Development Goals and then the Sustainable Development Goals.



Compliance on sustainable development commitments 2008–18



COMPLIANCE

According to assessments conducted by the G20 Research Group, the compliance of G20 members with their development-related commitments made between 2008 and 2017 averaged 70%. This solid compliance with development commitments is just below the G20's average of 71% on all issues. It started off strong in 2008 with a 90% average. Compliance then dropped to 58% at the 2009 London Summit. It remained relatively steady until it increased to 89% at Los Cabos in 2012. Then it fell to a low

of 66% in 2014. Average compliance then increased to peak at 93% with the 2016 Hangzhou commitments.

Compliance was led by the United Kingdom, with average compliance of 88%. It was followed by Germany, with 85%.

93%

Compliance achieved in 2016 in Hangzhou, the highest recorded

17%

Of all words in 2018 were dedicated to the topic

88%

Compliance achieved by the UK, the highest of all members

CORRECTIONS

There appears to be a negative correlation between the number of commitments made at each summit and the subsequent average compliance with them.

For the G20 overall, there is a positive relationship between the number of subject-specific ministerial meetings held before a summit, and compliance. The inclusion of the core international organisations in the text of a commitment also coincides with higher compliance with that commitment. The G20 leaders can therefore improve their performance on sustainable development commitments by holding meetings of the ministers responsible for development before the summit. Compliance would also be improved by including references to the core institutions involved in delivering the Sustainable Development Goals, namely the World Bank and the United Nations. 

COURTNEY HALLINK

Director, South Africa office, G20 Research Group

Courtney Hallink is director of the South Africa office of the G20, BRICS and G7 Research Groups, based in Cape Town. She graduated from the international relations programme at the University of Toronto in 2017 and is now completing a master's degree at the University of Cape Town. She is associated with the Centre for Social Science Research and the Institute for Democracy, Citizenship and Public Policy in Africa, both based at the University of Cape Town.

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Highs and lows in the global development trajectory

Achim Steiner, administrator, United Nations Development Programme shares with John Kirton how disunity in the political climate is threatening the success of the Sustainable Development Goals – but also where the tyranny of averages is masking extraordinary progress

Interview with Achim Steiner

How well is the world moving to meet the 17 Sustainable Development Goals?

If you consider that only four years ago, in September 2015, the world came together to adopt the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, there has been remarkable progress. We have rarely seen a global agenda travel so quickly from a set of definitions of goals to becoming integral to many policy, planning and implementation discussions at the national level. In this difficult moment in history, the 2030 Agenda and the SDGs are unifying the international community. At the crucial national level, they are bringing government, civil society and even the private sector together. Many countries now think about their national development pathways in terms of the SDGs, and that began within months of their adoption. The uptake of the 2030 Agenda and the SDGs has been surprisingly fast and positive.

And yet it's early days. We will not reach the SDGs by 2030 at the current pace of implementation. Therefore, acceleration, exponential effort and greater investment are urgently needed.

However, some interesting elements have progressed. Extreme poverty is still going down significantly. Under-five mortality is also falling. HIV incidence declined by 30% in Eastern and Southern Africa between 2010 and 2017. Gender-responsive budgeting is increasing while access to electricity has increased from 83% to 89%.

So in terms of take-up and adoption of the SDGs at the international level, there has been remarkable progress. But in terms of changing the trajectory of national development, whether it's decarbonisation, access to electricity or poverty reduction, we are clearly not yet on track. Unless countries now accelerate their efforts, it will be very difficult to meet our targets.

One issue that continues to be overlooked is that the 'tyranny of averages' often hides extraordinary progress on particular SDGs, or in particular countries. Some remarkable frontrunners and pioneers will emerge over the next year or two as more empirical data becomes available.

What particular challenges have arisen?

The political climate in many countries has created growing disunity at a moment when we need the 2030 Agenda to be embraced across all sectors of society. Changes may also have taken place at the national level – maybe a particular leader, party or government signed up in 2015 and another has won the election since. We see a divergence of perspectives on some key goals. So it's sometimes a challenge maintaining the unity of purpose.

We also face the challenge of reinventing government to address issues such as inequality, decarbonisation, employment and health. Indeed, maintaining the ecological infrastructure on our planet requires governments to work together in a more sophisticated way. What must be remembered is that investing in





ACHIM STEINER

Administrator, UNDP

Achim Steiner began his four-year term as UNDP administrator on 19 June 2017. He is also the vice chair of the United Nations Development Group, which unites the 32 UN funds, programmes, specialised agencies and other bodies that work to support sustainable development. Prior to joining UNDP, he was director of the Oxford Martin School and professional fellow of Balliol College, University of Oxford. He led the United Nations Environment Programme from 2006 to 2016 and previously served as director-general of the International Union for the Conservation of Nature and secretary-general of the World Commission on Dams.

[@ASteiner](https://twitter.com/ASteiner) www.undp.org

one SDG, such as addressing climate change, can actually deliver benefits across five or six or more goals.

Our key challenges are lack of time and finance in managing the transition. Some SDGs imply significant structural changes in our economy. We face the prospect of economic volatility, which is particularly relevant for the G20.

Another challenge in this new era of digital economy, automation and artificial intelligence is the so-called fourth industrial revolution. The challenge at the moment is to understand how best to manage the technological advancements in a positive way.

“

We see a divergence of perspectives on some key goals. It's sometimes a challenge maintaining the unity of purpose”

How is UNDP working to meet these challenges in advancing the SDGs?

The 2030 Agenda and the SDGs have become the central reference point for UNDP's strategic plan over the next four years, where we are implementing a whole-of-government approach. UNDP is trying to help governments look at their planning and budgeting processes to realise the benefits of moving forward with the SDGs. This adds up to a rapidly evolving governance landscape, whether it is about policy and planning or about the digital economy. E-governance is a major shortcut for inclusiveness, for better services, for greater government accountability, and these are some of the building blocks of the capacity to deliver on the SDGs.

How can the G20 leaders at the Osaka Summit help?

With Japan, we have seen their focus on maintaining a common purpose in addressing global crises, as well as global challenges. Certainly, Japan has a critical role in trying to create a minimum level of unity in purpose and capacity to allow us to act collectively. This is not easy, given some of the divisions and polarities. The first objective of a G20 summit must be to come out of the summit with a renewed sense of common responsibility – and an assurance to the rest of the world that the G20 can work in unison. Its decisions have a systemic impact on the global economy.

On economic and financial stability, Japan has put forward several issues likely to produce incremental progress in addressing some of the volatilities that we are witnessing at present – such as global imbalances, international taxation, and ageing and policy implications. The emphasis on universal health coverage in developing countries and strengthening health financing is also a very good encouraging signal. It is very positive that the G20 can add to that momentum – and Japan is a key forerunner in this crucial area.

If the G20 puts a brake on international progress on climate change and decarbonisation, it would be a setback. Therefore, we need to find a formula to allow the world at least to progress with the Paris Agreement in the way it was intended to.

The G20 represents more than 80% of the global economy. Economic stability, political commitment to the common interest and the public good of the other 173 members of the United Nations that are not at the table have to be an integral part of its litmus test on the G20's leadership role. That includes leadership in crucial areas such as economic stability, political consensus or emerging issues such as new technologies, as in the financial sector. 

A feast fit for the future

José Graziano da Silva, director-general, Food and Agriculture Organization, explains why it's time to think about the quality of food

Agriculture and food systems development are – and must be – directly linked to the challenges facing humanity in terms of food at any given time.

In the 1960s and '70s, the world faced a lack of food. It was thus fundamental to rapidly increase agricultural production to prevent mass starvation in countries such as India, Pakistan and the Philippines, and elsewhere in Asia and Africa.

This was done mainly through the intense use of high-yielding cereals, synthetic fertilisers, pesticides and agrochemicals in general, in what became known as the Green Revolution. It worked. By the end of the past century, the world was already producing more than enough food to feed the global population.

Nevertheless, the Green Revolution was not enough to eradicate hunger in the world. Many countries started to implement social protection policies

and programmes for vulnerable rural people and communities, particularly family farmers, fishers and pastoralists. It was time to guarantee that everyone has access to food.

With that, hunger has substantially decreased over the last two decades, despite a small increase over the last three years. Today, access to food remains a challenge, especially in conflict areas where more than 60% of people suffering from hunger live, and social protection measures continue to be very important.

However, hunger is no longer the only serious nutrition problem. A more complex challenge looms large: more than two billion people are overweight, and of those 670 million people are obese, a condition strongly associated with higher risks of chronic diseases such as diabetes, hypertension, heart disease and cancer. Projections estimate that the number of obese people will very soon overtake the number of people suffering from hunger, which accounted for 821 million in 2017.

Obesity knows no borders. Eight of the 20 countries with the fastest rising rates of adult obesity are in Africa. Of the 38 million overweight children under five, almost half are in Asia. No country has yet found an efficient path to reducing the problem, which costs an exorbitant \$2 trillion a year in health care and lost productivity.

Micronutrient deficiencies are also common. Anaemia, caused by inadequate dietary iron and linked with pregnancy complications, impaired cognitive development and often death, is rising. Current food systems are not providing people with healthy food and the nutrients required for a healthy life.

One factor behind the global pandemic of obesity is the large-scale consumption of ultra-processed foods with high levels of saturated fats, refined sugars, salt and chemical additives. This kind of food goes through multiple processes and is highly manipulated. Nonetheless it is cheaper and easier to access and prepare, traits especially relevant for poorer households in urban areas and increasingly in rural communities too.

Furthermore, food safety rules and standards prevent only short-term illnesses rather than long-term diseases. FAO's position is that food safety cannot be only about preventing people from getting food poisoning or food-borne illnesses. It must also prevent people from suffering from malnutrition. For a food to be considered safe for consumption, it must also be healthy.

In this sense, the international community should advance in establishing rules and regulations that encourage the consumption of healthy and nutritious foods. Consensus is growing that healthy diets warrant regulatory protection. Last December, the United Nations General Assembly adopted a resolution on global health and foreign policy, indicating the progress of food systems as a global health issue.

It is time for new strategies. Countries need to increase the production and consumption of healthy and diversified foods. But there needs to be a mental shift in the way we currently view agricultural production.

JOSÉ GRAZIANO DA SILVA

Director-general, Food and Agriculture
Organization of the United Nations

José Graziano da Silva took office as the director-general of the Food and Agriculture Organization of the United Nations in 2012, having served as head of the Regional Office for Latin America and the Caribbean since 2006. An agronomist and academic, in 2001 he led the team that designed Brazil's Zero Hunger (Fome Zero) programme. In 2003, he was put in charge of its implementation by President Luiz Inácio Lula da Silva, who named him special minister of food security and the fight against hunger.

[@grazianodasilva](https://twitter.com/grazianodasilva) www.fao.org



60%
Of people suffering
hunger live in
conflict areas

670
Million people
around the world
are obese

3.7%
Is Japan's obesity
rate – the lowest in
the G20

Instead of focusing exclusively on cash crops, farmers need also to be encouraged to cultivate a variety of nutrient-rich crops, including fruits and vegetables. This can be done, for example, by introducing policies and legislation to ensure institutional procurement from local family farmers. Home-grown school feeding programmes offer local family farmers a guaranteed market and encourage the production of healthy food for children, with the co-benefits of boosting local economies and school attendance in poor areas.

About 80% of all food produced globally is now consumed in urban areas. Urban people need better access to fresh and nutritious food. This can be done by promoting local trade, rural-urban linkages, short food supply chains, and also urban and peri-urban agriculture. In fact, urban consumers are a very effective entry point in promoting the value chain development of nutrient-rich food crops.

These facts should provide food for thought for the G20 leaders as they gather in Osaka. The G20 summit offers an ideal platform for reflection, not least as host Japan can boast of having the lowest obesity rate in the G20: 3.7% of its population. It is time to recognise – and act accordingly – that the food challenge facing humanity today is not only availability and accessibility. It is more and more about the quality of food. 

5

QUALITY INFRASTRUCTURE INVESTMENT

G20 performance on **infrastructure** for development

Julia Tops, researcher for the G20 Research Group, assesses what makes Japanese infrastructure so effective, and examines the G20's progress on developing key projects that will last generations

Infrastructure for development is one of the top priorities for the 2019 G20 Osaka Summit, as outlined by Prime Minister Shinzo Abe for Japan's presidency. Japan has shown the world its ability to achieve a high level of modernisation within a short time. Infrastructure is foundational for such growth. Japanese infrastructure has four main strengths: technologies for local needs, co-creation, long-term commitment and economic efficiency over the lifecycle.

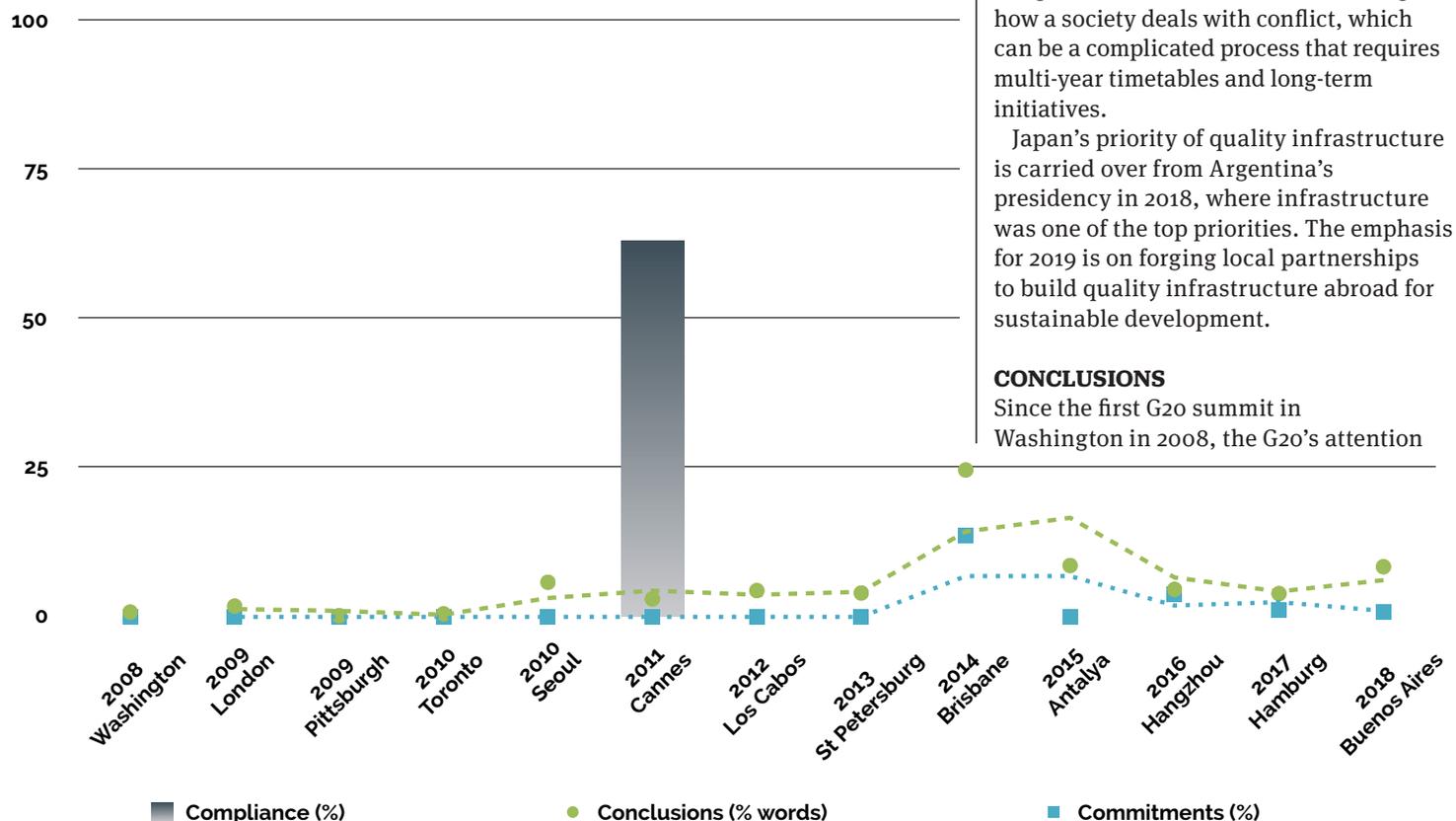
Co-creation is the process where products, services and experiences are developed jointly by companies, their partners and the final consumer, so that the value created would be shared. Long-term commitment is transforming how a society deals with conflict, which can be a complicated process that requires multi-year timetables and long-term initiatives.

Japan's priority of quality infrastructure is carried over from Argentina's presidency in 2018, where infrastructure was one of the top priorities. The emphasis for 2019 is on forging local partnerships to build quality infrastructure abroad for sustainable development.

CONCLUSIONS

Since the first G20 summit in Washington in 2008, the G20's attention

Compliance on infrastructure for development commitments 2008–18



to infrastructure has fluctuated, as measured by the size of the summit's communiqué conclusions on infrastructure. At Washington, the G20 included only 30 words on infrastructure. This rose to 113 words at London in 2009 and then decreased until Seoul in 2010 where 919 words appeared. It decreased again to 424 words at Cannes in 2011, and then rose to 566 at Los Cabos in 2012. At St Petersburg in 2013 it increased to 1,150 words. Then Brisbane in 2014 spiked to a historic high of 2,245 words, with one document dedicated to infrastructure alone. Antalya in 2015 had only 1,200 words. There was another drop to 740 words at Hangzhou in 2016 and then a rise again to 1,349 at Hamburg in 2017. At Buenos Aires in 2018 there were 718 words.

COMMITMENTS

The G20 has made comparatively few collective, politically binding, future-oriented commitments on infrastructure, with only 43 commitments and a 16th place ranking across all issue areas. The first time the G20 made any infrastructure commitments was at the 2014 Brisbane Summit, with a high of 28. At the 2016 Hangzhou Summit, the total dropped significantly to eight commitments. At the 2017 Hamburg Summit, it dropped again to six commitments, and at the 2018 Buenos Aires Summit, the total dropped yet again to just one commitment.

COMPLIANCE

The G20 Research Group has assessed only one of these 43 commitments for compliance. It was a commitment on mobilising financing for infrastructure projects made at the 2014 Brisbane Summit.

At the halfway point between that summit and the 2015 Antalya Summit, compliance was 93%, reaching an even higher 98% by the start of the Antalya Summit. It thus surpassed the G20's average compliance across all issue areas of 71%.

By member, 17 achieved 100% compliance, on both the interim and final reports: Japan, Argentina, Australia, Brazil, Canada, China, Germany, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, Turkey, the United Kingdom, the United States and the European Union. Italy and South Africa had partial compliance on the interim report, but rose to full compliance for the final report.



JULIA TOPS

Researcher, G20 Research Group, and co-chair, summit studies, G7 Research Group

Julia Tops is a researcher with the G20 Research Group and the co-chair of summit studies with the G7 Research Group. She joined the G7 and G20 Research Groups in her first year of studies at the University of Toronto. Her research interests focus on gender and employment issues, in addition to her other interests in development and international law. She will begin a master's in development studies at the London School of Economics and Politics in September 2019.

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“ Japan has shown the world its ability to achieve a high level of modernisation within a short time. Infrastructure is foundational for such growth”

France had partial compliance of 50% on both the interim and final report.

CORRECTIONS

With 43 infrastructure commitments and 98% compliance on the one assessed commitment, there is little evidence to suggest how compliance can be improved, although some inferences can be made.

First, the language used in many of the G20's infrastructure commitments is general. This general language can act as a catch-all that could make compliance easier, while not increasing the targeted effectiveness in meeting specific priority infrastructure needs. Targeted policy measures and more carefully chosen, specific compliance catalysts – which are embedded in the commitment text and provide direction for implementation – could improve the G20's effectiveness and compliance.

These catalysts could include money mobilised, as compliance with the one assessed commitment with this catalyst is high. The G20 Research Group has also found that on other subjects, a reference to the core international organisation improves compliance. Thus, at Osaka, G20 leaders might usefully make commitments that refer to the World Bank, which is the core international organisation for infrastructure. Additionally, advancing innovative solutions that define priorities and coordinate projects, with the help of engagement groups such as the B20, could help too. 🌐

Improving infrastructure priorities for global development

David Malpass, president of the World Bank Group, calls on G20 leaders to unite across financial systems, spur development and avoid a future stunted by high debt and muted growth

Quality infrastructure supports strong, sustainable, balanced growth and enhances resilience. Access to electricity, clean water, sanitation services and public transportation meaningfully improve the lives of the poor. Yet, one billion people still live without electricity, more than two billion do not have access to safe drinking water and 4.5 billion people lack access to sanitation.

The benefits of scaling up infrastructure investments are substantial, but so are the costs. The World Bank estimates that developing countries need to invest between \$640 billion and \$2.7 trillion per year through 2030 to achieve basic development goals. Some low-income countries would need to spend more than 15% of their annual gross domestic product on infrastructure, and that does not include the costs of investments in health and education. Infrastructure investments require large capital financing upfront, while repayments often take decades. Yet uncertainty – political, regulatory or economic – tends to be high in poorer countries, leading to the issue of who carries the risk when things go wrong.

At the heart of most investment decisions – particularly in countries with low income levels and big investment needs – is the trade-off between asset quality and affordability.

What is often missing from this calculus, however, is the cost of investments that appear cheaper at the outset but are expensive to maintain and operate, that deteriorate rapidly or that are made in a

context of opaque awards, under weak regulation and oversight. The ability of an investment to generate growth dividends depends as much on its performance over time as on its initial capital requirements. For this reason, contracts and relationships that embed investment with operations and maintenance – such as concessions and public-private partnerships – and a government’s capacity to oversee a transparent bidding process regulate the delivery of services and factor in environmental and social impact, are central to achieving real returns on investment.

In order to diversify forms of finance and to bring the long-term patient capital of institutional investors into infrastructure, the G20 and the multilateral community have set out to transform infrastructure into an asset class as a long-term goal. For asset managers, insurance companies and pension funds to place long-term savings against these assets, a concerted effort is underway by international organisations to produce the data, the pipelines of commercially viable projects, and the standard practices and documentation that

will turn infrastructure into a recognised and more easily tradeable asset class.

Given how unique each transport, power, water and telecom investment is, the drive to standardise infrastructure will be a step-wise effort. Such standardisation incorporates greater standards and templates in contractual provisions – whether for unforeseeable circumstances or in termination clauses, as well as standards in the principle components of financial contracts, such as disclosure requirements.

Finally, scalability of investments under these principles will require a concerted effort from multilateral institutions, bilateral agencies, the investment community and governments bringing these projects to market. The World Bank Group has been successful in leading this process with the IFC-led financing package for the Benban Solar Park in Egypt. However, a best practice approach that is piloted in a few countries alone will not transform the way infrastructure is financed or delivered across emerging markets. Multilateral and bilateral institutions are used for financing infrastructure investments in almost half of all public-private emerging markets and developing economies.

Therefore, the opportunity for us to work across the financial system to bring comprehensive transparency, accountability and standardised documentation, and approaches to investment has never been greater. The alternative is greater debt, lower growth and less investment. The benefits, by contrast, of scalability will go directly to the consumers and producers in the world’s emerging markets and developing economies. 



DAVID MALPASS

President, World Bank Group

David Malpass began his five-year term as president of the World Bank Group on 9 April 2019. He previously served as under secretary of the US Treasury for international affairs, and represented the United States at the G20 and G7 deputy finance ministerial meetings. Before joining the US Treasury, Malpass was an international economist and founder of a macroeconomics research firm based in New York City. He served as chief economist of Bear Stearns. He also served as deputy assistant secretary of the US Treasury for developing countries and deputy assistant secretary in the Department of State for Latin American economic affairs.

 @DavidMalpassWBG  www.worldbank.org

G7 Research Group

In the rapidly globalizing world of the 21st century, the Group of Seven major market democracies serves as an effective centre of comprehensive global governance. G7 members – the United States, Japan, Germany, the United Kingdom, France, Italy, Canada and the European Union – contain many of the world’s critical capabilities and are committed to democratic values. At its annual summit and through a web of G7-centred institutions at the ministerial, official and multi-stakeholder levels, the G7 does much to meet global challenges, especially in the fields of security, sustainable development and economics.

The G7 Research Group is a global network of scholars, students and professionals in the academic, research, media, business, non-governmental, governmental and intergovernmental communities who follow the work of the G7, the G8 (with Russia) and related institutions. The group’s mission is to serve as the world’s leading independent source of information, analysis and research on the G7/8. Founded in 1987, it is managed from Trinity College, the Munk School of Global Affairs and the Department of Political Science at the University of Toronto. Professional Advisory Council members, Special Advisors and participating researchers span the world. Through the G7 Research Group, Trinity’s John W. Graham Library has become the global repository of G7/8 documents, transcripts, media coverage, interviews, studies, essays, memorabilia and artifacts.

The G7 Information Centre at
www.g7.utoronto.ca

The online G7 Information Centre (www.g7.utoronto.ca) contains the world’s most comprehensive and authoritative collection of information and analysis on the G7 and G8. The G7 Research Group assembles, verifies and posts documents from the meetings leading up to and at each summit, the available official documentation of all past summits and ministerial meetings (in several G7/8 languages), scholarly writings and policy analyses, research studies, scholarship information, links to related sites and the “background books” for each summit now published by GT Media and the Global Governance Project (g7g20summits.org). The website contains the G7 Research Group’s regular reports on G7/8 members’ compliance with their summit commitments, as well as other research reports.

BOOKS ON THE G7, G8 AND RELATED ISSUES FROM ROUTLEDGE

Accountability for

**Effectiveness
in Global
Governance**

*Marina Larionova
and John Kirton, eds.*

**The Global
Governance of
Climate Change**

*John Kirton and Ella
Kokotsis*

**The European
Union in the G8**

*Marina
Larionova, ed.*

**The New Economic
Diplomacy**

*Nicholas Bayne and
Stephen Woolcock*

**The G8-G20
Relationship
in Global
Governance**

*Marina Larionova
and John Kirton, eds.*

**The G8 System
and the G20**

Peter I. Hajnal

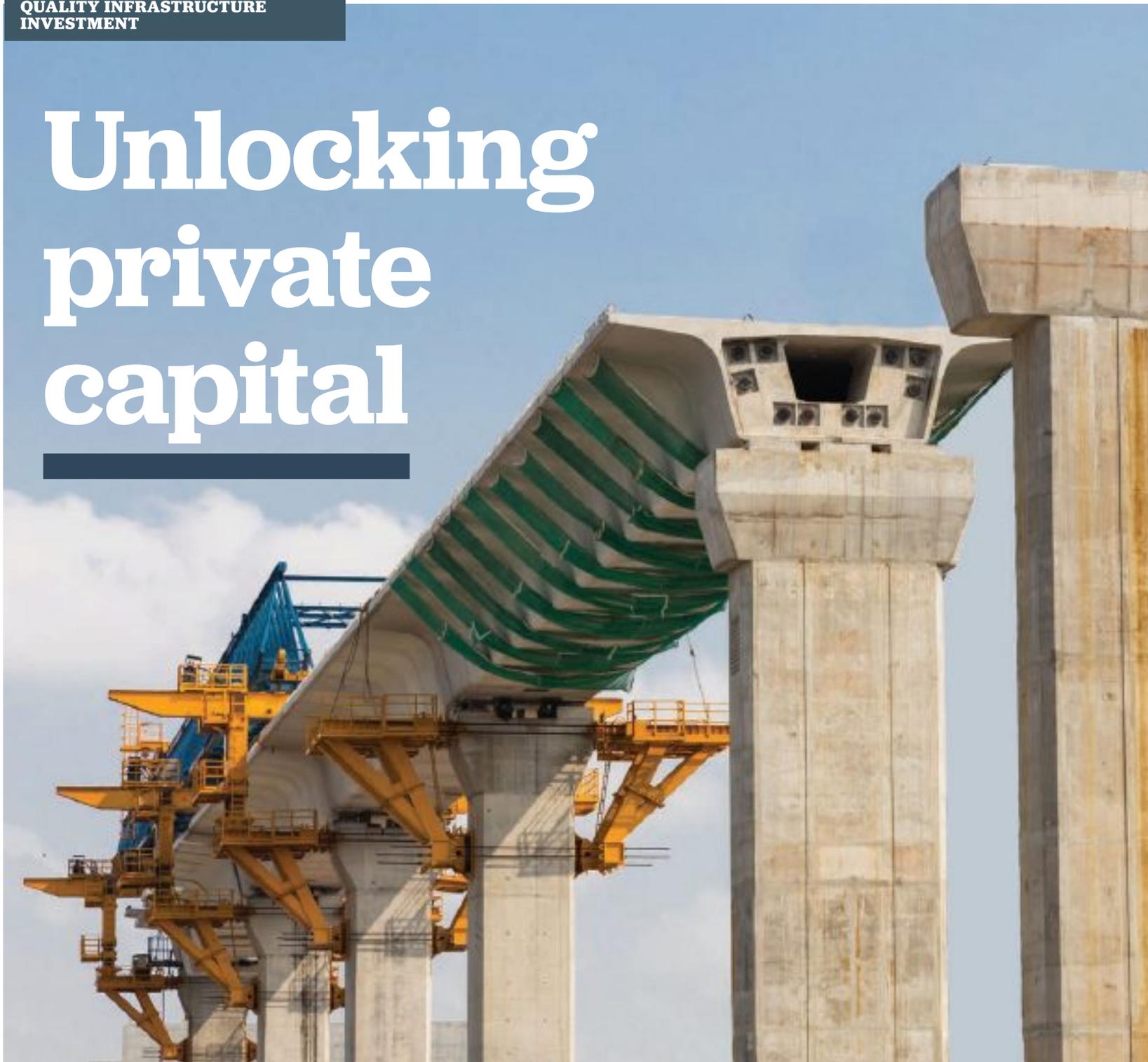
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Unlocking private capital



Jin Liqun, president of the Asian Infrastructure Investment Bank, explores the most effective ways to fund vital infrastructure projects, while meeting environmental and social standards

Asia needs better connectivity within the region and better linkages outside the region to drive more trade and economic activity. In response to this need, the Asian Infrastructure Investment Bank has made investing in cross-border infrastructure one of its priorities.

Our recently released *Asian Infrastructure Finance 2019* examined the economic drivers of infrastructure financing in Asia, specifically in eight large markets in the region. The report concluded that investing in cross-border infrastructure is

still an attractive investment opportunity for the private sector, despite the near-term challenges.

WE ARE AT AN INFLECTION POINT

Geopolitical tensions, macroeconomic uncertainty and interest rate fluctuations have been contributing to a decline in the level of financings that have closed for infrastructure in Asia. This number was steadily increasing from 2014 to 2016, but started to decline in 2017 and continued its downward trend in 2018.

This is concerning for an organisation



like ours, which prioritises investment in cross-border connectivity and the mobilisation of private capital to close these deals.

In the eight markets we looked at, there are uncertainties and legitimate concerns. But there are also solutions if we approach the problem in the right way. Multilateral development banks are here to help smooth over challenging times. At the same time, AIIB cannot afford to lose sight of the longer-term goals for the region.

We believe bottlenecks in infrastructure can only be effectively resolved through partnership and risk sharing. We want to encourage dialogue between the public and private sectors, so that government policies and private financiers' objectives can be more closely aligned. This will help projects – particularly public-private partnerships – to secure funding and move forward.

These efforts will contribute to a higher standard and higher quality of projects in the pipeline. *The Asian Infrastructure Finance* report also found there is a flight to quality among private sector investors, who are all the more risk sensitive during this period of economic uncertainty.

This means high-quality projects that are fiscally sound and meet international standards will have the best chance of securing private sector funding because they generate inclusive growth and have fewer implementation issues.

INTERNATIONAL STANDARDS: THE KEY TO SUCCESS

Many guidelines, frameworks and principles have been created in recent years to promote sustainable and quality infrastructure investment. Some research suggests that there are 40 existing initiatives, with more under development.

Here AIIB and our partner multilateral development banks play a key role. We can support clients to improve their environmental, social and governance performance through financial instruments and capacity building.

We are also well positioned to encourage private sector investment in infrastructure, as well as to mobilise grant providers and other financiers.

However, standards and policies are only effective if they are implemented with proper monitoring and accountability. Otherwise, they collect dust on a shelf and help no one. To support proper implementation, we need to harness the complementary strengths of all relevant stakeholders, including infrastructure sponsors, investors, multilateral development banks, bilateral development financial institutions and the key stakeholders in recipient countries.

AIIB has actively been working with business associations, such as the China International Contractors Association, to provide training, workshops and knowledge-sharing activities for Chinese infrastructure investors. We also need to learn from them on good technical and engineering design to promote project cooperation. We believe this approach of sharing information is an important step towards improving standards across the board.

Another way in which AIIB is seeking to catalyse private investment in Asian infrastructure and promote high standards, is by creating the ESG Enhanced Managed Credit Portfolio. This \$500 million portfolio aims to develop infrastructure as an asset class, broaden and deepen debt capital markets for infrastructure and promote the integration of environmental, social and governance principles in fixed income investments in emerging Asia.

If we are going to build a sustainable tomorrow, we need to unlock private capital for infrastructure investment and strengthen alignment on how environmental and social standards will be implemented in infrastructure development. We believe there is strong momentum working towards these goals, but we have only just begun. It will take a multilateral approach to drive the buy-in necessary for success. 

JIN LIQUN

President, Asian Infrastructure Investment Bank

Jin Liqun was appointed the inaugural president of the Asian Infrastructure Investment Bank in January 2016, having served as president-designate since September 2015. Previously, he was secretary-general of the Multilateral Interim Secretariat, which prepared the legal, policy and administrative frameworks required for establishing the AIIB. Before working on the AIIB, Liqun served in top management at the China International Capital Corporation Limited, the China Investment Corporation and the International Forum of Sovereign Wealth Funds, as well as the Asian Development Bank and China's Ministry of Finance.

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Investing for the future

More than a decade of technological disruptions have created an environment where transport systems can be modernised without heavy capital expenditures. K V Kamath, president of the New Development Bank, explains how

Over the last four years, the New Development Bank has approved 30 projects totalling about \$8 billion. For the coming year, we aim to build on this strong momentum and double our approval book to about \$16 billion.

The bank's lending covers projects that promote sustainable development and bring positive economic, social and environmental impacts in our member countries. It strives to be a reliable partner in implementing our members' development strategies as we explore the avenues through which we can meaningfully contribute towards their commitments under the Sustainable Development Goals.

In our operating landscape, technology disruptions are altering the scope, size and complexities involved

in projecting our infrastructure requirements. Take, for example, the requirements for efficient transport systems. The ongoing innovations in network connectivity, autonomous vehicles, along with widespread access to smartphones, cheap mobile data storage cost and unprecedented increase in the processing power of devices are changing the entire service, payments and delivery model.

Newer technologies such as predictive analysis, real-time vehicle tracking and control, virtual service aggregators, vehicle-to-vehicle communication, self-driving cars and vehicle pooling are challenging the norms and making transport systems safer, greener and more efficient.

Modernisation of transport systems is possible today without heavy capital expenditures. These newer systems have the potential to leapfrog existing structures as well as integrate quickly with them and, on the flip side, completely disrupt traditional business models such as auto insurance.

Mass adoption of smart grids, drones, 5G roll-outs and large off-grid systems can transform our traditional infrastructure requirements and disrupt legacy industries. Technology disruption is multifaceted and multidimensional. The rapid and imminent growth in digital infrastructure will present us with a distinctive opportunity to address many traditional infrastructure deficit areas. The Fourth Industrial Revolution has the potential to reduce the urban-rural divide, improve economic conditions in remote areas and offer the ability to start new businesses at low cost. By investing in digital infrastructure, countries can bring financial services to unbanked rural areas, improve health care to underprivileged communities, increase agricultural income and create a platform for quality education beyond cities. Going digital can have larger social and economic impacts and ensure community well-being. The road to achieving the SDGs involves investing in technologies that are driving 4IR.

30

Projects approved by the New Development Bank

\$8bn

The total value of approved projects since 2015

\$16bn

Approval book target for new projects over the coming year



K V KAMATH

President, New Development Bank

K V Kamath is the president of the New Development Bank, established in 2015. He is the former chair of ICICI Bank and Infosys Limited, and previously worked with the Asian Development Bank. He has also served as the president of the Confederation of Indian Industry and as co-chair of the World Economic Forum's annual meeting in Davos.

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“ We would need to jointly develop financial products with market players, work with regulators and rating agencies, and design solutions with governments that target these infrastructure gaps”

If we fast forward to the future, one thing is clear – the way the multilateral development banks have operated thus far will be completely different from the way they will do so in the future. Technology-led disruption is manifesting itself in both opportunities and challenges.

The search for solutions calls for bold and innovative ways to catalyse the funding requirements for this new world. This would require the multilateral development banks to be lean and actively seek partnerships, both in the public and private sectors. We would need to jointly develop financial products with market players, work with regulators and rating agencies, and design solutions with governments that target these infrastructure gaps. Internally we need to be agile in our approach and correct the course as necessary as we go along.

Crowding in other investors, particularly in the private sector, is critical if we are to make a significant contribution. To achieve this, multilateral development banks need to design innovative financial products that are appropriate for a broad spectrum of investors. The creation of robust secondary markets in our member countries is imperative: they will help meet the current demand for projects that suit investors' needs. Multilateral development banks could act as originators of projects, play their important role in minimising their risks and offer projects to private investors, thereby enabling better use of their capital with leaner balance sheets.

4IR will become mainstream in the coming years. Multilateral development banks need to rethink the way business is done and navigate through this next phase with an entirely new mindset about underlying infrastructure and our role in financing it. We have a collective responsibility to deliver on our mandate, which resonates with our members' aspirations and improves the overall well-being of our future generations.

We, at NDB, look forward to partnering with other stakeholders in this exciting journey. 



Collaboration for ethical infrastructure

Marie Lam-Frendo, CEO of the Global Infrastructure Hub, tells John Kirton where gaps in infrastructure funding exist and what can be done to create more top-quality, bankable projects that have responsibility beyond economic efficiencies

Interview with Marie Lam-Frendo

What are the world's needs for infrastructure, and where do gaps exist between those needs and the supply?

The Infrastructure Outlook tool from the Global Infrastructure Hub forecasts a need for overall capital expenditure for greenfield and brownfield infrastructure projects of \$94 trillion. The gap between what is forecast to be spent and what is required is \$15 trillion. This estimates the need for financing, but there is really no shortage of financing – currently, there is approximately \$172 billion available for infrastructure investment.

The real gap is in the number of bankable projects available. A bankable project is not simple to create – it needs the right government institutions with a single point of contact for infrastructure and a solid pipeline of investable projects. Governments should then ensure that

36%

Of institutional investors now consider environmental, social and governance factors to be a 'first order question'

these projects are well developed and monitored and that decisions are taken at the right time and implemented.

Another need is in de-risking projects more systematically and ensuring people learn about how to allocate risk and more creatively use the risk mitigation tools available from multilateral development banks.

Why is it so important to move from emphasizing quantity to emphasizing quality?

We have a good amount of infrastructure projects to look back on and can evaluate their entire life cycle. Data has been accumulating over the years and the infrastructure community can now see that by simply doing more infrastructure projects we won't get the returns we need. We need quality infrastructure that can provide economic efficiencies by seeing through its entire life cycle.



Infrastructure development should be guided by a sense of long-term responsibility for the planet and ensure equal access and availability”

But beyond economic efficiencies, infrastructure development should be guided by a sense of long-term responsibility for the planet and ensure equal access and availability, including and benefiting all. The concept of an environment and social license is increasingly raised by investors, who want to see it more fully integrated into national policies and programmes.

We recently released the results from our 2019 *Global Infrastructure Investor Survey*. It showed that around 36% of institutional investors now consider environmental, social and governance factors to be a ‘first order question, possibly at the expense of performance’ in infrastructure investment. That’s more than double the 17.2% reported in 2016.

In Europe and other developed markets, we have the experience of quantity as well as quality and it’s through quality infrastructure that we’re achieving economic efficiency. Developing countries should carefully load their national balance sheet and ensure they are investing in well-planned, designed and procured qualitative infrastructure projects. This issue is increasingly being raised in the context of projects under the Belt and Road Initiative.

In what ways has the GI Hub been working to close the world’s great quality infrastructure investment gap?

Through our work on InfraCompass we’re providing countries with indicators of how they perform in their regulatory framework and potentially their need for specific and targeted policy reforms to improve.

We’ve been working hard to disseminate best practices, specifically on de-risking projects as well as supporting the standardisation of contract management. We will soon release a report on best practices for inclusive infrastructure, which will clearly address the social licence challenge every project should focus on.

How will it use its future Toronto regional office to expand this work?

At this stage, our intentions for the Toronto office are to focus on activities that will expand the work we have done on our InfraCompass and Infrastructure Outlook tools. This includes expanding the coverage to a broader set of countries and sectors, as well as developing indicators to assist with quality infrastructure.

The Toronto office will use data to derive insights that are valuable for decision makers at critical points and support them to ultimately make better decisions. It will be the centre of the GI Hub’s North American operations and will support the delivery of our strategic priorities through creating and strengthening partnerships with key stakeholders, especially the multilateral development banks and international organisations, and enabling deeper engagement with the private sector to broaden the GI Hub’s global reach. The Canadian office will also

house the new Global Centre for Infrastructure Excellence to support joint initiatives and partnerships with the private sector to further build capacity into developing economies’ infrastructure.

How has it been working with other international institutions on this cause?

Through our current work with the G20 we have worked with various international institutions and G20 members to list resources and facilities that can support quality infrastructure. This work built on the stocktake done by the Organisation for Economic Co-operation and Development and the World Bank of resources relating to infrastructure as an asset class delivered for Argentina’s G20 presidency in 2018. It expanded it and updated the international resources, and added more national resources to support the quality of infrastructure alongside the principle of economic efficiency.

How can the G20 leaders at their Osaka Summit help?

There is lots more to be done on project preparation. In a 2018 study, it was estimated that for Africa and Asia, approximately \$4.2 billion of funding is available for project preparation and only \$277 million has been distributed. We are partnering with the SOURCE initiative from the Sustainable Infrastructure Foundation as one of the key multilateral platforms to help advance project preparation. But much work needs to be done with all the various facilities to ensure the money is properly dispersed in a timely manner.

That’s certainly a task that the G20 has been working on collectively since 2011, but it is also something that needs to be sustained. The GI Hub will contribute to this effort, including by making use of our ever-growing infrastructure knowledge network.

\$94 trillion

Estimated needed capital expenditure for greenfield and brownfield infrastructure projects

\$15 trillion

Finance gap between what is forecast to be spent and what is required

\$172 billion

The approximate amount available for infrastructure investment

MARIE LAM-FRENDO

CEO, Global Infrastructure Hub

Marie Lam-Frendo was appointed CEO by the board of the Global Infrastructure Hub on 28 January 2019. Previously, she was the head of Asia-Pacific for Acuity. From 2011 to 2014, she headed the Infrastructure Initiatives department of the World Economic Forum, where she led their thought-leadership activities, publishing reports on best practices in the infrastructure sector. Before that, she worked for European utilities company Essent, then RWE. She started her career working for various engineering consulting firms on projects in Africa, the Middle East and Europe.

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G20 performance on **gender equality**

There is a stark disconnect between the G20's goals on engendering gender parity and the lived reality of women in many of the countries represented at this year's summit, writes Julia Kulik, director of research, G20 Research Group

The G20 has become a more significant player in governing global gender equality over the last five years. However, the expanding size and scope of its public deliberation on the issue have not yet translated into a significant number of action-oriented commitments to improve gender equality at home and abroad. Nor has the G20 produced high levels of compliance with its gender equality commitments. This raises doubts whether the G20 can get the real work done.

CONCLUSIONS

G20 leaders first addressed gender equality at the London Summit in 2009. Since the fifth summit in Seoul in 2010, their attention slowly increased in both size and scope. In London G20 leaders dedicated just 155 words (2.5%) to gender equality. At Seoul they gave 177 words (1.1%). This dropped to the lowest point at the Cannes Summit in 2011 at 52 words (0.4%), but rose at Los Cabos in 2012 to 231 words (1.8%). It rose significantly at St Petersburg in 2013 to 1,015 words (3.5%).

At Brisbane in 2014 it dropped to 305 words (3.3%). Then came a sustained rise to 1,235 words (13.5%) at Antalya in 2015, 1,199 words (7.5%) at Hangzhou in 2016, and a spike to a record of 4,836 words (14%) at Hamburg in 2017. In Buenos Aires in 2018, it plunged to 676 words (8%), offering an opportunity for the 2019 Osaka Summit to restore the rise.

COMMITMENTS

This recent rise in G20 summit conclusions on gender equality did not extend to the number of commitments the leaders made.

From 2008 to 2018, G20 summits made 43 commitments on gender equality. The first two came at Los Cabos in 2012 and an additional four at Brisbane in 2014. Antalya in 2015 had none but produced four with gender as a component related to other goals. Hangzhou in 2016 had no core but eight gender equality-related ones. Standing out was the strong surge at the Hamburg Summit hosted by German chancellor Angela Merkel in 2017, with a record 30 core gender equality commitments and 14 related ones. However, at Buenos Aires in 2018 they dropped significantly with only one core commitment and seven related ones.

COMPLIANCE

G20 members' compliance with these commitments has been low. The G20 Research Group has assessed seven core gender equality commitments and nine related ones for compliance. Compliance averaged 60%, much below the G20's average of 71%. Core gender equality commitments averaged slightly higher compliance at 63% than the gender-related compliance of 56%.

Between 2008 and 2017, across all 16 assessed gender equality commitments, the highest complier was Canada at 81%. It was followed by Australia and Korea at 68%. The lowest compliers were South Africa at 34% and Mexico at 36%. Summit hosts for 2019 Japan and for 2020 Saudi Arabia have left room for improvement with averages of 49% and 61% respectively.

CAUSES

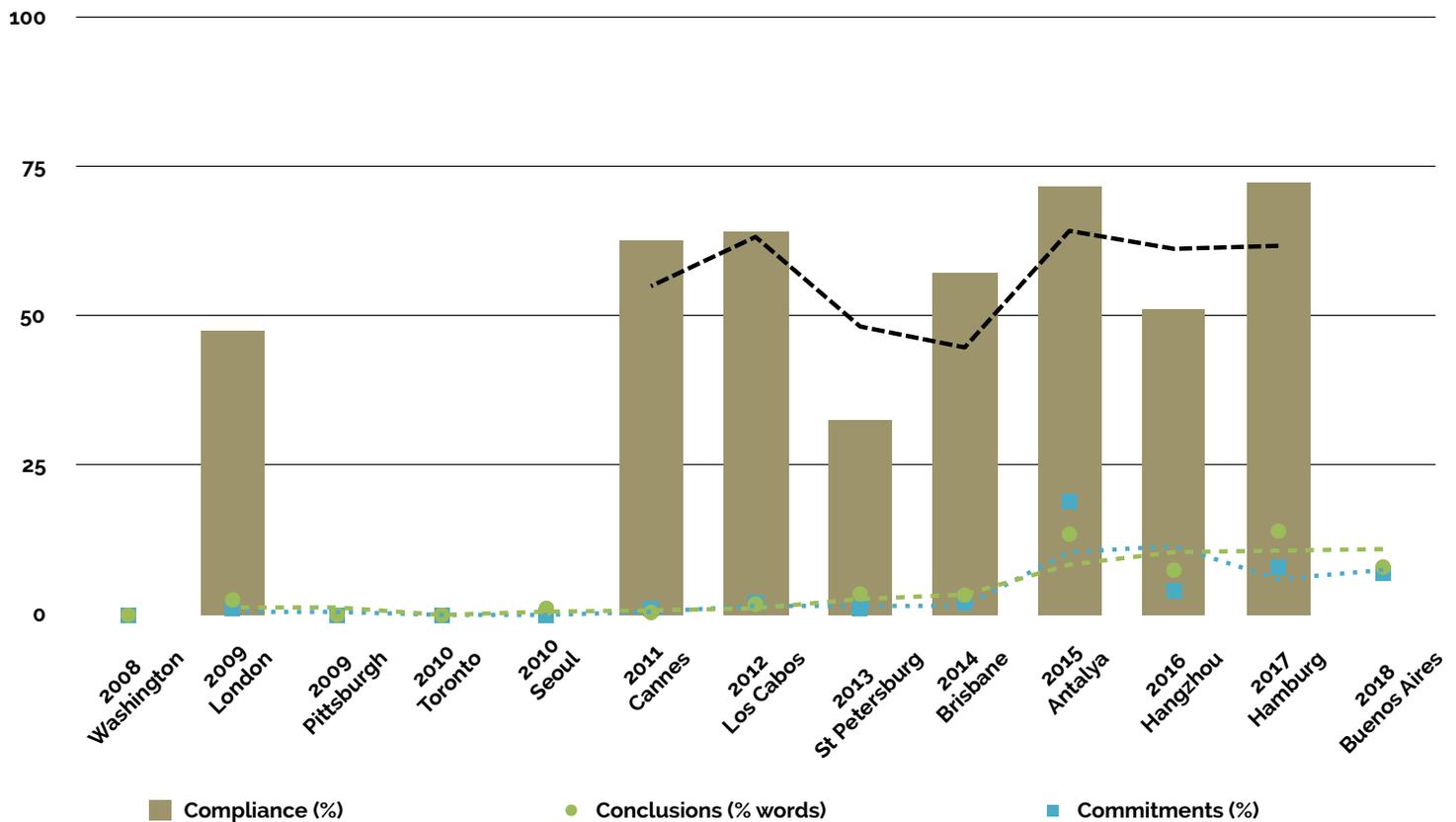
Higher G20 compliance on gender equality coincides with summits where more commitments on this subject were made. The summits with more commitments

0.4%
Of words were
dedicated to gender
equality in 2011

14%
Of words were
dedicated to the
topic in 2017

8%
Of words were
dedicated at the
2018 G20 Summit

Compliance on gender equality 2008–18



averaged compliance of 63% while those with fewer averaged 48%.

The number of catalysts, which are embedded in the commitment text and provide direction for implementation, in a commitment has little effect on compliance. Eight assessed commitments contained at least one catalyst. They averaged 59% compliance, compared to 57% for the other eight commitments that contained none.

However, specific catalysts seem to coincide with higher compliance. The two commitments with the highest compliance contained a reference to a specific target, a multi-year timeline, a past summit, a remit mandate or self-monitoring processes.

CORRECTIONS

At the Osaka Summit leaders should make many commitments on gender equality. They should pay close attention to the way that they structure their commitments. They should consider setting a specific target and multi-year timeline to achieve greater compliance success. This bodes well for the G20's historic commitment at Brisbane in 2014 to reduce the labour force participation gap by 25% by 2025 – a commitment which contained both. They should also consider adding, for the first time, a transparent, self-reporting mechanism for this 25 by 25 commitment.



Furthermore, evidence suggests that holding G20 ministerial meetings on a specific subject both before and after the summit helps improve compliance.

There has yet to be a G20 meeting for ministers responsible for improving gender equality. This may partially explain the G20's much lower average compliance with gender commitments, compared to those on macroeconomic and financial regulation where G20 finance ministers have met frequently each year since the G20 summit's start.

JULIA KULIK

Director of research,
G20 Research Group

Julia Kulik is director of research for the G20 Research Group as well as for the G7 and BRICS Research Groups and the Global Health Diplomacy Program, all based at the Munk School of Global Affairs and Public Policy at Trinity College in the University of Toronto. She has written on G20, G7 and BRICS performance, particularly on the issues of gender equality and regional security. Kulik leads the groups' work on gender, women's health, regional security and summit performance.

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Tackling the hidden inequalities

In 2019, G20 members have the opportunity to take life-changing action for women and girls by addressing the remaining gaps that constrain their equal access to social protection systems, public services and sustainable infrastructure, as agreed by the largest United Nations gathering on gender equality, the Commission on the Status of Women, in March this year.

Many countries have already made significant progress. More girls are in school today than ever before and more countries have achieved gender parity in school enrollment. Access to essential health services has improved, with global rates of childbirth with a skilled health professional present up from 61% in 2000 to 79% in 2016. Over the past decade, 131 countries have adopted 274 reforms to laws and regulations supporting gender equality. In low- and middle-income countries 80% of women now use or access a mobile phone, and 48% of women in those countries now use mobile internet.

But these gains are fragile, and we are seeing them reverse. The gender digital divide persists, even as opportunities for women to own digital assets increases. There are 390 million women in low- and middle-income countries who remain unconnected, and 184 million fewer women than men own a mobile. There are 2.1 billion people without safe water at home, and 132 million girls worldwide between ages six and 17 who are out of school. On average, globally, women still have only three-quarters of the legal rights of men. More than one billion have no recourse against violence or are restricted in their education or employment – what is now being called ‘economic violence’.

The deficits are an opportunity drain. They reflect deep remaining inequalities – and cost lives. Every day, approximately 830 women die from preventable causes related to pregnancy and childbirth; 99% of them are women in developing countries. Their deaths link inextricably to poverty and lack of services and infrastructure.

Phumzile Mlambo-Ngcuka, UN under-secretary-general and executive director of UN Women, says governments must commit to investing in social protection and public services for women and girls – and that there is no room for half measures



PHUMZILE MLAMBO-NGCUKA

Executive director, UN Women

Phumzile Mlambo-Ngcuka has been United Nations under secretary-general and executive director of UN Women since 2013. From 2005 to 2008, she served as deputy president of South Africa. Prior to that she served as South Africa's minister of minerals and energy and deputy minister in the Department of Trade and Industry. She is the founder of the Umlambo Foundation, which supports leadership and education.

🐦 @phumzileunwomen 🌐 www.unwomen.org

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The deficits are an opportunity drain. They reflect deep remaining inequalities – and cost lives”



This picture reinforces the integral connection between gender equality and progress – and underlines the inverse cost of the status quo. We must focus on making transformative change that lasts, and that can withstand political climates that may be uncondusive to human rights and women’s rights. Well-coordinated and integrated public services, infrastructure and social protection that reach deep into the population, especially finding the poorest, the young and old and the most in need, can give us that leap ahead – and keep us ahead.

Universal social protection has already been endorsed by all G20 members as an integral aspect of the 2030 Agenda and a component of several of the Sustainable Development Goals. But currently 71% of the world’s population has only partial or no access to its transformative benefits. This is an obvious and essential gap to close.

As well as investment in gender-responsive social protection, we know that public services and sustainable infrastructure are critical to free up women’s time, support their mobility, strengthen their resilience to shocks, and enhance their access to economic opportunities and outcomes in the world of work. These public goods are what so many women want and need.

For example, in G20 countries, a recent survey of more than 9,500 women at work found nearly half

830

Women die every day from preventable issues in pregnancy and childbirth

274

New laws have been implemented to support gender equality

40%

Of surveyed women said the gender pay gap is a critical issue

(44%) identified work-life balance as the top priority, with many women noting the toll taken by jobs that require flexibility and long hours. Of these women, 40% see the gender pay gap as a critical issue.

In 2018, G20 leaders reaffirmed their 2014 commitment to reduce the gender gap in labour force participation rates by 25% by 2025. Globally, women continue to do 71% of unpaid care and domestic work. Work-life balance must be addressed through such measures as access to quality and affordable care infrastructure and parental leave.

G20 leaders have also committed to reducing the gender pay gap; ending all forms of discrimination against women and girls; developing women and girls’ digital skills and increasing their participation in science, technology, engineering and mathematics; and promoting women in leadership and decision-making positions.

The governments of the G20, as rotating members of the Commission on the Status of Women, have recently agreed on the many ways in which dramatic progress can be achieved. I urge G20 leaders not only to recommit to these, but also to fund and carry out their commitments to these practical steps, engaging women in the development of the solutions, so that we can prevent the exacerbation of inequality, and fast-track inclusive economic growth and fair and sustainable development for all. 





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RIXOS \ ONEFINESTAY \ MANTIS \ MALLERY \ ZIC \ ART SERIES \ MONDRIAN \ PULLMAN \ SWISSÔTEL \ ANGSANA
25HOURS \ HYDE \ MÖVENPICK \ GRAND MERCURE \ PEPPERS \ THE SEBEL \ MANTRA \ NOVOTEL \ MERCURE \ ADACIO
MAMA SHELTER \ TRIBE \ BREAKFREE \ IBIS \ IBIS STYLES \ IBIS BUDGET \ JO&JOE \ HOTELPI

Paola Subacchi, founding director of Essential Economics, and research assistant Holly Lewis-Frayne call on the W20 to closely monitor attainment of the 25 by 25 commitment to continue the promotion of diversity



The evolution and effectiveness of the W20

Gender inequality is an unfortunate and persistent fact in all countries – including the G20 states. This inequality extends much further than the domestic household domain; it taints the distribution of resources such as education, legal arrangements and the labour market. The exclusion of many women from the formal economy has a negative impact on productivity growth and overall economic activity. This information is not new. Indeed, it is something that many have long been aware of. Yet until fairly recently the gender gap was considered to be a marginal issue for economic governance and one best dealt with at the national level. When

the Women 20 was founded in 2015, it marked a turning point: it brought the issue of inclusion to the forefront of the dialogue and solidified a shift from gender-neutral to gender-responsive international economic governance.

The W20 is an official G20 engagement group, made up of a transnational network of women's organisations, entrepreneurs, academics, think tanks and members of civil society. It was founded on the grounds that progress towards gender equality had been too slow and too peripheral and that domestic policies needed to be coordinated into an international strategy for any visible improvements to occur. The W20 aims to promote women's

economic empowerment as an essential part of the G20 process. As such, it must make concrete policy recommendations that have a measurable impact and provide feedback on the G20's previous actions.

The general policy focus of the W20 has been on empowering women by assessing access to education and skills, representation within leadership roles (especially those within the G20 process), and on implementing quotas to help close the gap. More specifically, it also aims to achieve its goal by focusing on women entrepreneurs and providing more comprehensive measurements of economic activity. The former entails the removal of discriminatory barriers, tax incentives and access to credit; and the latter entails including the contribution of unpaid domestic and care work in gross domestic product.

The success of G20 engagement groups is typically assessed against a variety of criteria. They include whether the group is perceived as legitimate; the access that it has to G20 officials and ministers, especially those in the finance track; the influence that it has over G20 agreements; and the quality and use of its outputs, such as reports and scorecards that rate G20 commitments against their intended targets.

To some extent the W20 has been a success, as it has earned itself a credible status and extended the agenda of the G20 to include gender equality. Gender-responsive governance is now a feature of international economics; the gender gap and women's economic empowerment have been prominent features at the annual World Economic Forum meeting in Davos and the spring and annual meetings of the International Monetary Fund and the World Bank in recent years. The W20's biggest achievements build on the G20's 25 by 25 commitment made at the 2014 Brisbane Summit, according to which each G20 member aims to increase the participation of women in the formal labour market by 25% by 2025, and the Women Entrepreneurs Finance Initiative (We-Fi), a World Bank Group partnership that was established at the 2017 Hamburg Summit with the purpose of providing billions of dollars to women-led small and medium-sized enterprises in developing countries.

It is these successes, however, that highlight exactly where the W20 has not fared so well. Visibility has been gained and commitments have been made – but this is yet to be translated into strong and influential policy action. Indeed, the 25 by 25 commitment stands alone as the only measurable target and here limited progress has actually been made. As for the We-Fi, it lacks a shared roadmap and has not even received the commitment of all G20 members.

The W20 is constrained by several factors, such as limited financial backing and resources, and a constrained organisational structure that lacks a permanent secretariat. Consequently, the W20 has not been able to produce research at the cutting edge of the policy dialogue. In addition, despite having run through five G20 chairs – Turkey, China, Germany, Argentina and Japan – many W20

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The general policy focus of the W20 has been on empowering women by assessing access to education and skills, representation within leadership roles (especially those within the G20 process), and on implementing quotas to help close the gap”

delegates are still unfamiliar with the G20 process and hence find it difficult to relate to the G20 agenda. In order to push further towards its goals, the W20 needs to monitor the 25 by 25 and We-Fi outcomes over the coming years and hold G20 members accountable. This can be done by promoting discussion, collecting comparable figures and issuing evaluative annual reports. Unless there are more structural and monitored policy reforms at the G20 level, the issue of women's economic empowerment will ultimately remain a peripheral issue. 

PAOLA SUBACCHI

Economist, Queen Mary University of London Global Policy Institute, and founding director Essential Economics

Paola Subacchi is an economist, writer and commentator on the functioning and governance of the international and monetary system. She is a professor in international economics at Queen Mary University London, a visiting professor at the University of Bologna, non-executive director of a number of investment trusts and the founding director of Essential Economics (e-economics.com). Her latest book, *The People's Money: How China Is Building a Global Currency*, was published by Columbia University Press.

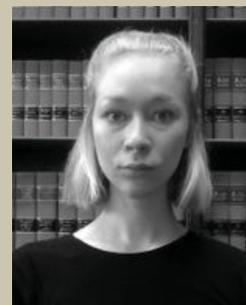
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HOLLY LEWIS-FRAYNE

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Holly Lewis-Frayne is a research assistant at Essential Economics (e-economics.com). Her formal background is in philosophy, which she has studied at the University of Glasgow and University College London.



WHAT IS THE W20 AND HOW DOES IT FUNCTION?

One of the G20's official engagement groups, the Women's 20 can affect the shape of the new global economic order.

After the G20 leaders agreed to the 25 by 25 commitment at the 2014 Brisbane Summit – a pledge to reduce the gap in women's labour force participation by 25% by 2025 – W20 summits were established (see box) with five held to date.

The W20 is composed of delegates representing the G20's 19 countries and the European Union. Together, they decide on a process of building a consensus on the content of their communiqué and its recommendations, which they hand to the G20's presidency. Several international organisations

and institutions support the W20 as knowledge partners throughout the course of formulating its communiqué.

Building a consensus is a multi-layered process, particularly for the country that holds the presidency. It involves national dialogues to collect the voices of women with varying backgrounds in each member in ways that reflect their voices in the politically high-level document produced by the W20. Before and after the communiqué is handed over to the G20 host leader, lobbying by W20 members of their governments – particularly through the sherpa as the personal representative of each G20 leader – is indispensable in an effort for W20 recommendations to be reflected in the G20 summit declaration.

Japan's W20 summit was held in Tokyo on 22 – 24 March, simultaneously with the fifth World Assembly of Women, hosted by the Japanese government. The co-chairs of W20 Japan presented the W20 communiqué to the prime minister, Shinzo Abe.

THE FOCUS OF JAPAN'S COMMUNIQUÉ

The W20's initial target was to achieve the 25 by 25 commitment adopted at the Brisbane Summit. Digital and finance have been added in recent years and, along with labour inclusion, have become the pillars of the communiqué. A fourth pillar has been added, which reflects an issue of importance for the host country.

YORIKO MEGURO, PHD

Co-chair, W20 Japan 2019

Yoriko Meguro, professor emeritus of sociology at Sophia University, is a prominent influencer in gender studies in Japan. She has served as the representative of Japan to the United Nations Commission on the Status of Women and president of the Women's Affairs Council of the Tokyo Metropolitan Government. She is the author of many publications and articles on contemporary family issues, the role of women in family and society, and on women's empowerment and development.

w20japan.org

For 2019, Japan proposed upgrading the W20's target for implementation from inclusion to equity. Inclusion allows participation but implies a presumed gender relationship that does not promote rapid change in gender roles and norms. Another element is the introduction of governance as the fourth pillar as a concept that intersects with the other three pillars. Instituting an effective monitoring process is crucial for holding G20 leaders accountable to the W20 communiqué and for accelerating change.

RECOMMENDATIONS TO THE G20

W20 Japan's first recommendation is that G20 labour and employment ministers present a mid-term report on the 2014 Brisbane 25 by 25 commitment at Saudi Arabia's G20 summit in 2020.

These ministers are more likely able to make public what their country has done and plans to do, rather than their leader, who would report a general statement. This comprehensive recommendation contains factors that cause gender gaps in life sectors other than just the economic sector, including investing public funds in a quality, accessible and affordable care infrastructure for children and the elderly; promoting life-long learning and education on gender equality; and ending all forms of violence against women and girls in

Closing the gender gap for new prosperity

Yoriko Meguro, co-chair of the W20 Japan 2019, outlines how the organisation is supporting women to forge their path through a new global economic order

W20 Summits

- 2015 Istanbul
- 2016 Xian
- 2017 Berlin
- 2018 Buenos Aires
- 2019 Tokyo

“ The W20 also recommended ensuring financial inclusion, promoting women’s entrepreneurship and accelerating access to investment and markets -also relevant to life-long learning”

the public and private spheres, including social media.

Another recommendation is to close the digital gender gap and ensure that women can exercise their digital rights. This is connected to promoting life-long learning and to ending all forms of gender-based violence.

The W20 also recommended ensuring financial inclusion, promoting women’s entrepreneurship and accelerating access to investment and markets – also relevant to life-long learning. Another W20 recommendation is to establish effective and transparent governance and accountability mechanisms for achieving gender equality.

ADDED VALUE IN 2019

Over the years since its first summit, the W20 has engaged in extensive discussions and accumulated many recommendations on crucial policies that need to be gender-mainstreamed within the framework of the G20.

Under Japan’s initiative, the 2019 recommendations focus on implementing the policies recommended by the W20 and adopted by the G20. In building a consensus on the communiqué, the W20 set up a task force to promote implementation using key performance indicators and another on the governance of W20. This work is still underway, with the outcomes due in the fall. 

G20 performance on

health

Brittaney Warren, director of compliance for the G20 Research Group, highlights the commitments required by G20 leaders to boost progress towards universal health coverage

Health will be a prominent subject at the G20 Osaka Summit.

Following the initiative of the German presidency in 2017, Japan will host a post-summit health ministerial meeting in Okayama and, for the first time, G20 health ministers will meet with their finance colleagues on the sidelines of their leaders' summit at Osaka. At all three gatherings, universal health coverage will be a key focus. With a human-centred future society, inspired by Japan's innovative Society 5.0 development plan serving as the overarching theme of the Osaka Summit, how digitisation can improve health will likely feature too.

Given the importance of health to all individuals' ability to live productive, meaningful and long lives, the G20's performance on health matters for everyone on the planet now and in the coming years.

CONCLUSIONS

The G20 has addressed health since its first summit in Washington DC in 2008. Its health agenda has risen in importance and broadened, although with many spikes and dips along the way.

At Washington, G20 leaders identified "disease" as a "critical challenge", along

with climate change and food security, in 118 words. The 2009 London Summit saw a 50% drop to only 59 words on health. There was a steep rise to 284 words at the Pittsburgh Summit later that year. Another swing followed in 2010, with a dip to 139 words at Toronto and then a rise to 634 words at Seoul. Attention declined to 470 words at Cannes in 2011 and 250 words at Los Cabos in 2012. A big jump to 1,340 words came at the 2013 St Petersburg Summit. Brisbane in 2014 produced 769 words. Antalya in 2015 declined to 481 words and Hangzhou in 2016 to 234 words. There was then a sharp rise to 707 words at the 2017 Hamburg Summit, with a final drop to 316 words at the 2018 Buenos Aires Summit.

COMMITMENTS

From 2008 to 2018, the G20 made 61 collective, politically binding, future-oriented commitments on health. The first came at Brisbane in 2014. Here G20 leaders made 33 commitments, all on the Ebola outbreak. Antalya in 2015 made two, on health systems strengthening. Hangzhou in 2016 made three, on anti-microbial resistance. The 2017 Hamburg Summit made 19. Of these, 11 were on AMR, seven on health systems strengthening and one on polio. The 2018 Buenos Aires Summit made four: one each

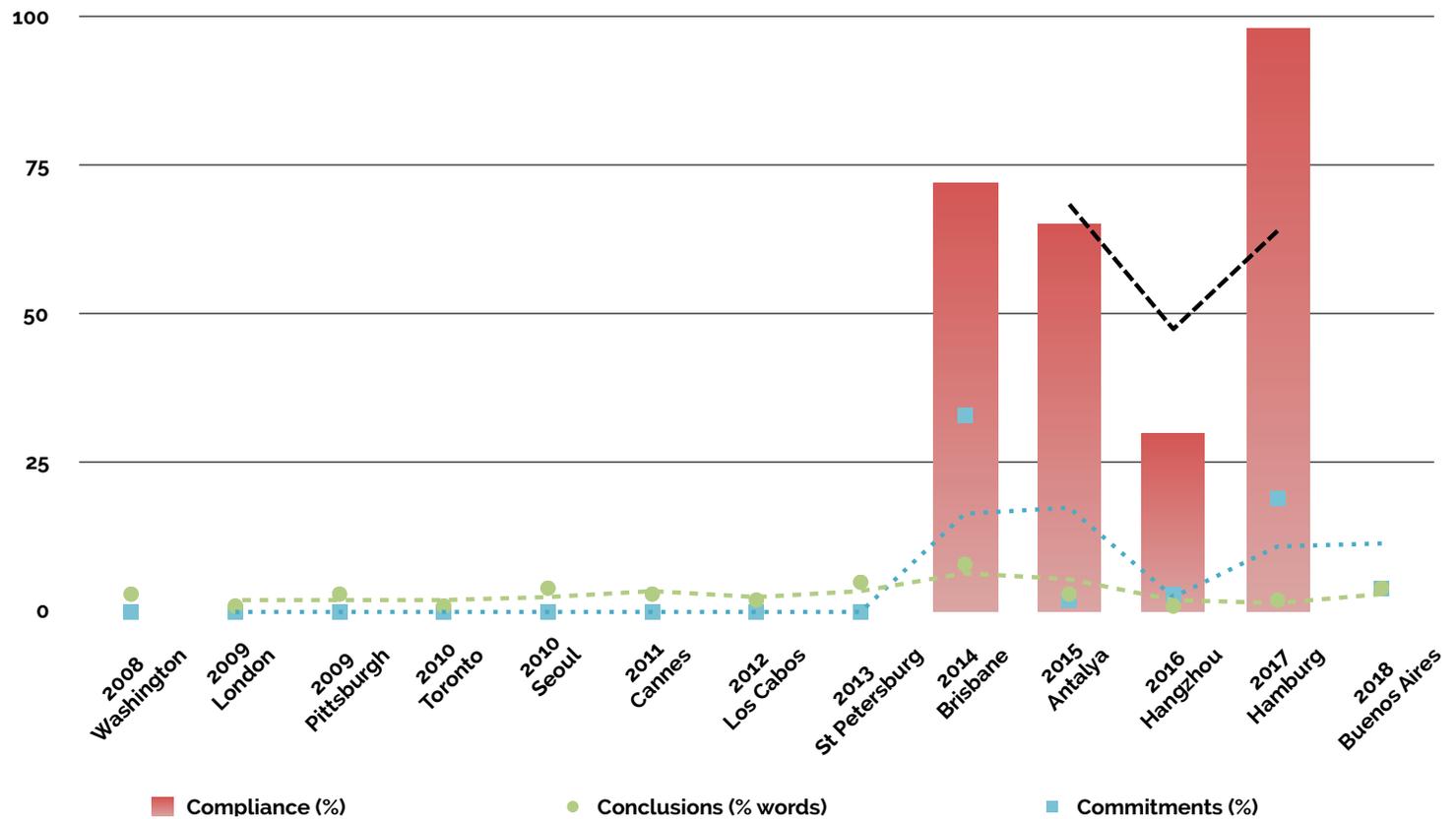
on obesity; health systems strengthening; universal health coverage; and the Global Fund for AIDS, Tuberculosis, and Malaria. The G20 has also made other commitments related to health, including on air pollution and the link between plastics and health.

COMPLIANCE

The G20 Research Group has assessed eight of the 61 core health commitments for members' compliance with them. They averaged 71% compliance. This is on par with the G20's average compliance across all subjects. Of the four assessed health commitments from the 2014 Brisbane Summit, the three on Ebola averaged compliance of 63% and the one on AMR had 98%. The two assessed commitments from the 2015 Antalya Summit averaged 65%. The one from the 2016 Hangzhou Summit, on AMR, had compliance of only 30%. The one from the 2017 Hamburg Summit, on strengthening healthcare systems, had 98%.

Compliance was led by the United Kingdom and the United States with 100% and 94%, respectively. They were followed closely by the European Union, Germany and Canada with 88% each. Then came France, Japan and Australia, each with 82%, China and South Africa with 75%

Compliance on health commitments 2008–18



each, Russia and India with 69% each, and Korea, Saudi Arabia and Brazil with 63% each. At the bottom were Turkey and Italy with 57% each, and Mexico and Argentina with 38% each.

CORRECTIONS

Although the G20 has complied with its health commitments moderately well, substantial improvements can and should be made. It can use accountability measures that are in the leaders' direct control. Research shows that, on some issues, holding a pre-ministerial meeting correlates with a higher number of commitments, which in turn correlates with higher

compliance. At the four summits where the G20 made health commitments, the two that made the most had significantly higher health compliance, of 87%, compared with the two summits with the lowest number of commitments, which had compliance of only 48%.

Linking health to other subjects, such as environmental pollution, could also help improve compliance.

Indeed, compliance with the somewhat similar 2018 G7 environment ministers' commitment linking air pollution with health had the highest compliance (75%) of the three priority commitments assessed from that meeting. 



BRITTANEY WARREN

Director of compliance and lead researcher on climate change, G20 Research Group

Brittaney Warren is director of compliance and lead researcher on climate change for the G20 Research Group, the G7 Research Group and the BRICS Research Group at the Munk School of Global Affairs and Public Policy at Trinity College in the University of Toronto. She has published on accountability measures in summit commitments, the G20 and G7's compliance and governance of climate change, and the G20's governance of digitalisation. She has worked in Spain and Peru and is currently working towards a master's degree in environmental studies at York University.

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Healthy systems

In pursuit of universal health coverage, Tedros Adhanom Ghebreyesus, director-general, World Health Organization, calls for effective systems to address health issues arising from climate change and misinformation – all while providing for ageing populations

Mahatma Gandhi said that, “It is health that is real wealth, and not pieces of gold and silver.”

Health is the most precious commodity on earth. With good health, individuals, communities and nations flourish. Without it, productivity and economic growth stall, exclusion and inequality grow, and dreams die.

The Sustainable Development Goals represent an ambitious vision of the healthier, safer, fairer world

we all want. Health is represented predominantly – but not solely – in SDG 3, which exhorts countries to “ensure healthy lives and promote well-being for all at all ages”.

It targets all countries achieving universal health coverage by 2030. When all people can access the health services they need without experiencing financial hardship, the foundation is laid to achieve all the other targets on reducing specific causes of death and disease.

Universal health coverage is also the best defence against outbreaks and other health emergencies. The current Ebola outbreak in the Democratic Republic of the Congo demonstrates how weak health systems can spread disease.

But it also shows that health security is not just a health issue. We know how to stop Ebola, but insecurity and widespread mistrust undermine our efforts to reach people with vaccination, treatment, and infection prevention and control messages.

This underlines a key feature of the SDGs: they are integrated and indivisible. None can be fully realised without the others. Just as we cannot end Ebola without improving security, so achieving the SDG health goal will either contribute to or depend on achieving almost all the other goals.

THE ENVIRONMENT LINK

Health and well-being for all cannot be achieved without addressing climate change. The combustion of fossil fuels, a main driver of climate change, means that more than 90% of the world's urban population now breathes harmful air, causing more than four million deaths annually. Air pollution is also expensive: the health impact exceeds 4% of global gross domestic product.

More frequent and intense storms and floods will also increase the transmission of infectious diseases and affect food security. People in small island developing states and least-developed countries are at greatest risk, although they are the least responsible for climate change.

Anti-microbial resistance also knows no borders, and no single country or agency can solve it. Only a global, one health approach can bring about the multisectoral, integrated action required to meet this growing, complex danger to humans, animals and agriculture.

Rapidly ageing populations pose special challenges to many countries. Seven in 10 people over age 60 live in G20 countries. As people live longer, it is critical to be able to meet their health needs so that long lives can also be healthy and fulfilling. But we must see ageing as an opportunity, not a challenge.

Although all these issues present as health challenges, none can be adequately addressed by ministries of health alone or by a single United Nations agency. All require a coordinated, multisectoral response.

So the World Health Organization has joined forces with 11 other partners to develop the Global Action Plan for Healthy Lives and Well-Being for All, a coordinated strategy to leverage the reach, experience and expertise of the global health community to accelerate progress towards SDG 3.

This year, the G20 can play key leadership roles in each of these areas.

First, many G20 countries are standard bearers for universal health coverage, while others are in the vanguard of a new wave of countries making bold strides towards it. The attendance of G20 leaders



TEDROS ADHANOM GHEBREYESUS

Director-general, World Health Organization

Tedros Adhanom Ghebreyesus was elected director-general of the World Health Organization in May 2017, and was the first person from the WHO African Region to serve as WHO's chief technical and administrative officer. He served as Ethiopia's minister of foreign affairs from 2012 to 2016 and minister of health from 2005 to 2012. He was elected chair of the Global Fund to Fight AIDS, Tuberculosis and Malaria Board in 2009, and previously chaired the Roll Back Malaria Partnership Board. He also co-chaired the Partnership for Maternal, Newborn and Child Health Board.

[@DrTedros](#) www.who.int

at the High-Level Meeting on Universal Health Coverage this September would be a strong statement of that leadership.

Second, as the largest contributors to climate change, G20 countries are uniquely placed to lead a clean energy revolution that will pay enormous dividends for both development and health.

Third, we call on the G20 to invest in global health security, through the UN's Central Emergency Response Fund and the World Bank's Pandemic Emergency Financing Facility. A minimum operating balance for WHO's Contingency Fund for Emergencies is critical to ensure that WHO can always act early in an emergency.

Fourth, with respect to AMR, we urge the G20 to support the Tripartite Multi-Partner Trust Fund so critical activities, such as national action plans, surveillance and limiting anti-microbials used for growth promotion in animals raised for food, can be implemented in priority countries.

Fifth, the G20 can lead on the challenges and opportunities of ageing populations by supporting the Decade of Healthy Ageing from 2020 to 2030, so we meet the health needs of older people while benefiting from their decades of experience and knowledge.

Strong G20 support for each of these urgent global health issues could not only transform the health of billions of people, but also drive progress towards a more sustainable and prosperous future – for everyone. 

Primary care: the first step to UHC

Following on from the Declaration of Astana, UNICEF executive director Henrietta H. Fore urges leaders to position primary health care as the foundation of their universal health coverage policy



Today, by every measure, the world is a healthier place than at any time in history. Life expectancy has grown and the rate of young child mortality has fallen by almost 60% since 1990. Child malnutrition is also declining, and new technology has improved the detection and treatment of many diseases.

But as we mark this progress, we must also face a difficult fact: for hundreds of millions of people, good health remains a distant dream. The stubborn barriers of distance, poverty and discrimination deny them access to the preventive and curative health care they need. In many countries, high out-of-pocket costs also prevent access to services. These barriers exact a heavy toll on the efforts of low- and middle-income

countries to shape a healthier, more equitable future for their citizens.

Consider especially the effect on children, whose health in early life can determine not only their future well-being and prospects, but also the prosperity and security of their communities. Poor countries, in particular, cannot afford to condemn large segments of their child populations to poor health and limited opportunities to fulfil their potential. Investing in the health of every child is the surest means to build the human capital that every society needs to prosper.

But without affordable and equitable care through universal health coverage, the healthier and fairer world envisioned by the Sustainable Development Goals will remain out of reach.

\$1
Invested in stunted
reduction can generate
\$11 in returns

10:1
Return on investment
on community health
workers

\$417 bn
In economic benefits can be
raised through interventions

We can avert this failure by ensuring access to effective, quality primary health care for all members of every society.

This means providing primary care and population health services near where people live and work. Such services are not only more convenient – they also promote demand for and participation in the design and delivery of health care among beneficiary communities.

When we increase access to quality health care, we improve the health status of entire communities throughout people's lives. This includes through safe maternal care, vaccinations for children, HIV treatment, prevention of severe acute malnutrition, confidential services for adolescents and early child development support.

But along with these benefits of community-based primary health care to individuals, we also recognise the benefits to entire economies.

For example, the World Bank estimates that scaling up community-based nutrition-specific interventions would generate about \$417 billion in economic benefits – and that every \$1 invested in stunting reduction generates \$11 in economic returns. The World Health Organization estimates that increasing the availability of community health workers can yield a 10-to-one return on investment through future health costs averted and less dependence on social assistance.

But these human and economic benefits can only be realised if governments make the necessary political and financial commitments.

This year, the World Health Assembly urged members to implement the Declaration of Astana on primary health care.

As leaders gather in Osaka for the G20 meeting, there is no better time to build on this commitment. We call on all G20 members to follow Japan's leadership and prioritise universal health coverage, with primary health care as a foundation.

First, we call on G20 leaders to encourage all countries to ensure public financing of quality, community-based primary health care. This requires not only domestic financing, but also expanded contributions of both resources and technical assistance from donor countries. Throughout, this must include investing in the quality of health care. We cannot accept 'poor care' for 'poor people'.

Second, we call on G20 leaders to expand their partnerships in building primary health care. These partnerships

HENRIETTA H. FORE

Executive director, UNICEF

Henrietta H. Fore became UNICEF's seventh executive director on 1 January 2018. From 2007 to 2009, she was the administrator of the US Agency for International Development, having earlier served as assistant administrator for Asia and assistant administrator for private enterprise. Fore has also served as under secretary of state for management and director of the United States Mint in the US Department of Treasury. Immediately prior to her appointment with UNICEF, Fore was chair of the board and chief executive officer of Holsman International.

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must yield new mechanisms for public and private financing to prioritise training and salaries for community health workers, and better integration of health services so that families can easily access a range of services or referrals in one place.

And third, we call on G20 leaders to underscore their commitment by supporting a range of actions by global health partners, who are aligning around primary health care as a foundation of universal health coverage. Health is a fundamental human right, and one that should never be denied because of geography, distance, poverty or any other barrier.

Across all of these areas, UNICEF stands ready to share our experience and expertise as we translate the promise of universal health coverage into accessible, affordable quality health care for every person, throughout their lives, no matter where they live. 



“ Investing in the health of every child is the surest means to build the human capital that every society needs to prosper”

The emergency on the horizon

When I led the independent *Review on Anti-microbial Resistance* for British prime minister David Cameron from 2014 to 2016, one of the most pleasing aspects of the review was that the topic appeared on the agenda of the G20. Initially there was a very brief mention of anti-microbial resistance under Turkey's presidency in 2015, then most agreeably in some detail under the Chinese G20 hosting in 2016, and then additional references under both the stewardship of Germany in 2017 and Argentina in 2018. I occasionally said after China's Hangzhou Summit that this was a more satisfying achievement than even the high-level agreement that was signed on AMR at the United Nations in September 2016.

But despite all the warm words, especially in Hamburg in 2017, I am now worried that is all this is – words. I once believed that when a topic arrived on the G20 agenda, it did not disappear until some significant policy action followed and some solutions started to arrive. I now worry that I was being far too charitable, based on my recollections of the achievements of G7 leaders (and finance ministers) in the 1980s and '90s, and, of course, the powerful success of the G20 in 2009 under British

Lord Jim O'Neill, chair of Chatham House and vice-chair of the Northern Powerhouse Partnership, calls on the G20 to take the lead on health and prioritise anti-microbial resistance at the Osaka Summit

stewardship after the global financial crisis. I now call on the Japanese leadership to prove me wrong, and to prove that the G20 is serious about health issues, especially AMR.

The AMR review highlighted 10 different areas where changes were needed, with 27 specific recommendations. China's Hangzhou and Germany's Hamburg declarations gave considerable attention to many of the areas. But here we are, nearly three years since the review's final recommendations, and very little action has actually taken place, especially in crucial areas such as the market for new antibiotic drugs, affordable and state-of-the-art diagnostics, and new vaccines.

In a *Financial Times* article on 22 April this year, Jeremy Farrar, CEO of the Wellcome Trust, highlighted the extremely worrying recent developments concerning the early-stage

LORD JIM O'NEILL

Chair, Chatham House

Lord O'Neill is chair of Chatham House and vice chair of the Northern Powerhouse Partnership. Since leaving government in 2015 – having been commercial secretary to the UK Treasury – he moved to the House of Lords. He led an independent review into anti-microbial resistance for British prime minister David Cameron from 2014 to 2016. From 2013 to 2014, he chaired the Cities Growth Commission in the United Kingdom. Jim worked for Goldman Sachs from 1995 until 2013, spending most of his time there as chief economist. Before 1995, he worked for Swiss Bank Corporation, Marine Midland Bank and Bank of America.

 en.shisu.edu.cn



biotech companies working on AMR. This comment followed the news that Achaogen, one of the few notable biopharmaceutical companies, had filed for bankruptcy, having run out of cash to support further advancement of its promising drugs. In fact, its share price, together with that of the other five leading publicly quoted biotech specialists for new drugs, is around \$500 million at the time of writing. This is a pretty damning sign of the confidence that markets have in the actions of the G20 policymakers, as well as the genuine interest of large pharmaceutical companies in finding new useful antibiotics and bringing them to market. What is especially worrying is, since the AMR review's final recommendations in May 2016, one of the few encouraging signs was the rise in new researchers, and the interest of some of these early stage biotech firms. This is now at serious risk. It accompanies the rather more sombre slow exit from the antibiotics business by more large pharmaceutical companies.

In the review's final recommendations, we specifically designed 'push incentives' to help early-stage research and, critically, 'pull incentives' to support the efforts of big pharma. We described our recommendation incentive as market entry

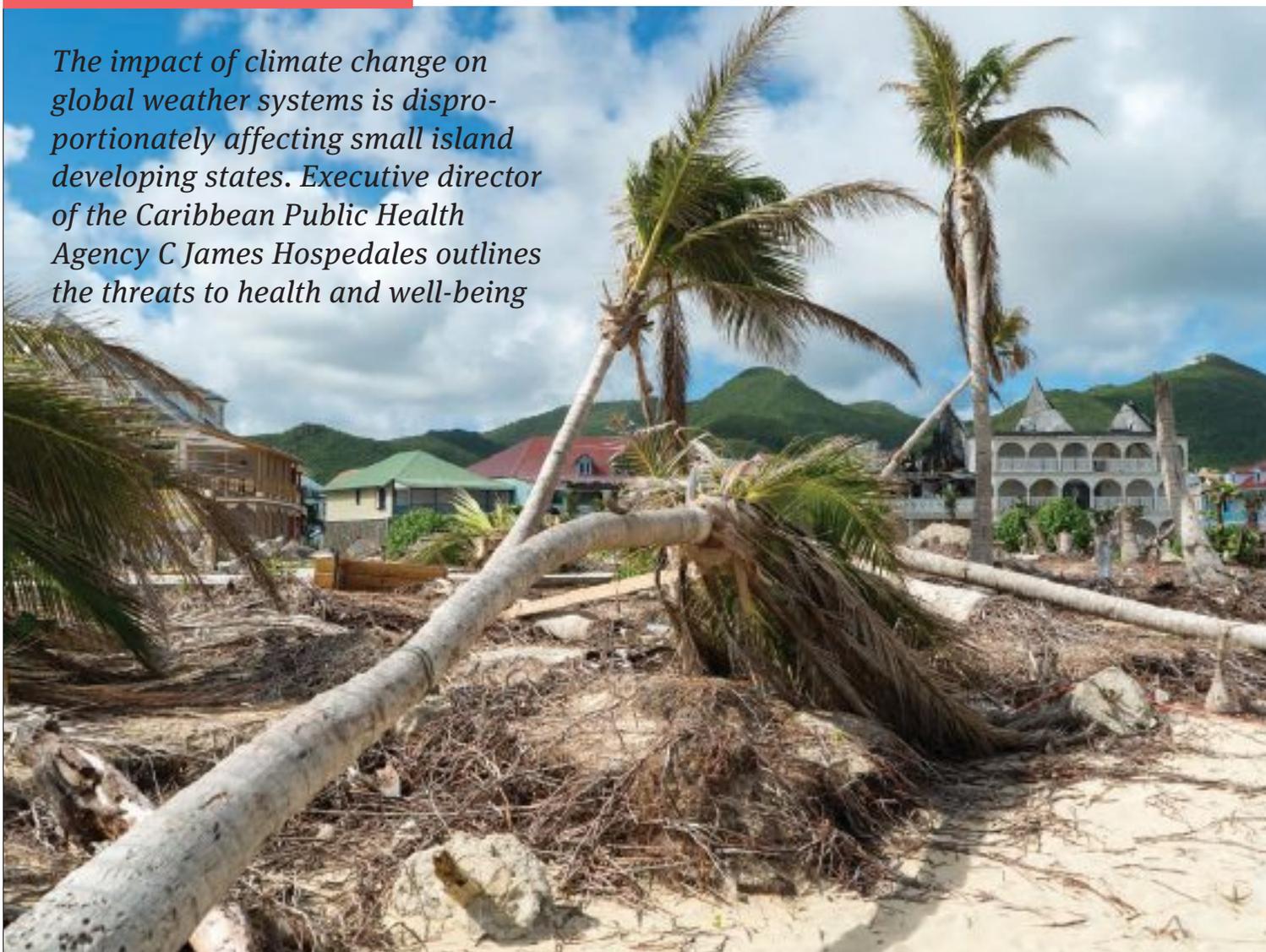
rewards, suggesting a prize of \$1 billion or more for the desired new drugs, especially so-called gram-negative bacteria.

Helpfully, before the 2017 Hamburg Summit, the World Health Organization published a list of suggested urgently needed new drugs. Those would clearly be the ones that beneficiaries would receive the prize if they were successfully developed.

The little academic research published since then has essentially endorsed our market entry reward idea. The leaders at Hamburg appeared to focus on this part of the puzzle by stating they would set up a new drug collaboration centre in Berlin. We had designed our recommendations to support both the ambitions of the biotech world and the costs of the generally reluctant pharmaceutical companies, in order to bring these new drugs to market. Sadly, little has actually happened: no money has followed the words, either from governments or from the pharma companies. The market failure becomes more and more apparent. G20 leaders and other interested policymakers would do well to remember that the AMR review suggested that if nothing is done about reducing over-usage of antibiotics and about finding new useful drugs, by 2050 there could be as many as 10 million people dying every year from AMR-related illnesses, and a huge economic cost would go with it.

So, please G20 leaders, gathering in Osaka for the fifth summit since the AMR Review started and the third since its final recommendations were published, do something! 

The impact of climate change on global weather systems is disproportionately affecting small island developing states. Executive director of the Caribbean Public Health Agency C James Hospedales outlines the threats to health and well-being



Controlling climate change for human health

The world is becoming a dirtier and hotter place. The heat is driven by climate change due to human-made emissions of greenhouse gases. With warming comes more hot days and nights, and increased evaporation of water and precipitation, whether snow or rain. We face an epidemic of unprecedented extreme weather events – hurricanes, floods and droughts – while earthquakes, tsunamis and volcanic eruptions remain at similar levels as in the past.

Climate change affects health directly, for example from heat stress and floods, and indirectly through determinants such as air pollution, water quality and public health infrastructure. Health outcomes result from complex interrelationships between these variables, making the prediction of health outcomes difficult. Existing, precarious societal conditions can be tipped by climate events, as has happened in Venezuela, where drought and insufficient water for the hydroelectric system and dams contributed to the collapse of the electricity supply and spurred climate migration to nearby countries in Latin America and the Caribbean.

In 2017, two of the most devastating hurricanes afflicted the Caribbean. The strongest storm on record

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The SIDS and the Caribbean are under huge threat, but they constitute an ecosystem of countries, institutions and partners with some capacity to achieve resilience”

to exist in the open Atlantic region was Hurricane Irma; the first Category 5 hurricane ever to strike the Leeward Islands was followed two weeks later by Hurricane Maria, which struck Dominica.

Hurricane Maria caused extreme damage to all sectors, including housing, hotel and tourism, ports, roads and bridges, and health facilities. It damaged health determinants, including water and sanitation systems and food distribution. It triggered looting and mental health breakdowns, and increased vulnerability to outbreaks of gastroenteritis and vector-borne diseases in the weeks afterwards. Data from Puerto Rico after Hurricane Maria showed as much as 50 times more excess deaths in the six months after the hurricane, compared to the death toll from the direct injuries and drowning.

The Caribbean Public Health Agency is advocating for attention and resources to address the threat of climate change, and to provide immediate response and recovery support along with the Caribbean Disaster and Emergency Management Agency.

61%

Of all climate-related storms between 1966 and 2015 occurred in the Caribbean

CARPHA prepared the *State of Public Health Report 2018: Climate Change and Health in the Caribbean*, with input from the Caribbean Community Climate Change Center, the Caribbean Institute of Meteorology and Hydrology, and the University of the West Indies. Resources were mobilised from the European Union and others to combat Zika and other mosquito-borne diseases, by building national and regional capacity in all aspects of surveillance, prevention and control.

In October 2018 in Grenada, the Pan American Health Organization/World Health Organization hosted the Third Global Conference on Climate Change and Health, with a focus on small island developing states. The conference developed regional action plans to address health and climate change priorities in SIDS, under the four interlinked components of empowerment, evidence, implementation and resources. The *Special Report on Global Warming of 1.5°C*, released days before the conference, provided added impetus.

Climate change is now a standing agenda item at the meetings of the heads of government of the Caribbean Community. Yet the issues of both health and SIDS are under-represented at international negotiations on climate change and in funding proposals for mitigation and adaptation interventions, making resource allocation and mobilisation priority areas to be addressed in the region.

Globally, between 1966 and 2015, there were 737 climate-related disasters – storms, floods and droughts – in SIDS. Of these, 61% occurred in the Caribbean, as well as 93% of the deaths, 78% of all affected persons, and almost 90% of all damage costs.

The G20 can help by prioritising resource allocations for addressing climate change in SIDS as a litmus test of the international development community, and creating a G20/CARICOM climate and health 2030 initiative to achieve the health and environment Sustainable Development Goals.

Such an initiative would leverage existing investments and might support:

- A region-wide, sustained information campaign on climate and health that empowers people to be more resilient;
- Innovation using traditional and new digital health and social media and technologies including drone transport for public health emergencies;
- Research and integrated analysis of data on climate and health adaptation and mitigation;
- Programmes leveraging the built environment to increase alternative transport, including biking and walking, rapid mass transport, and urban greening;
- Fast track development of climate-resilient health facilities and schools such as the PAHO/WHO smart hospitals initiative.

The SIDS and the Caribbean are under huge threat, but they constitute an ecosystem of countries, institutions and partners with some capacity to achieve resilience. 

C JAMES HOSPEDALES

Executive director, Caribbean Public Health Agency

C James Hospedales was appointed the inaugural executive director of the Caribbean Public Health Agency in 2013. He was previously the coordinator of the Prevention and Control of Chronic Diseases at the Pan American Health Organization. From 1998 to 2006, he was director of the Caribbean Epidemiology Centre. Hospedales was a member of the Caribbean Commission on Health and Development, which made policy recommendations to the heads of government and named chronic diseases as a super-priority for the region.

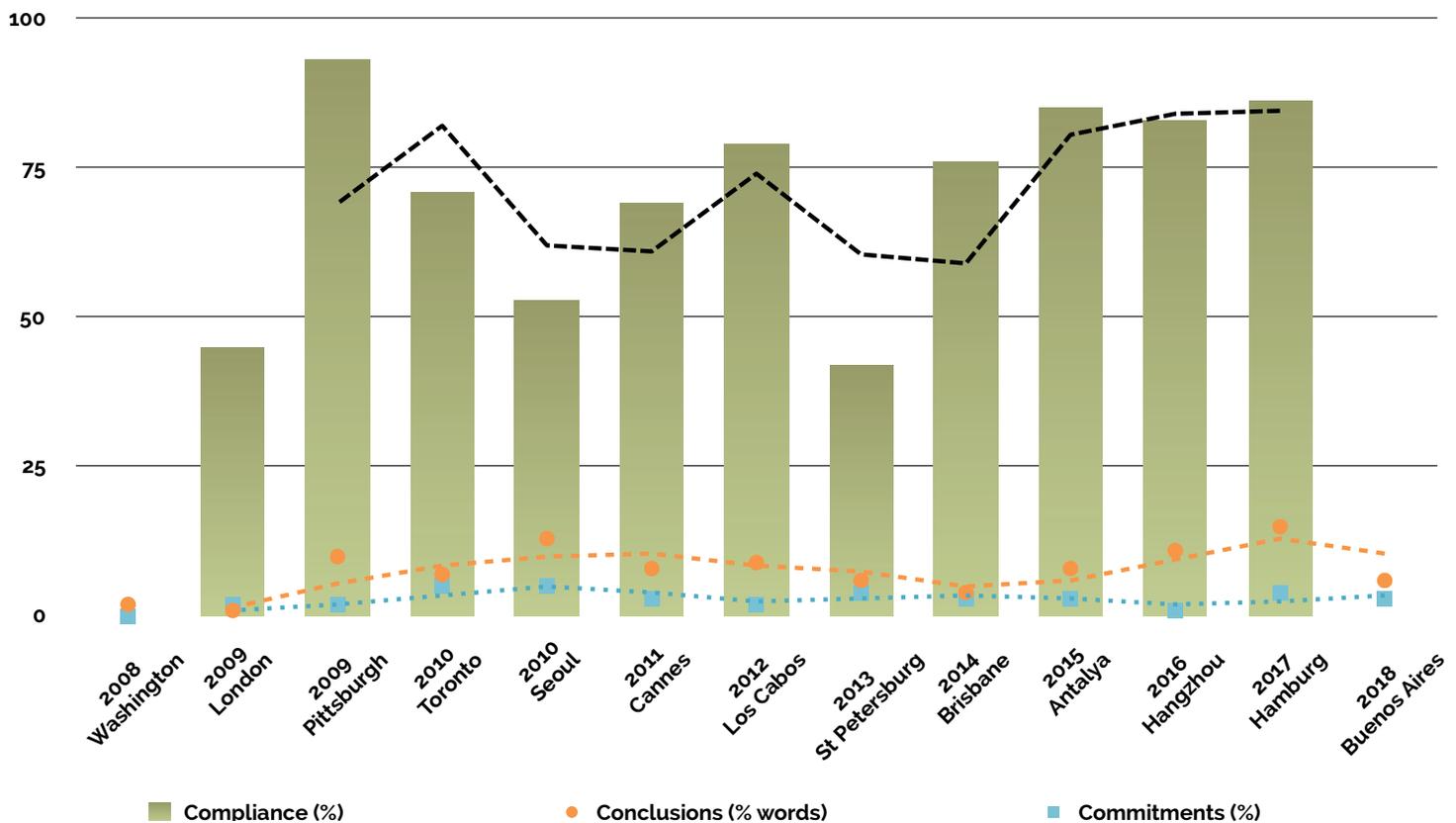


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G20 performance on climate change

Brittaney Warren, the director of compliance and lead researcher on climate change for the G20 Research Group, outlines why the G20 must act on its climate change commitments as a matter of priority

Compliance on climate change commitments 2008–18



The G20 has governed climate change since its first summit in 2008, and will do so again at its Osaka Summit in June. The G20's climate change leadership matters. The group includes the countries that bear both the historic and projected responsibility for the impacts of their emissions, which account for at least 74% of the global total. Yet although G20 members have the technological and financial capacity to respond, the 2018 United Nations *Emissions Gap Report* states that the G20 members are off track to meet their emissions reduction targets. Moreover, not all G20 members have ratified the Paris Agreement. With only 12 years left to transform the economy to avoid the worst impacts of climate change, the G20 must increase its ambition and its compliance to meet the scale of the climate change crisis.

CONCLUSIONS

The G20 first acknowledged that climate change was a serious problem at its 2008 Washington Summit, dedicating 64 words to the subject in its communiqué. It dedicated another 64 words at its next summit, in London in 2009. Attention to climate change then grew, reaching 2,018 words at the 2010 Seoul Summit. Since then, with two exceptions, the climate change word count never fell below 1,000 words. These communiqué conclusions centred on green growth and a green financial recovery from the 2008 US-led global financial crisis, support for the UN Framework Convention on Climate Change and its negotiating process, and the mobilisation of climate finance.

COMMITMENTS

The G20 made 78 collective, politically binding, future-oriented climate change commitments between 2008 and 2018. The first three were made at the 2009 London Summit. It again made three each at the 2009 Pittsburgh and 2010 Toronto summits, and eight each at Seoul in 2010 and Cannes in 2011. Then came a dip to five at Los Cabos in 2012, a rise to 11 at St Petersburg in 2013, and another dip to seven at Brisbane in 2014, falling further to five at Antalya in 2015. Then, at Hangzhou in 2016, came a historic low of two commitments, followed by a historic high of 22 at Hamburg in 2017. At Buenos Aires in 2018, the G20 made three commitments.

COMPLIANCE

These commitments matter only if they are complied with once the leaders go home after the summit ends. The 29 climate change commitments that have been assessed by the G20 Research Group average compliance of 69%. There has been a slight if not steady rise in compliance from 2009 to 2018.

The highest compliance came on the subject of adaptation with 82%, followed by support for the UN climate regime with 77%, green growth with 67%, climate finance with 56% and the ozone layer with 48%.

By member, Germany has the highest compliance at 92%. Following closely are the United Kingdom with 90%, then the European Union, France and Australia at or above 85%, and Canada and Korea with 81% each. In the middle are Mexico with 78%, Japan with 74%, China

BRITTANEY WARREN

Director of compliance and lead researcher on climate change, G20 Research Group



Brittany Warren is director of compliance and lead researcher on climate change for the G20 Research Group, the G7 Research Group and the BRICS Research Group at the Munk School of Global Affairs and Public Policy at Trinity College in the University of Toronto. She has published on accountability measures in summit commitments, the G20 and G7's compliance and governance of climate change, and the G20's governance of digitalisation. She has worked in Spain and Peru. She is currently working towards a master's degree in environmental studies at York University.

🐦 @brittaneywarren 🌐 www.g20.utoronto.ca

74%
Of emissions are produced by G20 members

12
Years remaining to transform the economy

92%
Compliance achieved by Germany, the highest recorded

with 73%, Italy and Indonesia with 66% each, and the United States and India with 62% each. At the bottom are Argentina with 58%, South Africa with 56%, Russia with 45%, Turkey with 35% and Saudi Arabia with 30%.

CORRECTIONS

The G20 does comply with its climate change commitments, but there is a substantial, urgent need for improvement. It can raise its compliance by employing low-cost accountability measures that are in the leaders' direct control. Research shows that holding a same-subject ministerial meeting ahead of the leaders' summit leads to both a higher number of commitments on that subject and higher compliance with them.

Moreover, a higher number of commitments is linked to higher compliance. The top six highest complying summits generated average compliance of 84% and 42 commitments. The bottom five complying summits had average compliance of only 56% and 33 commitments.

Also relevant are catalysts – words or phrases embedded into the text of a commitment that help or hurt compliance. The catalyst of a multi-year timetable has been found to be a strong inhibitor, and the catalyst of a core international organisation has been found to be an enhancer. The G20 can therefore improve its climate change compliance by:

- Holding regular pre-summit environment ministers' meetings, of which none have been held before 2019;
- Making more commitments on climate change;
- Avoiding setting multi-year timetables in the absence of shorter and more immediate deadlines, to ensure the longer-term target is met; and
- Strengthening ambition and support for the UNFCCC regime as the core international institution on climate change, which includes encouraging all members to ratify the Paris Agreement. 🌐

The time is now



Joyce Msuya, acting executive director of the United Nations Environment Programme, says that it is time to move beyond pledging and politicking, so the G20 can lead the fight on climate action

An old African proverb says, “Because the river chose to flow alone, it got bent on its way.”

This proverb symbolises the challenge in addressing the existential crisis of our times: climate change. Without the G20’s leadership, we do not stand a fighting chance of limiting warming to 1.5°C.

Science is clear on why we have no other option. According to the Intergovernmental Panel on Climate Change, we need to quickly and drastically reduce our climate-warming emissions. UN Environment’s *Emissions Gap Report* shows just how much we need to step up global action to address climate change.

We must increase our climate actions five-fold to limit temperature rise to 1.5°C or risk triggering extreme, adverse climate impacts. This calls for the biggest transformation in history, changing the way we live and

consume, how we extract, how we dispose of our waste and what we value as humans on planet Earth.

Time is running short. We are past pledging and politicking. At stake are life and society as we know them today. But if the science is clear, so too are the benefits that such a transformation brings. Bold environmental action does not limit economic growth; it ensures growth thrives, is sustainable and “leaves no one behind”.

Important solutions to the climate crisis and biodiversity loss will come from innovation. The G20 has scripted some of the biggest successes in our lifetime, and there is no reason why it cannot invent climate action. Indeed, there are already many examples: Sweden aims to become the world’s first fossil-free welfare state, and the

United Kingdom's electricity grid could operate with zero carbon by 2025.

The solutions are well within our grasp. Can political will catch up?

There are three complex environmental challenges we must tackle with courage and resolve: addressing climate change, stopping biodiversity loss, and awakening the world's consumers and producers to the reality of their environmental footprint. How do we do this in ways that cut across silos and deliver far-reaching impacts? How do we move from working on issues to taking on systems, and thinking about how we can fundamentally change them to ensure a healthy future for our children and grandchildren?

We see five critical entry points for systemic change.

One, we must transform our economies, breaking the link between growth and increased resource use and drastically reduce our dependence on carbon. It is time to embrace circularity: reducing waste, reusing materials, and redesigning how we create value from products and services.

Two, we must reset our relationship with nature. We must do so by acknowledging the value of our forests, oceans and other natural capital in our financial accounts; informing all our infrastructure decisions with environmental considerations; transforming the way we produce and consume food and make our diets more sustainable; and driving new global efforts to protect and restore wildlife and wild places, as well as the many benefits that those resources provide to human beings.

Three, we must fundamentally rethink how our cities function – from waste disposal to clean mobility to urban planning. Smart, sustainable urban planning represents a tremendous opportunity to reduce the strain we put on the planet, while improving the quality of life of billions of people, especially in low-income countries, which will account for 90% of the predicted urban growth.

Fourth, the world must embrace clean cooling so that millions can live in health and comfort. As temperatures rise, the demand for air conditioning and refrigeration will skyrocket. Energy consumption of the cooling and heating sectors could multiply 33 times before the end of the century. We must break this vicious cycle. The G20 can be the hub of smart, accessible cooling technologies that improve people's lives without harming the planet.

Fifth, we must turn the race for renewables into a sprint. Of all the electricity produced around the world, 66% still comes from dirty fossil fuels. By 2050, that figure must fall to single digits, and energy from renewables needs to soar.

Equally important is the G20's role in financing the future we want – estimated to be about \$2.5 trillion

JOYCE MSUYA

Acting executive director, UN Environment Programme

Joyce Msuya has been the acting executive director at the UN Environment Programme since November 2018, having previously been appointed deputy executive head by United Nations secretary-general António Guterres. With more than 20 years of experience in international development, strategy, knowledge management and partnerships, she has worked at the World Bank Group in Africa, Asia and Latin America. A microbiologist from Tanzania, Msuya began her career at the World Bank as a public health specialist in 1998.



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We must transform our economies, breaking the link between growth and increased resource use and drastically reduce our dependence on carbon”

each year. The G20's economic and political influence can unlock the investment we need to switch to low-carbon, resilient infrastructure. This shift can pay for itself. Shifting infrastructure investment from brown to green and other reforms can increase global gross domestic product by as much as 5% by 2050, while cutting emissions.

At the UN Environment Assembly in Nairobi this year, countries laid the groundwork for a radical shift to a more sustainable future, where innovation will tackle environmental challenges, the use of throwaway plastics will be significantly reduced and development will no longer cost the earth. The G20 can lead the way.

If we can drive systemic change in these areas, we will contribute to lifting people out of poverty and building a safer, healthier, more inclusive world. By protecting the planet – as we have seen so often – we are also protecting its people.

Greta Thunberg recently said: “The climate crisis is both the easiest and the hardest issue we have ever faced.” So it is time for us to choose which side of history we would prefer to be on. 

66%

Of the world's electricity still comes from fossil fuels

90%

Of predicted urban growth will occur in low-income countries

5%

GDP growth by shifting to green infrastructure investment from brown

Bolstering biodiversity for economic and social sustainability

Cristiana Pașca Palmer, executive secretary, UN Biodiversity, calls on world leaders to embark on a strategic plan for biodiversity beyond 2020

This year's G20 summit provides another critical opportunity to address pressing global challenges. Japan, as host, has emphasised promoting free trade and innovation to achieve economic growth as well as leading discussions to effectively address climate change and ocean plastics.

Biodiversity plays a key role in this agenda. Biodiversity underpins ecosystem health and the provision of ecosystem services that are crucial for human well-being, including in climate change mitigation and adaptation. Ecosystems such as forests and peatlands capture carbon, and healthy mangroves and coral reefs provide effective protection against flooding and storm surges. Biodiversity can bring significant economic benefits; for instance, a 2017 study estimated that in the United States, by reducing flood heights, healthy coastal wetlands avoided more than \$625 million in flood damages across the 12 coastal states affected by Hurricane Sandy in 2012.

Such numbers show that nature-based solutions hold tremendous potential in climate change policies. However, the role of ecosystems and biodiversity goes even further. Our natural system underpins our social and economic systems. If we do not halt and reverse our current trajectory of continuing environmental degradation and biodiversity loss, the global economy will suffer negative consequences on its own.

Thus, the different topics of Japan's G20 presidency are closely linked through the central role of ecosystems and biodiversity for human well-being and economic

development. For instance, more than three-quarters of the leading global food crops rely on insect or animal pollination. Between 5% and 8% of global crop production, with an annual market value between \$235 billion and \$577 billion, is directly attributable to natural pollination. However, pollinators are under threat, and this can lead to significant economic losses.

Conversely, addressing biodiversity loss will frequently lead to significant economic gains. Invasive alien species are globally one



CRISTIANA PAȘCA PALMER

Executive secretary, UN Biodiversity

Cristiana Pașca Palmer was appointed executive secretary of the Secretariat of the Convention on Biological Diversity in March 2017. Previously she served as Romania's minister for environment, waters and forests, and headed the Romanian delegation at the 2015 Paris Climate Conference, 2016 Marrakech Climate Change Conference and 2016 UN Biodiversity Conference in Cancun. She served as head of the Climate Change, Environment and Natural Resources Unit within the European Commission's Directorate-General for International Cooperation and Development. She was also one of two appointed EU negotiators on behalf of the European Commission for the Rio+20 Summit in 2012.

🐦 @CristianaPascaP 🌐 www.cbd.int



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If we do not halt and reverse our current trajectory of continuing environmental degradation and biodiversity loss, the global economy will suffer negative consequences on its own”

of the most important drivers of biodiversity loss. They also generate significant economic costs: the economic cost of invasive insects alone was estimated in 2016 at a minimum \$70 billion per year globally, with costs very likely to increase in the future as invasive insects expand their ranges due to increasing human mobility and international trade.

Significant opportunities for economic growth result from eco-innovation that both protects the environment and advances human welfare. According to the 2017 report of the Business and Sustainable Development Commission, achieving the Sustainable Development Goals opens \$12 trillion of market opportunities in four core economic sectors: food and agriculture, cities, energy and materials, and health and well-being. These sectors represent around 60% of the real economy, thus pointing to the significant economic opportunities associated with developing nature-based solutions.

In 2010, governments around the world adopted the Strategic Plan for Biodiversity 2011–2020 and its 20 Aichi Biodiversity Targets. Nine years on, although we have made some progress in some areas, ecosystem degradation and biodiversity loss continue largely unabated. There is an urgent need to step up our collective ambition to develop viable alternatives for the fundamental natural infrastructure of society. This will require visionary leadership and it requires unleashing green innovations and blazing new economic development pathways, for the joint benefit of nature, societies and economies.

Recognising the crucial socio-economic role of biodiversity is key for stepping up our ambition. Recent developments are very encouraging. At the request of the French G7 presidency, the Organisation for Economic Co-operation and Development produced an analysis that highlighted the economic and business case of biodiversity for the G7 environment ministers’ meeting in May 2019. The United Kingdom is sponsoring a new global review, led by Professor Sir Partha Dasgupta, to assess the economic value of biodiversity and to identify actions that will simultaneously enhance biodiversity and deliver economic prosperity.

These initiatives are very timely. The current Strategic Plan for Biodiversity will expire in 2020. The parties to the United Nations Convention on Biological Diversity have embarked on a transparent and inclusive process for developing a post-2020 global biodiversity framework. As we come to the end of the first 25 years of action under the convention, the global community has a unique opportunity to exercise the leadership needed and take decisive steps in shifting pathways towards sustainability.

G20 leaders can use the 2019 Osaka Summit and its agenda to highlight the complex interdependencies between human, social and economic systems, and the need to develop integrated measures and solutions. And they can demonstrate the leadership needed by voicing their support for strong commitments and decisive action to start ‘bending the curve’ on the unprecedented loss of biodiversity in the coming decade. 

8%

Of global crop production from natural pollination

\$12^{tr}

Of market opportunities lie in four economic sectors

60%

Of the real economy is represented by those four sectors

With a population reaching 14 million, the Tokyo Metropolis – for which I serve as governor – is the centre of Japanese politics, economy and culture. Since taking office in 2016, I have advanced preparations for the 2020 Summer Olympics and 2020 Summer Paralympics, both hosted in Tokyo, and created a post-Games legacy for future generations.

The Paralympic Games in particular are a prime opportunity to transform Tokyo into a more diverse and inclusive city. We are actively advancing efforts to make public facilities barrier-free and improve understanding of people with disabilities through the promotion of parasports and other efforts.

Taking the opportunity presented by the Tokyo 2020 Games, we will also accelerate the creation of an eco-friendly sustainable city. To pursue our goal of a zero-emission Tokyo, we are emphasising efforts such as reducing carbon emissions from buildings

Creating sustainable cities

Yuriko Koike, the governor of Tokyo, outlines the policies she is driving within the world's largest city and the Urban 20

and increasing the use of zero-emission vehicles. In addition, we are simultaneously advancing measures to enhance disaster resilience, extend the lifespan of our infrastructure, expand childcare services, promote the participation of women in society, attract international tourists and realise a global financial city, among other measures.

Meanwhile, the policies of the Tokyo Metropolitan Government are not aimed at Tokyo's development alone. They will also



contribute to achieving the Sustainable Development Goals. Urbanisation is progressing throughout the world. The world's population and economic potential will likely continue to concentrate in cities. In such circumstances, the role and responsibility of cities in resolving global challenges such as climate change and social inclusion will only grow.

Based on this awareness, the Urban 20 is an initiative launched in 2017 with an eye to having the opinions and experiences of cities reflected in the discussions of the G20. The U20 includes G20 member capitals, such as Tokyo, and many other cities. Currently, 27 cities participate in the initiative.

In 2018, the U20 achieved great success. I would like to thank the mayors of Buenos Aires and Paris, who established the U20, as well as express my gratitude to C40 Cities and United Cities and Local Governments, which convened the Urban 20.

U20 ACTIVITIES IN 2019

The second U20 Mayors Summit, held in Tokyo on 20 – 22 May, was attended by mayors and governors of the world's major cities, including G20 member capital cities. Building on last year's outcomes, as chair of this year's U20 I selected three main themes for the summit: climate action, social inclusion and integration, and sustainable economic growth.

The U20 produced a communiqué containing the matters that G20 members should tackle together with cities. It was adopted

and delivered to the G20 presidency. I believe that we were able to present an opinion to the G20 that concentrates the wisdom of cities on promoting decarbonisation, conserving energy, taking other measures to address climate change, recycling including action to reduce plastic waste, and creating an inclusive society where all residents, including senior citizens, people with disabilities and women, can actively participate. It would also help realise Society 5.0 which aims for both economic growth and the resolution of urban challenges, through the use of advanced technologies.

EXPECTATIONS FOR THE G20 OSAKA SUMMIT

For mayors and governors – who as city leaders are in closer contact with residents than national government leaders and high-level ministers – the issues taken up by the U20 are less political issues than they are pressing daily realities.

To respond to global challenges, cooperation that transcends international borders and, domestically, cooperation that transcends the levels of national and local government, are both vital now.

I would like to ask the G20 leaders at their 2019 Osaka Summit to listen earnestly to the voices of cities represented by the U20. I hope that the G20 leaders will coordinate with leaders from all cities and show the world a strong approach to tackling the global challenges we all face. 🌐



YURIKO KOIKE

Governor of Tokyo

Yuriko Koike was elected governor of Tokyo in 2016. She had previously served in the government of Japan in a variety of capacities, including minister of defence, special advisor to the prime minister on national security and minister of the environment. She was first elected to the House of Councillors in 1992, and to the House of Representatives in 1993. Governor Koike also served as chair of the General Council of the Liberal Democratic Party in 2010.

🌐 www.urban20.org/en 🌐 www.metro.tokyo.jp/english



Making waves for G20 action on oceans

*Atsushi Sunami, president,
Ocean Policy Research Institute
of the Sasakawa Peace
Foundation, says the G20 must
take collective action to turn
the tide on plastics and illegal
fishing in our oceans*

The world's oceans are important in absorbing and stabilising greenhouse gases emitted as a result of human activities.

But they face large-scale effects on their environments from climate change, including ocean warming, acidification and deoxygenation. The oceans also see threats including floating plastic debris as well as illegal, unreported and unregulated fishing, the latter of which costs governments billions of dollars annually.

JAPAN'S EFFORTS ON OCEAN ISSUES

These are issues that Japan cannot ignore. Japan's Third Basic Plan on Ocean Policy, approved in May 2018, features several main measures including maintenance and conservation of the marine environment and international cooperation. The government also made historic reforms to its fisheries law in December 2018 for the first time in 70 years. This opened the window for market-based mechanisms to efficiently allocate resources using scientific data. The Ministry of Environment launched the Plastics Smart campaign to encourage various entities to engage in possible initiatives and use plastics wisely, connecting these activities to preserving the richness of the oceans and passing them on to future generations.

Although there are global frameworks including the United Nations Convention on the Law of the Sea and the Framework Convention on Climate Change, there is no single agency in the UN system to comprehensively address all of the urgent issues pertaining to the oceans.

Against this backdrop, the UN High-Level Panel for a Sustainable Ocean Economy has emerged to serve as a 'global ocean agency'. Co-chaired by Prime Minister Erna Solberg of Norway and President Tommy Remengesau of Palau, the panel consists of 14 heads of government, including Japan, with support from the UN secretary-general's Special Envoy for the Ocean. The panel is working with its advisory network and expert group to produce recommendations for

transitioning to a fully regenerative, sustainable ocean economy. It will issue a final report in 2020.

LOOKING AHEAD TO THE OSAKA SUMMIT

This year, Japan is hosting the G20 summit for the first time. Prime Minister Shinzo Abe clearly stated his intent to feature marine plastic waste on the G20 agenda in his letter to the panel, mentioning that Japan would like to announce an initiative for effective measures to tackle this problem and drive global measures to help resolve it. The issue was first discussed at the meeting of ministers responsible for energy transitions and the environment on 15–16 June in Karuizawa. It seems that the leaders at Osaka on 28–29 June will focus more on recycling and reuse than on seeking a complete ban on use as a realistic step towards solving this urgent problem. Nonetheless, the countries will likely promote the acceleration of research into developing alternative materials for plastics or biodegradable materials that are environmentally friendly.

Another issue relating to the oceans is the elimination of illegal, unreported and unregulated fishing. Sustainable Development Goal 14 includes a target to end such activities by 2020. One way is to expand the number of countries that ratify the Food and Agriculture Organization's Port State Measures Agreement. Since Japan has ratified the agreement, getting all G20 members to sign up to support it will be a great step forward under the leadership of the host country.

Although the G20 summit started by primarily dealing with the global economy, it has now evolved into a platform to discuss all important global issues, including the SDGs. The future of the oceans should be included on the agenda, where G20 leaders discuss issues relating to climate change or the sustainability of the global economy. However, there are no clear mechanisms to push ocean issues (such as IUU fishing) on the G20 agenda, given the lack of relevant ministerial meetings on oceans or fisheries. There is thus a need to establish an Ocean 20 civil society engagement group, like the Science 20 or the W20.



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There is thus a need to establish an Ocean 20 civil society engagement group, like the Science 20 or the W20”

A mounting sense of urgency has finally pushed world leaders to pay more attention to protecting and promoting healthy oceans. From the G20 to APEC, and to the UN Ocean Conference in 2020 (with co-hosts Portugal and Kenya), it will be important for the world community to continue its dialogue on the oceans, ultimately to lead to the establishment of a formal global mechanism to govern their sustainable use. 

ATSUSHI SUNAMI

President, Ocean Policy Research Institute of the Sasakawa Peace Foundation

Atsushi Sunami is the president of the Ocean Policy Research Institute of the Sasakawa Peace Foundation as well as an executive advisor to the president and adjunct professor of science and technology policy at the National Graduate Institute for Policy Studies (GRIPS) in Tokyo. He is a member of the advisory board for the Promotion of Science and Technology Diplomacy in Japan's Ministry of Foreign Affairs and the Council for Science and Technology in the Ministry of Education, Culture, Sports, Science and Technology. He was also a special adviser to the cabinet office responsible for science and technology and innovation.





Sustainability is business

Cities across the world face new, interlinked sustainability challenges that are redefining the role of private sector business. AkzoNobel shares its progress in cleansing urban environments and supporting international collaboration on pressing environmental issues.

By Pamela Phua, general director of Vietnam, decorative paints South Asia, AkzoNobel



AkzoNobel draws power from solar.

According to the United Nations Chronicle, energy consumption and air pollution are two of the most critical issues for the 3.5 billion people who live in urban communities.

The World Health Organization calculates that nine out of 10 people around the world currently breathe unhealthy air, leading to pollution-related diseases that cause seven million deaths every year.

When it comes to energy – most of which is still generated from non-renewable sources – our cities are using more than ever before, with urban demand accounting for as much as 80% of global production.

At AkzoNobel, sustainability is business and business is sustainability.

We take our responsibility to depollute the paints and coatings in our urban environment seriously, and we are committed to applying these lessons throughout the supply chain to address both energy use and air quality.

We have made an ongoing commitment to invest in sustainability, innovation and society, as part of our vision for a cleaner and healthier world. The foundations of our work are built on a review of the risks and opportunities within the context of our key market segments to 2050.

This has demonstrated to us the need to leverage the latest knowledge across science and society, identify and mitigate our challenges, and develop strategies to make the future better.

For example, South East Asia is a market experiencing robust economic and population growth, this demands high levels of construction to meet the demands of a new middle class and rapid urbanisation. However, as our research identified, this also means that there is vast opportunity to pioneer new solutions.

Environmental targets

- **Environmental:** Achieve zero carbon emissions in our own operations; source 100% renewable energy
- **Social:** Reduce use of volatile organic compounds and hazardous substances
- **Economic:** Achieve zero waste and 100% resource productivity in our operations

“Our renewable energy supply strategy has three focus areas: to protect our current renewable share; support cost-effective, large energy ventures; and explore commercially feasible on-site renewable energy generation”

A STRATEGY FOR CLEANER AIR

In all industries, environmental impact occurs throughout the manufacturing process, from R&D to the ultimate application of products.

When you look at the total carbon emissions in the supply chain, it becomes clear that the key to reducing our environmental impact is to work collaboratively.

To lead the change, we have assembled a cohort of 4,000 scientists who will work closely with our global customer base to push for new, suitable and sustainable solutions. Further, we are undertaking trials of our depolluting paint for launch in three megacities in India and Indonesia that struggle with severe pollution issues.

In our work to depollute air, we can now use photocatalysis to trigger chemical reactions. In this process, photoactive titanium dioxide absorbs sunlight and reacts with oxygen and moisture to generate highly reactive free radicals, which in turn can contribute to the abatement of noxious emissions from motor vehicles, and decompose harmful gases like nitrogen oxide, sulphur dioxide and VOCs.

Some impacts occur beyond the scope of our processes, with our suppliers and customers. For example, in paints and coatings more than 98% of our carbon footprint comes from upstream (supplier) and downstream (customer) activities. →

AkzoNobel

Upstream, we know that the emissions from raw materials such as pigments, resins and solvents are our greatest impact, so we have joined forces with suppliers to drive the use of bio-based materials, recycled content, or raw materials produced with renewable energy.

We closely monitor the cradle to grave lifecycle of our raw materials and finished products to reduce Volatile Organic Compounds, the impact of transportation and other environmental fallout.

CREATING BETTER ENERGY

Energy is one of our single biggest expenditures – in some products it accounts for as much as 80% of our variable cost – and such overheads directly affect our bottom line.

AkzoNobel

- 11-year member of the Dow Jones Sustainability Index
- 1st place ranking four of the five last years
- 50% of products now deliver sustainability benefits to customers
- 20% or more of our products deliver industry-leading sustainability benefits
- 40% renewable energy used
- 100% carbon neutral target set for 2050

Our renewable energy supply strategy has three focus areas: to protect our current renewable share; support cost-effective, large energy ventures; and explore commercially feasible on-site renewable energy generation.

By investing in these areas, we are securing profitability in the long term. However, in finding cost-effective solutions, we need to identify those that can withstand the test of time.

We have leveraged the power of energy to support our sustainability programme and renewables now power 45% of our requirements, meeting our 2020 target ahead of schedule. We found that in doing this we have created direct benefits for our business by lowering costs and risk, and creating new value chains.

We draw power from solar, wind, natural gas and biomass, through multiple suppliers, meaning we can depend on an extremely reliable supply with low risk exposure to power shortages, rising oil prices or changes in carbon pricing.

For example, we are sourcing power direct from newly developed wind farms, together with Google, Philips and DSM in the Netherlands.

Adding renewables to our profile also improves the sustainability of our products, helping us retain and acquire customers and find new ways of creating value for them.

In cases of oversupply, we can use existing facilities to turn electricity into green hydrogen, which can be sold to produce chemicals or as a new product. The Dutch city of Groningen is already running a pilot with two hydrogen buses, supplied by AkzoNobel.

Renewable energy is characterised by variation in supply. As we connect more wind parks and solar panels to our national grids, these swings will only become more severe and occur more often. Companies like AkzoNobel can play an important role in balancing these swings, and can even use them to create mutual benefits.

INVESTED IN TOMORROW

Sustainability is not an afterthought, it is our way of doing business. It is woven into our DNA and is a powerful means of attracting customers.

To achieve carbon neutrality by 2050, economic, environmental and social factors are accounted for in our daily work with customers; throughout the product



The gate to The Pagoda of the Celestial Lady (Chùa Thiên Mụ) or Linh Mụ Pagoda

Case study: VIETMAN

Vietnam faces the challenge of sustainable development and urbanisation in a uniquely historic environment, home to many famous architectural structures. To overcome these, AkzoNobel offers a wide range of sustainable products in the local market, as well as practical support to those who live and work there.

In the first quarter of 2019, we hosted two events on urban heritage preservation, which saw 450 experts discuss a masterplan for Vietnamese heritage. To support the next generation in taking over this work, we offer scholarships for architecture students and often host initiatives such as the Orange ASEAN Factory. AkzoNobel has also volunteered thousands of paints and working hours to repaint iconic structures, schools, urban alleys and old apartment buildings.

development lifecycle and across our operations and we have three specific targets in place (see box).

More than half our products provide sustainability benefits to those who use them, but often we must also engage in leading work beyond our own organisation.

We have allocated significant sums to the paints and coatings open innovation platform and a small yet innovative manufacturing acquisition in the UK. To drive the next wave of sustainable solutions, we will make a further investment in our innovation activities before the end of the current decade.

By 2020, we are targeting 20% of revenue from products that are more sustainable than those of our competitors, and up to 30% more efficient in resource and energy use across the entire value chain. We also aim to maintain eco-premium solutions at a sustainable 20% of revenue through 2020.

These investments are key to long-term sustainable value creation.

We know that our in house innovation can achieve higher efficiency at lower impact, in line with our philosophy of delivering more with less.

ADDING COLOUR FOR THE NEXT GENERATION

To ensure the best ideas are developed for the benefit of future generations, we must seek out and promote diversity of thought – and that can only be done by collaborating with diverse teams.

To drive the paints and coatings industry through its next phase of modernisation, we at AkzoNobel have created a new ecosystem for innovation by launching Paint the Future; an innovation challenge with an open invitation to collaborate and turn exciting potential into brilliant reality.

This year, we will combine our global reach with the agility of thought present across the global start-up and scale-up environment, to push the boundaries of what our industry can achieve.

The aim is to connect disruptive technologies to accelerate the dynamic world of paints and coatings, based on five pillars: smart application, enhanced functionality, circular solutions, life science infusion and predictable performance.

In the first round, 1,150 members submitted 158 ideas: from turning waste into bio-oils and minerals, to using bio-based methods to capture and convert the carbon dioxide from steelworks. Other



PAMELA PHUA

General director of Vietnam, decorative paints South Asia, AkzoNobel

Pamela Phua has more than 20 years' experience in research, development and innovation (RD&I) in the coatings industry. In her current role as director of RD&I for AkzoNobel, she drives new technology development and product implementation across the South East, South Asia and Middle East regions. Phua was instrumental in setting up the global research and laboratory operations for AkzoNobel Decorative Paints (Global Exterior Wall

Paint Expertise Group) in 2011. In her global capacity, Pamela implements the functional and production innovation strategy for exterior wall paint. She spearheads the RD&I functional excellence, standards and capability, and the efficient delivery of processes as the approved standards and processes across the globe.

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ideas used renewable and long-lasting dyes from biomass and self-cleaning, air-purifying coatings.

Twenty-one outstanding start-ups were selected for the accelerator programme.

Now concluded, SAS Nanotechnologies (from the US), QLayers (Netherlands), Interface Polymers (UK), Apellix (US) and Alucha Recycling Technologies (Netherlands) were rewarded by AkzoNobel, while Octo (the Netherlands) took home the KPMG Scale-up Award.

We are committed to continued work with the recipients of these prizes, to pursue sustainable business opportunities through joint collaboration agreements.

In March this year, we launched AkzoNobel Cares, an amalgamation of our social programmes, including the Community Programme, Let's Colour, Community with many repainting projects, and the Education Fund, as well as smaller local activities.

Throughout this work, we aim to deliver shared value by helping communities, strengthening our reputation and building the pride our team members hold in the company. 🌱



G20 performance on energy

As the G20 leaders seek common ground amid national views on energy policy, Ella Kokotsis, director of research and accountability, G20 Research Group, assesses the G20's historic compliance on energy commitments

The G20 annually brings together the leaders of the world's largest energy producers, consumers and polluters. Responsible for 77% of global energy consumption and 82% of all global carbon dioxide emissions, G20 members also contain more than 80% of the world's installed renewable capacity and provide 90% of aid in the global energy sector. This makes the G20 an ideal steering committee for global energy governance, by channelling dialogue and driving international action on global energy policy.

But some see G20 members' divergent perspectives on energy policy as an insurmountable challenge to collective action. Indeed, although some countries' domestic energy policies are market driven, others, including Saudi Arabia, rely on state ownership to secure their energy supply, and still others, including China, rely on state intervention. But the G20's informal format provides a unique opportunity for these global energy leaders to meet on an equal footing and share their national views. As a result, this relatively small yet highly influential group of dominant energy players plays a pivotal role.

CONCLUSIONS

The G20 first mentioned energy at its 2008 Washington Summit, but it was only at the 2011 Cannes Summit that climate and energy were directly linked, in a section of the declaration on "improved energy efficiency and better access to clean technologies" for "sustainable and inclusive" growth. At St Petersburg in 2013, G20 leaders dedicated 7% of their declaration to energy policy.

At their 2014 Brisbane Summit, G20 leaders considered,

for the first time, whether the existing international energy architecture remained adequate to meet the ever-growing demands of the world's energy market, which by then accounted for nearly two-thirds of global emissions. They endorsed principles to guide collaboration on energy policy and aimed to phase out inefficient fossil fuel subsidies. Brisbane therefore validated the G20's collective understanding that the world's energy problems were also the world's climate problems.

This uptick continued through to the 2017 Hamburg Summit. Despite the rift between the United States and its G20 partners on climate and energy, Hamburg produced a climate and energy plan through its goal of phasing out fossil fuel subsidies and shifting countries towards "affordable, reliable, sustainable and low greenhouse gas emission energy systems as soon as feasible".

Unprecedented natural disasters and record-breaking temperatures throughout 2018 underscored the need to act collectively and decisively. At the 2018 Buenos Aires Summit, G20 leaders launched the first-ever Climate Sustainability and Energy Transitions steering committees, bringing together several G20 engagement groups to focus on adaptation, climate financing, sustainable consumption, flexibility, transparency and the digitalisation of energy grids. This format enabled more inclusive collaboration by addressing numerous energy principles, including those tied to better access, renewables, transparency, clean energy technologies and the phase-out of inefficient fossil fuel subsidies. But G20 leaders at Buenos Aires only dedicated 188 words – or 2% – of the total communiqué to energy.

G20 members are responsible for

77%

of global energy consumption and 82% of all global CO₂ emissions

G20 members contain

80%+

of the world's installed renewable energy capacity

G20 members provide

90%

of aid in the global energy sector

COMMITMENTS

In all, the G20 has made 155 energy commitments. It made its first 16 at the 2009 Pittsburgh Summit. This dropped to one at the 2010 Toronto Summit, and rose to 14 at the 2010 Seoul Summit and 18 at the 2011 Cannes Summit. Ten commitments were made at the 2012 Los Cabos Summit, 19 at the 2013 St Petersburg Summit and 16 at the 2014 Brisbane Summit. The number dropped to three at the 2015 Antalya Summit and eight at the 2016 Hangzhou Summit. The highest number to date – 42 – was made at Hamburg in 2017. This spike was brief, as only eight commitments were made at Buenos Aires in 2018.

COMPLIANCE

The G20 Research Group has assessed 19 commitments on energy for compliance by G20 members, and found an average of 71%. Four commitments were assessed from the 2009 Pittsburgh Summit, averaging 71%. One assessed from the 2010 Toronto Summit averaged 73%. The three each assessed from the 2010 Seoul and 2011 Cannes summits averaged 82% and 81% respectively. One each assessed from the 2012 Los Cabos and 2013 St Petersburg summits followed closely at 79% and 78% respectively. There

ELLA KOKOTSI

Director of accountability, G20 Research Group

Ella Kokotsis is the director of research and accountability for the G20 and G7 Research Groups. She has consulted with the Canadian and Russian governments, and is co-author (with John Kirton) of *The Global Governance of Climate Change: G7, G20 and UN Leadership*.

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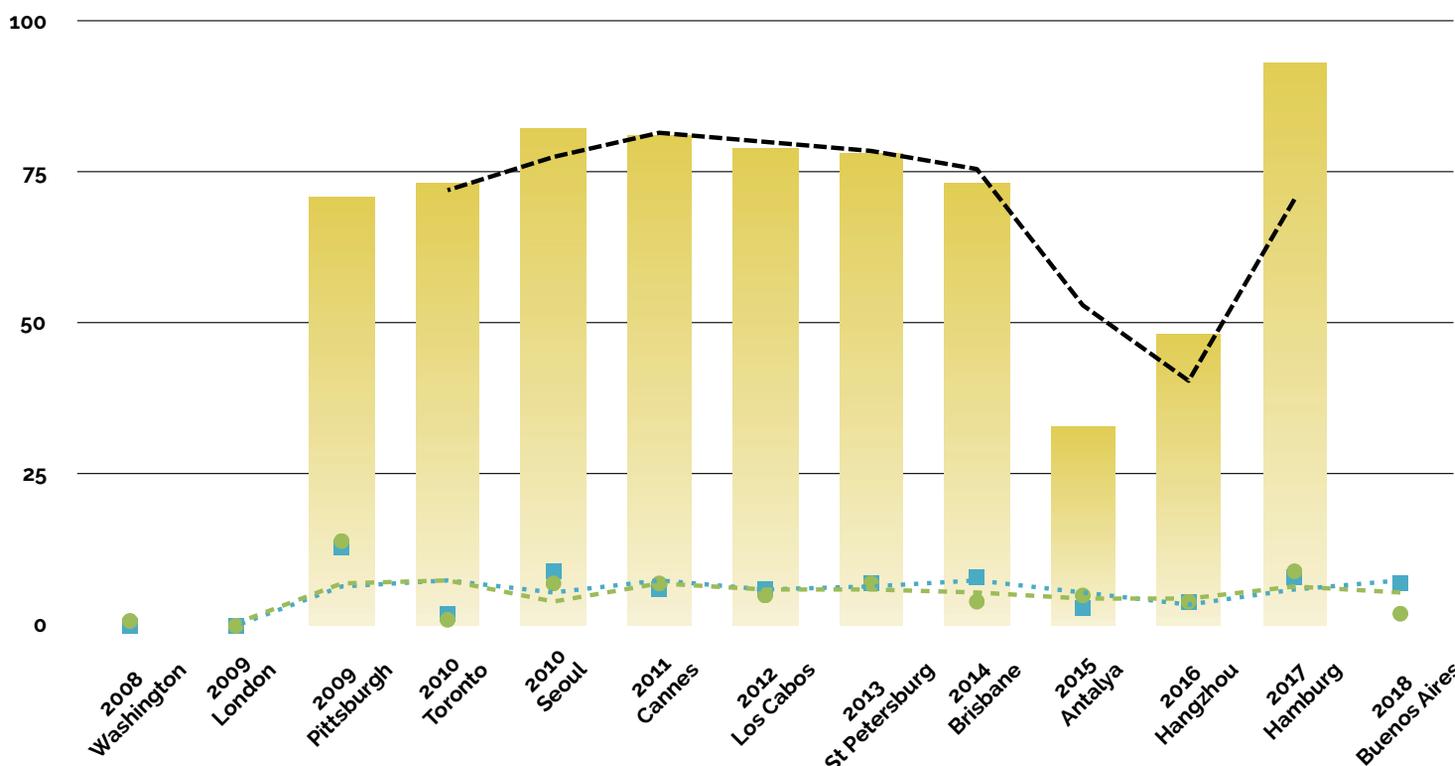
was a decline for the following three summits: two commitments assessed from the 2014 Brisbane Summit averaged 73%, one assessed from the 2015 Antalya Summit averaged 33%, and two from the 2016 Hangzhou Summit averaged 48%. There was, however, a spike to 93% for the one commitment assessed from the 2017 Hamburg Summit.

PROSPECTS FOR OSAKA

As leaders arriving in Osaka face domestic political pressures, it remains unclear what

the G20 can realistically achieve in global energy governance. But as 2019 marks the 10th anniversary of the Pittsburgh G20's declaration on eliminating fossil fuel subsidies, they have an opportunity to establish processes and timelines to redirect finances from fossil fuel subsidies towards support for cleaner, more sustainable and cost-effective energy practices and alternatives. The transition to a low-carbon future can become a reality if the G20 leaders provide the political and financial certainty to secure it. 

Commitments made on energy 2010–18:



The race for renewables

Francesco La Camera, director-general of the International Renewable Energy Agency explains why action to implement renewable energy infrastructure will be key to mitigating the climate crisis

The global energy transformation is happening, driven by the dual imperatives of mitigating climate change and achieving sustainable growth. Renewable energy is driving this transformation, as a result of increasing cost-competitiveness, enabling policies and innovative technologies. But if we are to meet the targets of the Paris Agreement, we need to further accelerate our path. Energy-related carbon dioxide emissions continue to rise, the available carbon budget to stay under the 1.5°C target reduces rapidly, so there is a pressing urgency for collective action. The G20 members play a key role in this regard.

The International Renewable Energy Agency's 2019 *Global Energy Transformation: Roadmap 2050* highlights that electrification of energy production, fed by renewables, is the major climate solution. When coupled with deep electrification of end-use sectors such as transport and heating, renewables can deliver more than 75% of the required energy-related emission reductions. Combined with improved energy efficiency, these emissions could even be reduced by 90%. Our analysis shows that by 2050, electricity would become the main energy carrier, covering almost half of the final energy consumed. It also estimates that renewable power will be able to deliver 86% of the global electricity demand. This would require integrating higher shares of variable renewable energy in the power system. To this end, IRENA's *Innovation Landscape Report* outlines solutions in enabling technologies, business models, market design and system operations, and how these can ensure grid flexibility with higher shares of variable renewable energy. For instance, hydrogen produced from renewable electricity may have the potential to integrate high levels of variable renewable energy into the energy system.

But the energy transition today is not just about replacing one source of energy with another. It entails an overall economic and industrial transformation. The deployment of renewable

energy brings about significant socio-economic benefits: IRENA's analysis finds that the energy transition will increase the global gross domestic product with a cumulative gain of \$99 trillion between now and 2050. It would also create seven million new jobs. Due to falling renewable energy costs as well as opportunities to electrify transport and other end-use sectors, additional investment required for climate-safe energy transition would be 40% less compared to our previous analysis, decreasing from \$27 billion to \$15 billion by 2050. Although the overall investment needs to be scaled up significantly, the return is huge, given that every dollar spent would pay off up to seven times.

G20 members account for four-fifths of the global energy consumption and host around 81% of the world's installed renewable power generation capacity. From this perspective, the G20 is well positioned to further strengthen global policy efforts to accelerate renewable energy deployment. IRENA has been closely cooperating with the G20 over the past years to feature renewable energy prominently in its deliberations. At the request of Japan's G20 presidency, we have provided analysis on grid integration and power system flexibility. This is a key area of interest and several G20 members are operating with relatively large shares of renewables in their power systems: in 2018 renewables made up 33%, 38% and 40% of power generation capacity for the United Kingdom, China and Germany, respectively. We also prepared an analysis

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Creating a modern and climate-safe energy system requires aligning energy policies with climate objectives. Countries need to adopt long-term energy and climate strategies to achieve carbon neutrality by mid-century”

\$99^{tr}
Increase in global GDP to 2050 if green energy transition occurs

81%
Of the world's renewable power capacity is in G20 members

\$15^{bn}
Additional investment required for energy transition to 2050

for the G20's Climate and Sustainability Working Group on how climate and renewable energy policies at the national level can promote distributed energy innovation and can empower local communities and households. Our knowledge products and analysis have provided substantive inputs to the renewable energy discussions at the G20. As the global voice of renewables, IRENA will undertake a more action-oriented role to become the arm of renewable energy too. To this end, IRENA will further strengthen its collaboration with the G20 to support implementation of targeted policy measures in the aforementioned areas.

Creating a modern and climate-safe energy system requires aligning energy policies with climate objectives. Countries need to adopt long-term energy and climate strategies to achieve carbon neutrality by mid-century. An important part of this is the increase of renewable energy ambitions in the next round of nationally determined contributions under the Paris Agreement. As we prepare to take stock of their implementation in 2020 and approach the deadline for countries to raise their ambitions at the 25th Conference of the Parties to the United Nations Framework Convention on Climate Change in Santiago, Chile, in December 2019, the Osaka Summit presents a crucial opportunity for all G20 members to take action and demonstrate global leadership. 

FRANCESCO LA CAMERA

Director-general of the International Renewable Energy Agency

Francesco La Camera assumed the role of director-general of IRENA in April 2019. He formerly served as director-general of sustainable development in Italy's Ministry of Environment, Land



and Sea. As the national coordinator for climate, environment, resource efficiency and the circular economy, he led the Italian delegation at several Conferences to the Parties to the United Nations Framework Convention on Climate Change. He participated in several G7 environment ministers' meetings as host under Italy's 2017 G7 presidency. He also served as co-chair of the Africa Centre for Climate and Sustainable Development and co-chaired the Financial Platform for Climate and Sustainable Development.

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Today's investment for tomorrow's needs

OPEC secretary-general His Excellency Mohammad Sanusi Barkindo calls for renewed investment in the oil and gas industry, to meet the energy, transport, manufacturing and food requirements of tomorrow

Imagine that tomorrow there were no more oil in the world. Daily life would be disrupted in a multitude of ways. Essential services people depend on would vanish. Transportation would grind to a halt. Imperilled energy security has ramifications for political stability, the global economy and sustainable development.

Perhaps most ominously of all, the world's food supply would be upended. The supply chain that delivers food to our tables relies heavily on hydrocarbons. Oil and gas are used in large quantities at all stages of food production, from the manufacture of fertilisers and pesticides to planting, irrigation and harvesting, as well as processing, packaging and distribution. Agricultural equipment depends on oil –

not just tractors but also the machinery used for processing and shipping. The agricultural sector consumes around 2.5 million barrels per day of petroleum products. Food security and energy security are clearly interdependent. The same holds true for the pharmaceutical, electronics and plastics industries as well as many others.

This underscores the gravity of any future oil supply disruptions.

In this regard, it is important to keep in mind that the oil industry is both capital and investment intensive. It also continues to grow. According to our flagship publication *World Oil Outlook 2018*, oil demand is expected to reach almost 112 mb/d in 2040. Moreover, with natural decline rates averaging around 5% per year, the industry needs to add between four and five million barrels per day of new production each year just to maintain current levels. All told, an estimated \$11 trillion in investment is needed in the oil industry to 2040.

COURTING INVESTMENT

Naturally, investors are adverse to volatility, as was made clear during the oil market downturn from 2014 to 2016. Investment waned, with spending in exploration and production falling by 27% in both 2015 and 2016. Nearly \$1 trillion in investment was suspended or cancelled outright.

To attract the level of investment needed to meet the needs of tomorrow, markets need to be stable. This has been at the forefront of our thinking of the 24 OPEC and non-OPEC producing countries that have helped revive the fortunes of the oil industry through the Declaration of Cooperation. By working tirelessly towards sustainable oil market stability, the partners have also contributed to the global economic recovery seen over the past two years.

Oil market stability benefits both producers and consumers. It also has positive multiplier effects for global economic growth, job creation, food security and many other areas. Therefore, I hope the leaders gathering in Osaka for the G20 summit consider the importance of oil market stability in their discussions. Some policies, although well intentioned, can have unintended consequences by deterring essential investment into the oil industry.

OPEC is also acutely aware of the climate change challenge. We remain fully supportive of the Paris Agreement.

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To attract the level of investment needed to meet the needs of tomorrow, markets need to be stable. This has been at the forefront of our thinking”



Indeed, we firmly believe that a global consensus from the multilateral process remains the best and most inclusive way for all nations to collectively counter climate change in a fair and equitable manner.

No single energy source is a panacea for global warming. Reducing carbon emissions requires all-inclusive policies that do not discriminate in content or implementation. The oil industry plays a part in reducing emissions: working practices and fuel efficiency standards have improved exponentially over the decades and will continue to improve.

We must focus on technological innovation that allows us to reduce carbon emissions. I encourage all stakeholders to support advancement of carbon capture and storage, including direct air capture.

The private sector, civil society and governments must unite on the objectives of carbon removal, and utilise and advance such technologies. Working together, we can seek to address both the challenges of attracting sufficient levels of investment while reducing our environmental footprint. We can fulfil our responsibilities to future generations, ensuring both energy and food security. ^{G20}

HIS EXCELLENCY MOHAMMAD SANUSI BARKINDO

Secretary-general, Organization of Petroleum Exporting Countries

His Excellency Mohammad Sanusi Barkindo was appointed in 2016. From 2009 to 2010, he was group managing director of the Nigerian National Petroleum Corporation, and previously he served as deputy managing director of Nigerian Liquefied Natural Gas. Among the posts he has held, he represented Nigeria in the negotiations for the United Nations Framework Convention on Climate Change and the Kyoto protocol.

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Hydrogen's clean energy future

Fatih Birol, IEA executive director, explains why now is the opportune time to integrate clean hydrogen with transport and energy networks



Transforming the global energy system to ensure a sustainable future means taking advantage of all the fuels and technologies we have at our disposal. As the world's largest economies, G20 members will be crucial in leading the transition and pioneering the use of emerging technologies such as hydrogen.

This is an important year for hydrogen, a flexible clean energy solution that can be used in a wide range of areas – including trucks, shipping and heavy industry – that have few alternatives to their current fuels.

After several cycles of hype and disappointment over the past few decades, hydrogen is back in focus. And this time, its huge potential could become reality if we seize the opportunity.

At the request of Japan's G20 presidency, the International Energy Agency has produced an in-depth study on the state of play for hydrogen, its economics and potential roles. The intention of the report is to help public and private decision makers around the world identify how hydrogen can support their energy and environment goals.

The challenge is to create a springboard for hydrogen to reach its full potential in the years ahead. That means building confidence in it as a business strategy, showing what it can do in the real world and starting to drive down costs.

Hydrogen has a lot to offer as we seek to address the massive challenges presented by climate change.

It can replace some higher-carbon materials used in industry, including the building blocks of the chemical sector, which is the fastest-growing source of oil demand. It can also store energy created by renewables. That is important as solar photovoltaic and wind become major power sources because their fluctuating output is often ill matched with patterns of demand.

Hydrogen can also be traded between sectors, countries and continents. It potentially enables sunshine to →



NEW ENERGY FROM WASTE.

Take nature as an example and recreate its natural processes. This is the goal that Eni researchers have set themselves in these years and the result of this long journey lies in Gela, the future of energy runs through there. In 2012, at the Eni Research Centre for Renewable Energy and the Environment in Novara, the first process transforming the organic fraction of solid urban waste into bio-oil began and has been named Waste to Fuel (W2F). This year in Gela, the first continuous pilot plant based on this technology started up. From urban waste, stems a hydrocarbon that can be used directly as a fuel or sent to a later refining phase to obtain biofuels for our cars. [...]

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Hydrogen has a lot to offer as we seek to address the massive challenges presented by climate change”



FATIH BIROL

Executive director of the International Energy Agency

Fatih Birol has been the executive director of the International Energy Agency since 2015. Previously he was the IEA's chief economist and director of global energy economics, with responsibilities that included directing the IEA's World Energy Outlook, recognised as the most authoritative source of strategic analysis on global energy markets. He is also the founder and chair of the IEA Energy Business Council, which provides a forum to enhance cooperation between the energy industry and energy policymakers.

🐦 @IEABirol 🌐 www.iea.org

be exported (as hydrogen carried by ships) from regions such as Australasia, the Middle East and Latin America to other regions that receive less sun.

Cost is a key stumbling block at the moment. Hydrogen from renewable sources is two or three times as expensive as hydrogen produced from natural gas, which produces a lot of emissions.

Lower renewable energy costs are key to making clean hydrogen more affordable. But electrolyzers – the technology that turns water into hydrogen without producing carbon emissions – need to be produced on a much greater scale to make the process cheaper.

Capturing and storing the carbon produced from natural gas may also be an attractive option to decarbonise hydrogen at scale in the nearer term. Hydrogen produced this way is currently significantly less expensive than hydrogen from renewable sources.

PERFECT FORUM

Governments are central to the challenge of expanding the use of clean hydrogen around the world. Long-term policies and strategies are needed for sustainable, resilient energy systems to provide confidence that investing in hydrogen will be good business for years to come.

There is already low-hanging fruit where public and private money can be most effectively put to use in order to drive cost reductions, scale up manufacturing and build on hydrogen's newfound momentum. These areas include integrating clean hydrogen into coastal industrial hubs, blending hydrogen into gas grids and building out transport solutions through fleets and high-use routes.

The coming years will also be important for kick-starting the international hydrogen trade with the first shipping routes. Japan already has several important pilot projects to determine the best way to ship clean hydrogen over long distances.

Governments need to identify which opportunities fit their situation and put in place pragmatic policies that stimulate demand for hydrogen, mitigate some of the key investment risks, remove regulatory barriers and coordinate international standards and levels of ambition. The breadth of sectors and regions where hydrogen can make a difference demands action at a global scale – the G20 is the perfect forum.

If we develop the right policies and business strategies, investments will become self-sustaining. Through collaboration and coordination, costs will decline faster. Clean hydrogen's wide range of applications means that what each country or sector does will help others. It is time to act and make hydrogen part of our clean energy future. 

10

A STRONG, COHERENT FINANCIAL SYSTEM

Alisa Nikolaeva, researcher with the G20 Research Group, provides an overview of the progress that has been made towards attaining new financial regulatory standards

G20 performance on financial regulation

More than a decade after the 2008 global financial crisis that gave rise to G20 summitry, financial regulation remains one of the central issues on the G20 agenda. Although its share of G20 commitments has declined, the importance of cooperation on financial stability and transparency should not be underestimated. Japan's presidency will continue working to strengthen the international financial system. G20 leaders at the Osaka Summit will pursue the goals of eliminating financial market fragmentation and achieving fair corporate taxation. Financial innovation, notably blockchain technology, presents new challenges that require an appropriate regulatory response.

CONCLUSIONS

Financial stability has been at the core of the G20 agenda since its start. The first G20 summit, at Washington in 2008, was motivated by the desire to find a coordinated multilateral solution to the global financial crisis. The G20 leaders there dedicated 2,877 words to financial regulation. Since then, the average number of words related to financial regulation in the conclusions issued in the leaders' communiqués at each summit has been 2,702 (8%). The number rose to 6,448 words (22%) at the St Petersburg Summit in 2013. At Buenos Aires in 2018, the G20 referred to financial regulation with 1,694 words (20%). The high was 48% at the London Summit in 2009.

COMMITMENTS

Since 2008, G20 leaders have made 340 commitments on financial regulation. These represent 13% of the total 2,526 commitments. In 2008, the Washington Summit made 59 (62%) commitments on financial regulation, as it was an urgent priority to address the financial crisis. The percentage on financial

regulation then steadily decreased as the urgency of the subject waned and as more issues were added to the agenda of summits. Recently, however, there has been a moderate increase in the number and share of commitments. This possibly reflects a response to potential threats to the security and stability of the international financial system from new technological challenges.

COMPLIANCE

Of the 340 commitments on financial regulation, the G20 Research Group has assessed 27 for members' compliance. Compliance averaged 80% overall, well above the 71% average across all subjects. The lowest compliance on financial regulation came from London in 2009 at 48%. The highest came from Hamburg in 2017 at 99%. Overall, there is a rising trend. Canada, France and the European Union were the top compliers, averaging 94% each.

Several accountability measures appear to lead to strong compliance with financial regulation commitments. First, a greater number of commitments on a subject at a summit correlates with enhanced compliance with them. Several specific catalysts, or embedded text that provides direction on implementation, tend to boost compliance. On financial regulation, the two commitments referring to international law had compliance of 86%, compared with 79% for those without this catalyst. A reference to a past summit also tended to result in improved compliance, with one such commitment with 85%. The commitment that referred to G20 finance ministers had 100% compliance. Although causes of compliance are complex and may include many international political and economic factors, accountability measures are under the direct control of the G20 leaders and are relatively inexpensive.

8%

Of words in summit
communiqués relate
to financial regulation

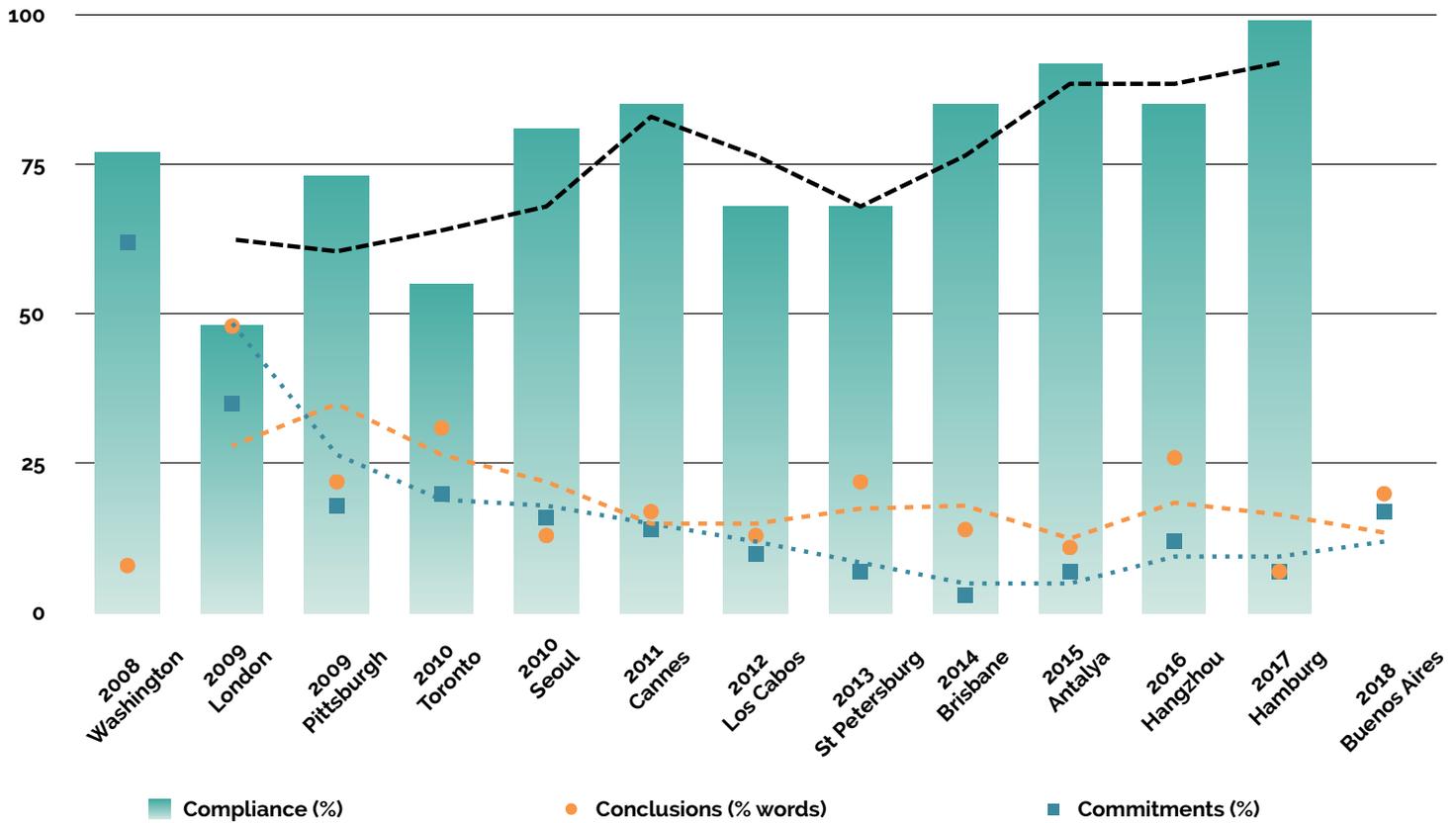
13%

Of all commitments
concern financial
regulation

80%

Average compliance
on commitments
assessed in this area

Compliance on financial regulation commitments 2008–18



CORRECTIONS

G20 performance on financial regulation has seen several dips. New challenges constantly arise. Rapid technological improvements may lead to financial instability. Thus, a coordinated and comprehensive regulatory framework is necessary to ensure financial stability. To ensure higher compliance with commitments on financial regulation, G20 leaders should produce more such commitments at each summit, and include in them direct references to G20 finance ministers, past summits and international law. 

ALISA NIKOLAEVA

Researcher, G20 Research Group

Alisa Nikolaeva is a researcher with the G20 Research Group. She uses quantitative methods to study the causes of compliance with the commitments made at the G20 summits. Alisa holds a master’s degree in economics from Boston University and an honours bachelor’s in international development studies and economics from McGill University.

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The Financial Stability Board: Moving to the next phase

Ahead of the Osaka Summit, the Financial Stability Board implemented four objectives to drive continued progress towards preventing of global financial crises. However, as the board's chair, Randal Quarles, explains, vulnerability is once again building

Ten years ago, fresh from the financial crisis, the G20 created the Financial Stability Board to address risks to global financial stability and lead the development and implementation of post-crisis financial reforms. Today, the FSB's priorities are shifting from developing post-crisis reforms to assessing new vulnerabilities and evaluating the effectiveness of the regulatory reforms put in place. Leading up to the Osaka Summit, the work of the FSB has been driven by four overarching objectives: addressing vulnerabilities, finalising the post-crisis reforms, evaluating the effects of the reforms and reinforcing outreach.

ADDRESSING NEW AND EMERGING VULNERABILITIES IN THE FINANCIAL SYSTEM

While the core of the financial system is considerably more resilient than it was a decade ago, potential vulnerabilities

persist, and some have increased. High public and corporate debt levels globally, coupled with loosening lending standards and elevated asset values, pose risks to the financial system. More information is needed about the extent of the exposures of financial institutions to riskier credit instruments, including leveraged loans, directly and through collateralised loan obligations. These issues are high on the agenda of the FSB.

We have also been examining developments in fintech. This year we delivered to G20 leaders an update on the work of international financial standard-setting bodies to address risks from crypto-assets, and a forward-looking paper on the potential financial stability, regulatory and governance implications of decentralised financial

RANDAL K. QUARLES

Chair, Financial Stability Board,
and vice chair for supervision, US
Federal Reserve

Randal K. Quarles became chair of the FSB in December 2018. He has been a member of the Board of Governors and vice chair for supervision of the Federal Reserve System since 2017. Previously, he founded and was managing director of the Cynosure Group and a partner at The Carlyle Group. Mr Quarles served as under secretary for domestic finance at the US Treasury and as assistant secretary for international affairs. He also served as the US executive director of the International Monetary Fund.



www.fsb.org

Regarding policies to end the problems associated with too-big-to-fail firms, the FSB will continue its work on technical and operational issues that arise in resolution and on systemic risk in financial market infrastructures. On derivative markets, making the best use of trade reporting data for financial risk analysis and management remains an important task. Work on addressing structural vulnerabilities in asset management includes finalising consistent leverage measures for funds.

The FSB will continue to work with standard-setting bodies to ensure full, timely and consistent implementation of the agreed reforms. We are providing to G20 leaders an updated colour-coded dashboard showing the status of jurisdictions' implementation of reforms.

Meanwhile, the follow-up report we delivered to the G20 on the FSB's recommendations to remittance providers' access to the banking system demonstrates the continuing need to address reductions to correspondent banking relationships.

Finally, the status report from the industry-led Task Force on Climate-Related Financial Disclosures highlights the progress made by the private sector in adopting the task force's recommendations for financial risk disclosures.

EVALUATING THE EFFECTS OF THE REFORMS

Effective policymaking requires evaluation to ensure policies meet their intended objectives. The FSB is continuing to rigorously evaluate the effects of the post-crisis reforms. We have issued for public consultation an evaluation of the effects of the reforms on financing for small and medium-sized enterprises, and have started an evaluation of the effects of too-big-to-fail reforms in the banking sector.

For this G20 summit, we have published a report that looks at examples of financial activities where supervisory practices and regulatory policies may give rise to market fragmentation. We discuss approaches for more efficient and effective cross-border cooperation among authorities that might positively affect financial stability or improve market efficiency without a detrimental effect on financial stability.

The FSB is committed to improving communication and transparency in order to increase understanding and facilitate greater input to our work from an array of external stakeholders. This year, the FSB published its annual work programme for the first time. We are also considering how to increase the value of our regional consultative groups, which act as forums for non-FSB members to provide feedback on our work and raise issues for consideration by the FSB. We are also conducting public consultations on work products and holding workshops so that industry and academics can provide valuable insight.

Much progress has been made since the financial crisis. Yet the recent build-up of vulnerabilities in several areas reminds us that we cannot be complacent. Through determined efforts to promote a resilient global financial system, the FSB remains committed to contributing to the G20's goal of strong, sustainable, balanced and inclusive growth. 

services. The FSB also produces an annual report on developments in non-bank financing.

To improve our efforts, the FSB is developing a new framework for the comprehensive, methodical and disciplined review of potential financial system vulnerabilities. It will ensure we have the necessary analytical tools to identify new and emerging risks, whether cyclical ones, such as loose lending standards, or more structural shifts, such as the transformational impact that fintech could have on the financial system.

FINALISING AND OPERATIONALISING POST-CRISIS REFORMS

The work to develop the post-crisis reforms is almost complete and their implementation is well under way.

Strengthening financial regulation for stability

Chiara Oldani, professor of monetary economics at the University of Viterbo 'La Tuscia', writes on the fragility of financial markets and the measures that can be implemented to mitigate risk

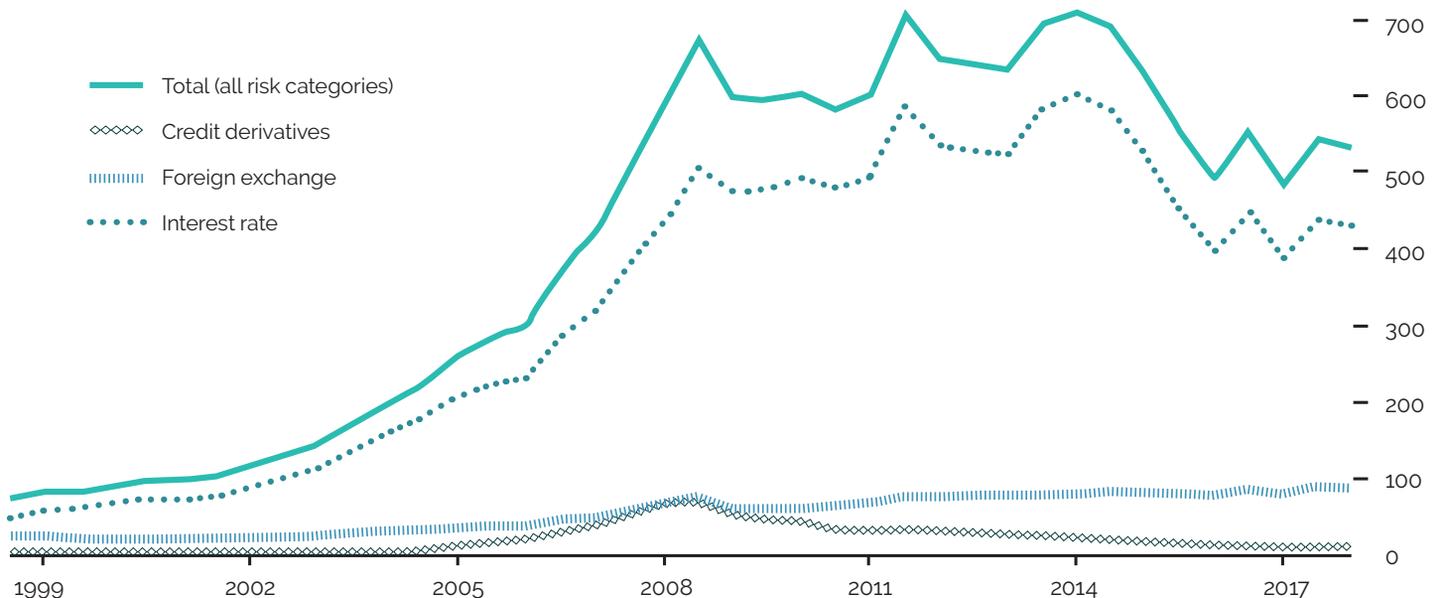
The main risk to financial stability in 2019 is growing market segmentation that could fundamentally affect the delicate equilibrium achieved after the global financial crisis. That crisis forced western countries to cooperate and improve financial regulation in order to restore confidence and trust. Global financial regulation in the European Union and United States converged until 2016, when the United Kingdom voted to leave the European Union with its common market and prudent and stringent rules.

Then, in the United States in 2017 President Donald Trump announced his rejection of the Dodd Frank Wall

Street Reform and Consumer Protection Act. A year later Congress approved a substantial change to the prudential rules introduced in 2010. Now, any financial institution that has total assets in excess of \$250 billion – instead of \$50 billion – would be considered systemically significant; this higher level allowed many institutions to lend and trade with less supervision and capitalisation. This freedom is necessary to acquire more market share, especially in the digital banking and fintech sectors that are spreading in G20 members.

Today, financial stability has been restored but at a high price: higher unemployment and public debt, and

Notional value of over-the-counter derivatives by risk category (\$ trillion) 1999–2018





“ The Financial Stability Board has greatly contributed to the improved resilience of the global finance sector, but its duties are not over”

reduced consumption. Extraordinary expansionary monetary policies have led to zero-interest rates and alleviated the credit crunch, but they have also reduced revenues in the financial industry and pushed the need to innovate, find new businesses and circumvent rules.

The Financial Stability Board has greatly contributed to the improved resilience of the global finance sector, but its duties are not over, as its new chair Randal Quarles said in Brussels in April 2019. In December 2018, the notional value of over-the-counter derivatives reached \$544 trillion, and about two-thirds of OTC interest rate derivative contracts are cleared by central counterparties that are often systemically important banks, according to the Bank for International Settlements. In fact, the introduction of centralised counterparty systems for OTC derivatives in 2008 reduced the counterparty risk, but increased concentration in the industry – as G20 leaders noted at their first summit in Washington in 2008. Higher market concentration can represent a new source of systemic risk, since the relationship between banks and central counterparties is highly symbiotic.

The growth of non-bank financing – that is, services such as loans or credit provided by financial institutions that are not licensed – deeply modifies the structure of the market and the financial industry. According to the BIS, fintech credit volumes are greater in G20 countries with less stringent banking regulation, particularly in China, the United States and the United Kingdom. Sustained demand for digital currencies such as bitcoin or Ethereum is also the result of reduced regulatory coordination among G20 members that does not substantially impede their trade.

The FSB should work with G20 authorities to reduce market fragmentation in traditional

finance, because such fragmentation can weaken supervision and monitoring, and thus bring certain risks to stability. It should enhance leaders’ responsibility regarding the non-traditional finance and banking sectors that pose problems with respect to consumer and investor protection (for example, with regard to money laundering, fraud and data protection). Increased regulation affects innovation, so the most efficient and feasible solution cannot be a global regulator; instead, G20 finance ministers and central bankers meeting in Fukuoka shortly before their leaders meet in Osaka should identify common incentives to efficiency and competition. Together, they can drive future policy proposals and achieve stability. 

CHIARA OLDANI

Professor of monetary economics,
University of Viterbo ‘La Tuscia’

Chiara Oldani is a professor of monetary economics at the University of Viterbo ‘La Tuscia’ and the director of the Rome office of the G20 and G7 Research Groups. Her research currently focuses on over-the-counter financial derivatives and the complex web of counterparty risk, widely considered a major precipitating factor of the global financial crisis.

 @chiaraoldani  www.unitus.it



G20 performance on **international taxation**

Since the first G20 summit in 2008, G20 leaders have given growing support to reforming international taxation by addressing national tax base erosion, corporate profit shifting, and deficiencies in the tax policy and administration of developing countries. In 2012, several transatlantic scandals exposing the tax avoidance practices of Starbucks, Amazon, Apple and Google thrust international tax cooperation to the top of the global agenda. This prompted a seismic shift in the G20's approach to global fiscal law and relations. At the Los Cabos

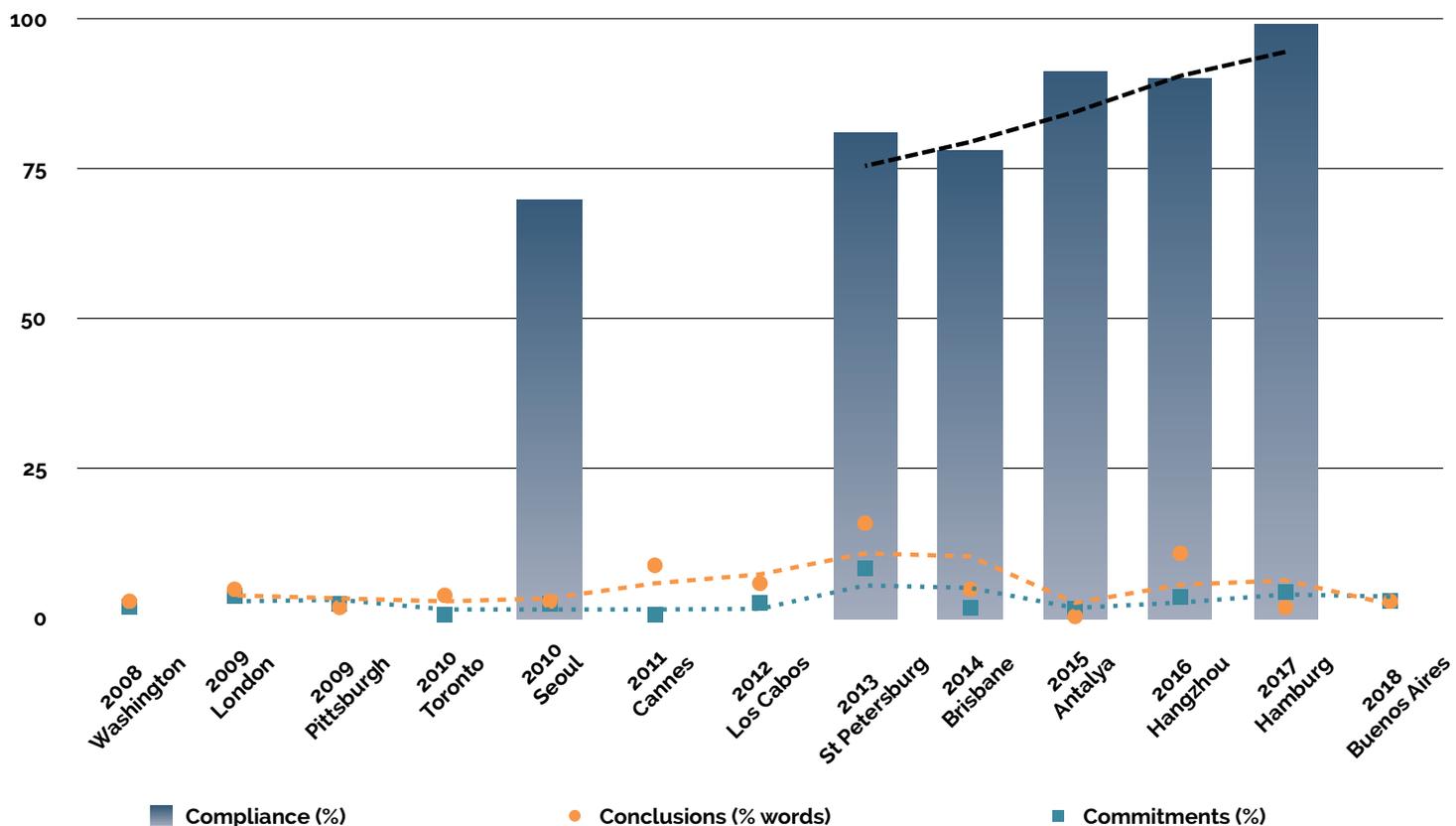
Michael Motala, researcher for the G20 Research Group, highlights the recent progress and future of international taxation policies and regulation

Summit in 2012, the G20 leaders stressed the need to prevent base erosion and profit shifting, and tasked the Organisation for Economic Co-operation and Development with developing and implementing a new international taxation agenda known as the Inclusive Framework on Base Erosion and Profit Shifting. The framework currently boasts 125 members, representing 95% of global gross domestic product.

CONCLUSIONS

International taxation has been a regular feature of G20 deliberation since the

Compliance on international taxation commitments 2008–18



summit's start in 2008, although its proportional weight of communiqué conclusions at each summit has been inconsistent. Leaders have dedicated about 11,060 words to tax in their summit outcome documents, comprising 6% of their conclusions. The number of words has increased, although irregularly. An average of 5.2% of words per summit referred to international taxation. It peaked at the St Petersburg Summit in 2013 at 4,450 words (15.8%), followed by the Hangzhou Summit in 2016 at 1,720 words (10.6%) and the 2011 Cannes Summit at 1,210 words (8.6%). The lowest came at the Antalya Summit in 2015 with 65 (0.5%).

COMMITMENTS

In all, G20 leaders have made 85 collective, politically binding, future-oriented commitments on international taxation, or 3.5% of the total on all subjects. They made their first tax commitment at the 2008 Washington Summit, pledging to work with the OECD and address the lack of transparency in global tax governance owing to the failure of information sharing. At Los Cabos in 2012, leaders tasked the OECD with addressing BEPS and the digital economy. In 2013, the OECD issued the *Action Plan on Base Erosion and Profit Shifting*, containing 15 action items to improve global tax cooperation, covering the compulsory spontaneous exchange of tax rulings, a new multilateral instrument, mandatory disclosure rules for aggressive tax planning and a new dispute resolution mechanism. At St Petersburg in 2013, G20 leaders committed to the automatic exchange of information as the new global standard, and reaffirmed their full support of the OECD's work. In 2014 at Brisbane, leaders welcomed significant progress on the action plan.

The G20 reaffirmed its previous commitments at the Antalya Summit in 2015. At Hangzhou in 2016, leaders committed to achieving a global fair and modern tax system, pledging support for a timely, consistent and widespread implementation of the BEPS package.

They reaffirmed these objectives again at Hamburg in 2017, adding that they would undertake defensive measures against non-cooperative jurisdictions with insufficient tax compliance. At the 2018 summit in Buenos Aires, G20 leaders reiterated their commitment to work together to create a modern international taxation system, support BEPS, tackle the tax implications of the digital economy and use defensive measures

5.2%

The average number of words per summit, dedicated to taxation

100%

The highest compliance recorded, in both 2013 and 2017

60%

The lowest average compliance, recorded three times

against jurisdictions that do not meet transparency standards.

COMPLIANCE

The G20 Research Group has assessed 11 of the 85 commitments on tax for compliance by G20 members. They average 85%, well over the 71% average across all subjects. Compliance has varied widely but generally risen. The highest compliance of 100%, came twice: with the 2013 commitment to stimulate pro-growth structural reforms and reform



MICHAEL MOTALA

Researcher, G20 Research Group

Michael Motala is a researcher with the G20 Research Group and a PhD student studying political science at the University of Toronto, where his research focuses on the implementation of the G20/OECD Base Erosion and Profit Shifting Initiative and the new global tax governance. He holds degrees from Columbia University, Osgoode Hall Law School, the London School of Economics and Political Science, and the University of Toronto's Trinity College.

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labour markets using appropriate tax regimes, and with the 2017 commitment to implement BEPS packages. The lowest compliance resulted from the commitments to build sustainable revenue bases by improving developing country tax administration in 2010 at 58%, tackle tax avoidance and aggressive tax planning in 2013 at 68%, and work with developing countries to build their tax administration capacity in 2014 at 70%.

CAUSES

The number of commitments on tax at each summit strongly and positively coincides with members' subsequent compliance with those commitments. The three summits with the most tax commitments – St Petersburg in 2013, Hangzhou in 2016 and Hamburg in 2017 – averaged 90% compliance, higher than the overall tax average of 85%. These summits had over 20% higher compliance than the three summits with the fewest tax commitments, namely Seoul in 2010, Brisbane in 2014 and Antalya in 2015, with their average of 60%.

CORRECTIONS

At Osaka, G20 leaders could increase compliance with their tax commitments by making more such commitments.

They could also pledge enhanced support for monitoring and enforcing compliance through AEOI, greater tax policy harmonisation, the inclusion of developing countries through the multilateral BEPS instrument and more robust sanctioning of non-compliant regimes. 

Interview with Pascal Saint-Amans

Tackling tax transparency

Pascal Saint-Amans, director of the Center for Tax Policy and Administration, tells director of the G20 Research Group John Kirton about the progress in strengthening global tax frameworks and the next phase of work

What progress have the G20 and the Organisation for Economic Co-operation and Development made towards tax transparency?

Ten years ago there was hardly any tax cooperation; bank secrecy and lack of cooperation were the rule. Today there are more than 5,000 legal relationships between countries. We have the Global Forum on Transparency and Exchange of Information for Tax Purposes with 154 countries. We have the automatic exchange of information among 100 countries. There is no longer any country with bank secrecy rules – people can no longer hide their money.

Before, there was absolutely no form of cooperation on how multinational companies were taxed, so companies put a lot of their profits in tax havens. Multinational companies must now account for legal risks and also reputational risk when tax planning.

The G20 has been instrumental in changing all this, and tax has been instrumental to the success of the G20.

How is implementation coming?

The Organisation for Economic Co-operation and Development develops standards. Countries are morally but

not legally bound by them. But given the high profile of the tax work and its critical support, we have developed legal instruments, such as the Convention on Mutual Administrative Assistance in Tax Matters, with 128 members, and the BEPS Multilateral Instrument, which almost 90 countries have signed. Thousands of tax bilateral treaties will be modified once all countries have ratified.

We need to do more, such as set minimum standards. Countries agree to implement measures and to be reviewed against those standards. That's been the case for dismantling harmful tax practices, with more than 250 regimes reviewed, with most of them having been abolished or changed in member countries. It's been true for implementing country-by-country reporting, with thousands of exchange-of-information agreements and 80 countries that have implemented legislation.

A movement across the world has translated a political agreement on technical rules at the OECD, into massive changes in domestic legislation and new international instruments, supported by peer review mechanisms. This is structural, big and long-standing, with its institutional backing.

What are the economic and other, broader impacts?

It's a tax system that works for all. AEOI has allowed for governments to identify more than €95 billion in additional tax revenues that are now being collected. This will continue because of the information being exchanged.

It's about making sure there is no fraud, which means you collect more money, which allows you to be softer on those who comply. And if people feel the system is unfair, compliance is not as high as it should be.

It's about competition, so small and medium-sized enterprises or domestic companies can compete equally with the multinationals. Countries can also reduce their corporate income tax rate, because if you broaden the tax base and make sure everybody pays, you can reduce the tax burden.

What new challenges does digitalisation bring?

It points to the remaining weaknesses of the international framework including BEPS, on the allocation of taxing rights and on nexus – which has to do with whether to start taxing a company when there is a physical presence or not.

Digitalisation means more activity in the market that is not properly remunerated. Also we may need to be more aggressive with structures that give more return where you have a few thousand employees and not enough return to where you have millions of customers.

There is an appetite to revisit these weaknesses, which extend to all companies. The challenge is to agree to



PASCAL SAINT-AMANS

Director, Center for Tax Policy and Administration

Pascal Saint-Amans has been director of the CTPA at the Organisation for Economic Co-operation and Development since 2012. He joined the OECD in September 2007 as head of the International Co-operation and Tax Competition Division in the CTPA. In 2009, he was appointed head of the Global Forum Secretariat, created to service the Global Forum on Transparency and Exchange of Information for Tax Purposes. Before joining the OECD, he was an official in the French Ministry for Finance and served as financial director of the French Energy Regulation Commission.

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“ AEOI has allowed for governments to identify more than €95 billion in additional tax revenues that are now being collected. This will continue because of the information being exchanged”

revisit these fundamentals. I am optimistic because the United States, which was the roadblock, is now the facilitator.

What progress is coming for the Osaka Summit?

We are going to deliver a detailed programme of work to the G20 finance ministers in Fukuoka in early June and to the leaders a few weeks later in Osaka. It will address the tax challenges of digitalisation of the economy and stabilise the international tax system, through new rules we will deliver by the end of 2020.

How can the G20 leaders best advance this work?

They can do three things. One is to take stock of the progress. We will be reporting quite amazing numbers on the exchange of information. We have a real success story! So the leaders can show the world that where you have political will, and countries work together, we can change the world. This should be the response to any doubts about multilateralism.

Two, we expect the leaders to endorse the programme of work to deliver a solution to address the tax challenges arising from digitalisation by the end of 2020.

Three, and the most important, we expect them to bring their political support to make sure we can easily and quickly move from several options to one single long-term solution, so that we deliver the rules on time. 

G20 presidencies regularly contribute to milestone transformations that make the international tax system fairer – and Japan’s presidency is no exception. Masatsugu Asakawa, vice minister of finance for international affairs at the Ministry of Finance, draws on his wide experience to chart the country’s past, present and future efforts to modernise the international tax system

PAST AND PRESENT...

International tax cooperation has been a success story of multilateralism facilitated by the G20, thanks to the Base Erosion and Profit Shifting project and the exchange of tax information.

The G20 and Organisation for Economic Co-operation and Development jointly started a journey to tackle tax avoidance in 2012 with the BEPS project, which has three unique characteristics: a focus on double non-taxation, inclusiveness and political support.

First, BEPS intended to achieve a level playing field by adopting a holistic approach to demand a fair tax burden from multinational enterprises regardless of their tax structures, as opposed to the past focus on eliminating double taxation. Second, although in the past international tax policy reforms were initiated chiefly by advanced economies, at its initial stage BEPS was joined by the members of the G20 that are not members of the OECD. Finally, BEPS has enjoyed political support. For example, its action plan and final reports were endorsed at the 2013 St Petersburg and 2015 Antalya G20 leaders’ meetings, respectively; at Hangzhou in 2016 the leaders welcomed the establishment of the Inclusive Framework on BEPS, which is mandated to monitor the implementation of the BEPS agreement. The Inclusive Framework started with 82 jurisdictions and currently has around 130 jurisdictions, including more than 70% of non-OECD/G20 jurisdictions from all geographic regions.

...AND FUTURE: TAX AND DIGITALISATION

Although the BEPS project is a big success, challenges remain in making a fair international tax system. Innovation in information and communication technologies has brought significant changes in ways of doing business, most notably, digitalisation. BEPS has addressed the tax challenges arising from the digitalisation of the economy, but, due to its transformative nature, no consensus emerged in 2015.

Discussions have continued under the Inclusive Framework, with an interim report submitted to the G20 last year. That report identified a cross-jurisdictional scale without mass reliance upon intangible assets, and data and user participation as common characteristics

MASATSUGU ASAKAWA

Vice minister of finance for international affairs, Ministry of Finance, Japan



Masatsugu Asakawa is vice minister of finance for international affairs. He is responsible for all international policies of the Japanese Ministry of Finance and represents Japan in the G20 finance track. Since he joined the ministry in 1981, he has held many senior positions, including director-general of the International Bureau and deputy vice minister for policy planning and coordination. He also served as executive assistant to the prime minister and deputy prime minister and finance minister, as well as at the International Monetary Fund, the Asian Development Bank and the Organisation for Economic Co-operation and Development.

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82

Jurisdictions originally
in the Inclusive
Framework

130

Jurisdictions
currently
included

70%

Of non-OECD/G20
jurisdictions from all
regions involved

of digitalised business models. These factors have made it much easier to conduct business without a physical presence in a market jurisdiction, on which the current taxation rule relies heavily. In some cases, the tax outcome can be quite unfair.

Against this backdrop, G20 leaders agreed at Buenos Aires in December 2018 to work together to seek a consensus-based solution to the tax challenges of digitalisation, with an update in 2019 and a final report by 2020. To meet this target, several important steps have been taken under the Inclusive Framework on BEPS in 2019, including holding public consultations and developing a work programme. The work programme adopts a two-pillar approach to examine the allocation of taxing rights and broader BEPS issues in parallel, without prejudice.

The first pillar has three proposals, all of which aim to allocate more taxing rights to market jurisdictions. As the three differ in reasoning, we need to work hard on how to reconcile them.

As for the second pillar, the Inclusive Framework has been addressing possible ways to provide residence and source countries where profits are derived with a right to tax back those profits subject to no or low rates of taxation. This would contribute to addressing a race to the bottom that would have adverse consequences for all countries, large and small, developed and developing.

CONCLUSION

The Inclusive Framework on BEPS has been working to reach a consensus-based solution on both pillars. As the 2020 deadline is fast approaching, political engagement and strong leadership of the G20 are essential. As G20 chair this year, Japan intends to make every effort to make a fair international tax system. 🌐

G20 performance on the **digital economy**

Meredith Williams, lead researcher for the G20 Research Group, explains why the digital economy should be a priority at the Osaka Summit, and what can be done to keep pace with its growth



When G20 leaders meet in Osaka, they will discuss the digital economy as one of their priorities. Japan as summit host will focus on securing a free, inclusive and sustainable future society, through development centred on digital innovation. G20 leaders will discuss artificial intelligence, robotics and cryptocurrency regulation. The Organisation for Economic Co-operation and Development's 2019 Roadmap for the Future highlights five actions required to deal with the transformation of the digital economy. The OECD also recommends

that the G20 advance talks on monitoring innovation, cryptocurrency regulation, data flows and digital skills. As G20 members struggle to keep up with the rapid pace of digital innovation, many countries experience the growth of digitalisation at different paces.

CONCLUSIONS

The term 'digital economy' was first used by G20 leaders at their 2013 St Petersburg Summit, as the growth of online transactions had left gaps in the existing international taxation framework. The G20 had first acknowledged that digitalisation

MEREDITH WILLIAMS

Lead researcher, G20 Research Group

Meredith Williams is the lead researcher for the G20 Research Group on fintech regulation and digital innovation. She is also a lead researcher with the Creating Digital Opportunity Project of the Innovation Policy Lab at the Munk School of Global Affairs and Public Policy at the University of Toronto, focusing on blockchain technology innovation and open banking regulation. She is currently pursuing her master of law degree in innovation technology at the University of Edinburgh, and her career at the largest global e-commerce platform.

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was an opportunity at the 2008 Washington Summit, dedicating 88 words to it in its communiqué. Leaders noted the digital economy as a growing concern in 289 words at the 2009 Pittsburgh Summit. They followed with 229 words at the 2010 Toronto Summit, 372 at the 2011 Cannes Summit, and 169 at the 2012 Los Cabos Summit. After a jump to 760 words at the 2013 St Petersburg Summit, attention dropped to 299 words at the 2015 Antalya Summit. At the 2016 Hangzhou Summit attention spiked to 3,042 words and at the 2017 Hamburg Summit to a peak of 5,029 words. At the 2018 Buenos Aires Summit it dropped to 1,420 words.

COMMITMENTS

From 2008 to 2018, the G20 made 28 core collective, politically binding, future-oriented commitments on the digital economy and another 37 related ones, for a total of 65 overall. The 2016 Hangzhou Summit made the first commitments on the digital economy, producing 20. Hamburg rose to 35 commitments, the largest number ever, with 28 of these on gender and the digital economy. The number of commitments on the digital economy made at the Buenos Aires Summit dropped to 10. Beyond but still within the digital world were commitments on information and

communications technologies, labour and employment, the new industrial revolution, digital trade and digital inclusion.

COMPLIANCE

Of the 28 core digital commitments, the G20 Research Group assessed five and found that G20 members complied with their commitments at an average of 57%. The four commitments made at the 2016 Hangzhou Summit averaged 43%. The one assessed commitment from Hamburg – on fostering favourable conditions for the development of the digital economy and ensuring competition to foster innovation – had 95% compliance.

Also assessed were two development-focused digital commitments and two on technological innovation or ICT. These four averaged compliance of 85%.

CORRECTIONS

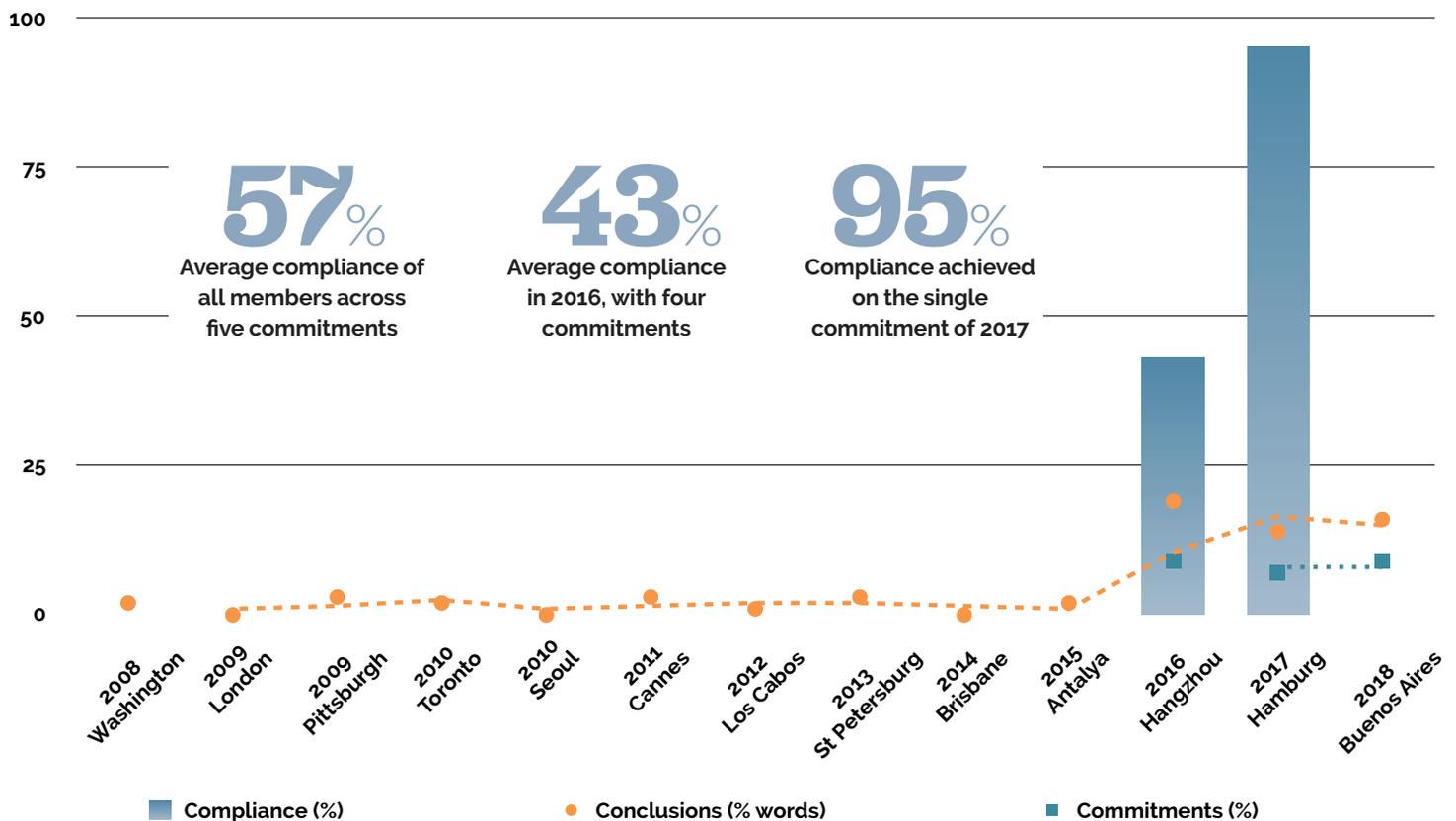
The G20 does comply positively with its commitments on the digital economy, especially the commitments on digitally related development and innovation. But there is much room for improvement. Three ways to do so stand out.

First, G20 leaders should make more commitments on digitalisation. The two summits with the highest number of such commitments – Hangzhou with 20 and Hamburg with 35 – had average compliance with them of 65% and 93% respectively.

Second, the G20 should hold regular pre-summit meetings of the ministers responsible for the digital economy and digitalisation. The 2017 Hamburg Summit, the only one to hold such a meeting, had 95% compliance with its digital commitments. This correlation also arises in the similar areas of finance and of labour and employment.

Third, in the text of its commitments on the digital economy, the G20 should include a reference to the core international organisation, in this case the OECD. It can do so at Osaka by explicitly supporting the OECD's Roadmap for the Future. 

Compliance on digital economy commitments 2008–18



*Hideaki Shiroyama, professor
of public administration at the
University of Tokyo, details
Japan's domestic challenges
and international strategy as
it works to implement its vision
for the society of the future*

Governing AI in Society 5.0

Emerging technologies such as artificial intelligence (AI) can be expected to spur innovation that leads to the recovery from economic stagnation and facilitates social inclusion. Society 5.0 is a social vision espoused in various policy documents that refer to emerging technologies such as AI. Those policy documents focus mainly on the use of integrated technologies of physical space and cyberspace, such as the Internet of Things, in tackling social problems.

In implementing emerging technologies in the real world, it is important to secure the trust of the public by setting guidelines and establishing principles. In response to the need to propose AI research and development principles at the meeting of G7 ministers responsible for information and communications technologies in Takamatsu in April 2016, Japan's Ministry of Internal Affairs and Communication set up the Conference on Networking among AIs in February 2016, which proposed a tentative draft. In October 2016, the Conference on Networking among AIs was reorganised into the Conference Towards an AI Network Society, which produced a further draft set of AI research and development guidelines in July 2017. They established the principles of collaboration, transparency, controllability, safety, security, privacy, ethics, user assistance and accountability. The conference also introduced draft AI utilisation principles in July 2018.

The discussion about the governance of AI in Japan seems to occupy an intermediate position between those of the United States and the European Union. In the United States, the Executive Order on Maintaining American Leadership in Artificial Intelligence was announced in February 2019. It emphasises driving technological breakthroughs and developing technical standards, although it also mentions fostering public trust and confidence. Policy discussion about AI governance in Japan, by contrast, pays more attention to the need for trust and confidence.

In the European Union, the General Data Protection Regulation came into effect in May 2018, and the Ethics Guidelines for Trustworthy AI were released in April 2019. The guidelines set out seven requirements (see **box**). The current focus in the policy discussion in Japan, however, is on non-regulatory measures rather than on regulatory measures as seen in Europe. However, the requirements of the European Union's Ethics Guidelines are similar to the utilisation principles promoted by Japan's Ministry of Internal Affairs and Communication.

There remain several domestic challenges in developing AI policy in Japan. First, there is the issue of relations among different government ministries. The cabinet office and Ministry of Internal

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In implementing emerging technologies in the real world, it is important to secure the trust of the public by setting guidelines and establishing principles”

The Ethics Guidelines for Trustworthy AI

- Human agency and oversight
- Technical robustness and safety
- Privacy and data governance
- Transparency
- Diversity, non-discrimination and fairness
- Environmental and social well-being
- Accountability



HIDEAKI SHIROYAMA

Professor of public administration, Graduate School of Public Policy and the Graduate School for Law and Politics, University of Tokyo

Hideaki Shiroyama researches global governance, international administration, science and technology, and public policy at the University of Tokyo, where he is the director of the science, technology, innovation and governance programme and the coordinator of the graduate programme for social design and management. He was the dean of the Graduate School of Public Policy from 2014 to 2016 and the director of the Policy Alternatives Research Institute from 2010 to 2014. He serves on various government advisory councils on higher education, nuclear safety, consumer safety, space policy and artificial intelligence, and information technology.

Affairs and Communication have played important roles in setting general principles for developing AI policy. In addition, the Ministry of Economy, Trade and Industry is active in policy for competition and model contract areas. Sectoral ministries such as the Ministry of Land, Infrastructure and Transport and the Ministry of Health, Welfare and Labour are active in each application area (such as autonomous vehicles and medical uses for AI). Second, the discussions are entering a phase of practice in concrete applications. There is an emerging need to cope with different contexts (including diverse stakeholders) in different sectors. This shift also affects the relations among these ministries.

In parallel with the domestic discussion on AI governance, Japan has attempted to facilitate discussion in the multilayered multilateral arena, utilising its intermediate position between the United States and the European Union and its geopolitical position in Asia. At the G7 meeting it hosted in 2016, Japan took the initiative to put AI on the policy agenda. It also took the R&D guideline proposal to the Organisation for Economic Co-operation and Development. In addition, in his address to the World Economic Forum in Davos in January 2019, Japanese prime minister Shinzo Abe called for data governance, which he calls ‘data free flow with trust’, under the umbrella of a reformed World Trade Organization.

There maybe some debate about whether the WTO, especially its forum on e-commerce, is the appropriate arena for discussing the free flow of data, but the WTO is clearly one of the most important arenas for such discussions beyond like-minded countries. Prime Minister Abe is calling for the ‘Osaka Track’ for data governance to begin at the G20 summit in June. Securing the agreement in this diverse environment of other countries, including emerging countries such as China, is a difficult task. But the discussion on the Digital Economy Development and Cooperation Initiative, which focused on inclusion, was already undertaken at the G20's Hangzhou Summit in China in 2016. It might be possible to extend that discussion at Osaka.

Employment in the year 2021

*Guy Ryder, director-general
of the International Labour
Organization charts the
major accomplishments
of the ILO's first 100 years
and outlines the path for
the coming century*

THE ILO'S MAJOR ACCOMPLISHMENTS IN ITS FIRST 100 YEARS

For the past century, the world's governments, workers and employers have come together at the International Labour Organization with a common goal to promote social justice and decent work. During these 100 years, the world of work has changed profoundly. The ILO has adopted 189 conventions and 205 recommendations that set out fundamental rights and form the basis for national legislation on such issues as freedom of association, forced labour and maternity protection.

These international norms have had a direct impact on the lives of millions of people around the world. While there is still much to do, workers today are unquestionably better off than they were 100 years ago. The 80-hour week is a thing of the past, workplaces are safer and the importance of access to universal social protection has become recognised.

THE ILO AT THE G20

The ILO plays a significant role in supporting the G20. Successive G20 presidencies have called upon us to provide technical input not only to the Employment Working Group, but also to other work streams that inform the leaders' communiqué.

The ILO's leadership on the future of work has facilitated our deepening engagement with the G20, building on our normative contributions and global tripartite perspective. Under Germany's presidency in 2017, we provided technical inputs on working conditions on digital labour platforms. Last year under Argentina's presidency, the ILO provided technical input on the emergence of new business models and the growth of the platform economy, strengthening social protection in the future of work and reskilling and upskilling.

Work for a Brighter Future, the report of the ILO's independent Global Commission on the Future of Work, urges the adoption of a human-centred agenda for growth and development. It received worldwide attention, including among G20 members. The ILO has provided technical support for the Japanese presidency's priorities on that basis, within Japan's overall theme of realising and promoting an inclusive and sustainable society. Indeed, the Employment Working Group has chosen as its theme a human-centred agenda for the future of work, focusing on ageing, new forms of work and gender equality.

At the request of Japan's

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The ILO's leadership on the future of work has facilitated our deepening engagement with the G20, building on our contributions and global tripartite perspective”



GUY RYDER

Director-general of the International Labour Organization

Guy Ryder has been director-general of the International Labour Organization since 2012, having held various senior positions in the ILO from 1999 to 2002 and again since 2010. Ryder leads the organisation's action to promote job-rich growth and to make decent work for all a keystone of strategies for sustainable development. He has a background in the trade union movement and is the former general secretary of the International Trade Union Confederation.

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presidency, the ILO has drafted several papers for the Employment Working Group on each of these themes. Our paper on ageing highlights policies for a multi-stage life approach for a longer working life. The paper on the long-term care sector urges investing in the care economy to generate decent jobs. The paper on the international governance of platform work identifies cross-border regulatory issues and the difficulties of resolving all of them at a national level. All three areas correlate with significant drivers and challenges in the future of work identified by the Global Commission.

This year's reports on gender equality follow reports in previous years that facilitate the monitoring of progress towards the 2014 Brisbane Summit's goal to reduce the gender labour force participation gap by 25% by 2025. Japan's presidency intends to submit the ILO report *A Quantum Leap for Gender Equality* to the sherpas and then to the leaders, to emphasise the importance of realising the Brisbane goal as one of the key drivers of gender equality.

In 2017, G20 labour ministers called upon several international organisations – the ILO, the Organisation for Economic Co-operation and Development, the International Organization for Migration, and UNICEF, under the umbrella of Alliance 8.7 – to report on child labour, forced labour and human trafficking in global supply chains. The report will be ready in the second half of 2019. Several G20 members have urged Japan to place the report and the overall issue on the agenda of the G20 labour and employment ministers meeting in Matsuyama in September.

In other G20 work streams, last year our participation in the Framework Working Group helped lead to the *G20 Menu of Policy Options for the Future of Work*. It includes finding the fiscal space for realising universal social protection systems and for supporting the skilling and

reskilling that must occur in a world of rapid technological change. In addition, the ILO has provided technical inputs to the Development Working Group and the Climate Sustainability Working Group. This year the ILO is providing inputs to the Framework Working Group on the issue of ageing and the implications of emerging labour shortages for economic growth and macroeconomic policies. We are also active in the Development Working Group on issues of quality infrastructure and human capital development. 

G20 performance on labour and employment

As Osaka signals increased focus on the world of work, Jane Filipiuk, research associate with the G20 Research Group, finds the more commitments made by the G20 on labour on employment, the higher the rate of compliance

As host of the G20's Osaka Summit, Japan ranked advancing innovation in technology and science to solve complex social issues as one of its top three priorities. Given that the future of work has become so enmeshed with the digital revolution, this human-centred priority is closely related to labour and employment – signalling an increased focus on this subject.

CONCLUSIONS

At G20 summits, labour and employment have been addressed in a broad way that includes labour markets, mobility and standards, occupational safety, offshore outsourcing and national wage-setting systems. Since 2008, in their concluding communiqués, G20 summits have averaged 2,173 words on labour and employment or 14% of the total words at each summit.

COMMITMENTS

Since the first G20 summit in 2008 through to 2018, the leaders made 129 commitments on labour and employment. This is about 5% of the 2,582 commitments they made overall.

Their first commitments on labour and employment were the four made at the 2009 London Summit, followed by three at Pittsburgh later that year. There were none at Toronto in 2010, but four at Seoul later in 2010. The number gradually began increase at the 2011 Cannes Summit, with eight. Los Cabos in 2012 made 18.

The peak of 29 commitments came at St Petersburg in 2013. A decline followed at Brisbane in 2014 with 16, to 10 at Antalya in 2015 and nine at Hangzhou

in 2016. The 2017 Hamburg Summit spiked to 25. In Buenos Aires in 2018, the future of work in the age of the digital revolution was a top priority; nonetheless, only three commitments on labour and employment were made.

COMPLIANCE

The G20 Research Group has assessed 16 of the 129 commitments on labour and employment for compliance by G20 members. Compliance averaged 75%. This is a little higher than the G20's average compliance across all issues of 71%.

JANE FILIPIUK

Research associate, G20 Research Group

Jane Filipiuk has been a research associate with both the G20 and G7 Research Groups. Since in her first year of studies, she has been based at the Munk School of Global Affairs and Public Policy at Trinity College in the. Throughout this time, Jane has also been involved in many projects in her capacity as a researcher with the Global Governance Program. Her interests span a diverse set of issues including employment, trade and macroeconomic policy.

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29

The highest number of commitments at a summit

5%

Of all commitments since 2008 are on labour

86%

Compliance average following 2013 summit

The lowest compliance came from London, where the G20's commitment on building fair and family-friendly labour markets scored only 4%. Compliance peaked at 100% with the commitment on fostering job creation made at the 2012 Los Cabos Summit. High compliance also came at Cannes in 2011 at 97%, with its commitment on creating a more equitable work environment. Compliance on the six assessed commitments from St Petersburg in 2013 averaged 86%.

Since then, compliance generally decreased. The 2014 Brisbane Summit averaged 82%. At Antalya in 2015, the four commitments on integrating youth into the employment market and monitoring the implementation of the 2015 Employment Plan averaged 67%.

CORRECTIONS

Although global unemployment is projected to fall from its 5.3% rate in 2018, the G20 still needs to improve its performance on labour and employment, especially on compliance with its commitments. It can do so in three ways.

First, the G20 should make more commitments on labour and employment. Indeed, the more commitments made at a G20 summit on labour and employment, the higher the compliance with them. The three summits that made the most commitments on this subject (St Petersburg, Los Cabos and Brisbane) had the highest compliance scores. Their 85 total commitments averaged compliance of 89%. Conversely, the summits with the fewest such commitments (Antalya, Cannes and London) averaged compliance of a modest 63%.

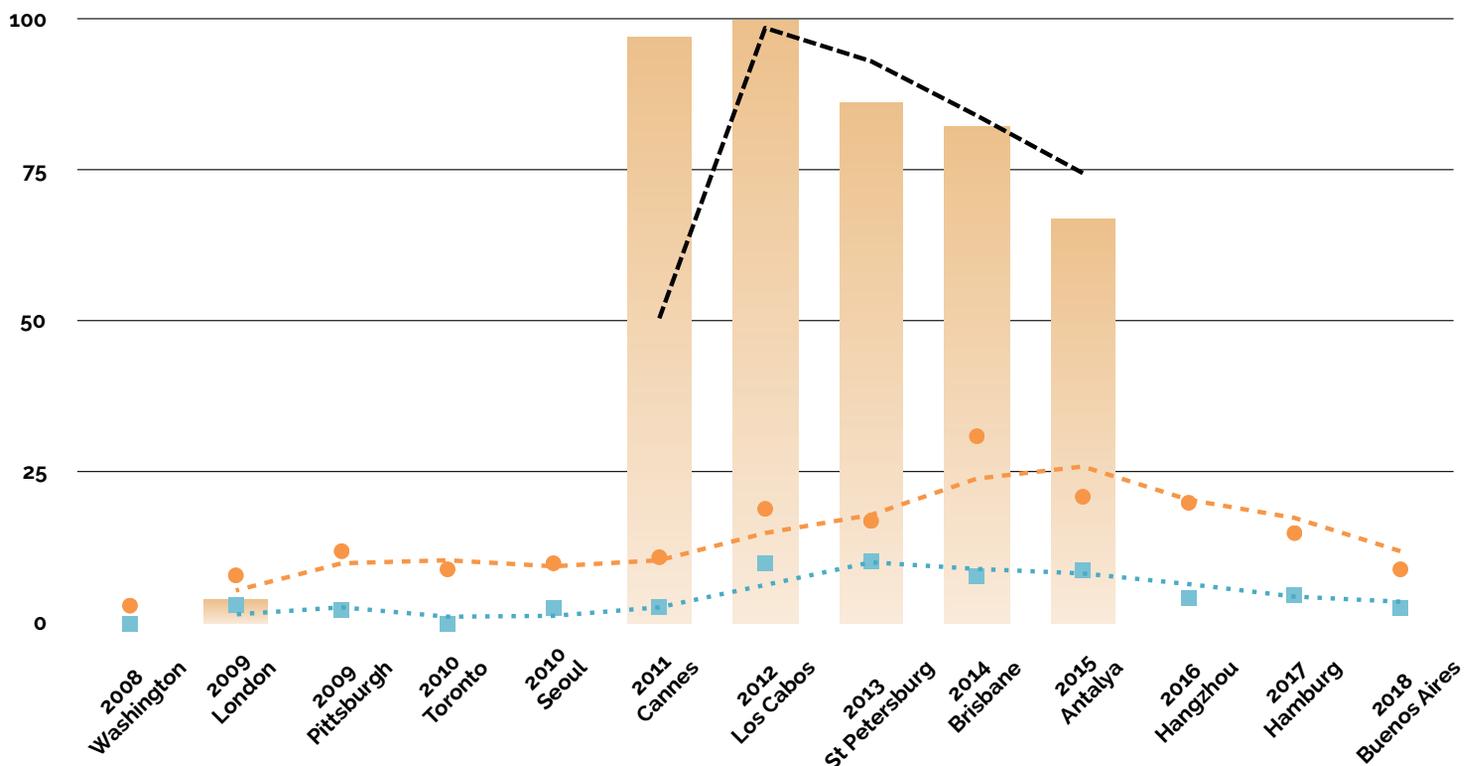
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The G20 could place labour and employment commitments at the beginning of the communiqué, incorporate a completion timeline of one year or less, and include explicit references to the core related international organisation”

Second, labour and employment ministers should continue their tradition of meeting during the summit year, as they have since 2010. Since then, both commitments and compliance on this subject have increased.

Third, compliance could be strengthened by embedding specific compliance catalysts in the commitment, to provide direction for implementation. Specifically, they could place labour and employment commitments at the beginning of the communiqué, incorporate a completion timeline of one year or less, and include explicit references to the core related international organisation, namely the International Labour Organization. 

Compliance on labour and employment commitments 2008–18



Labour 20 initiatives for Osaka

Ahead of the G20 Osaka Summit and the L20 summit, to be held in August, Rikio Kozu, chair of the L20 Japan, charts the work of the organisation to improve the lives of workers

The G20 summits started in 2008 with the aim of restoring the world economy following its dramatic downturn in the wake of the collapse of Lehman Brothers. In the 1990s, economic globalisation had tied countries' economies closely and mutually. The effects of the downturn of the global economy were particularly severe for working people. Operating results deteriorated among many Japanese firms as they suffered declining exports due to reduced demand from overseas and rapid currency appreciation. This led companies to terminate employment contracts for temporary workers one after another in quick succession, threatening the livelihoods of many.

Against such a backdrop, the L20 launched as a G20 engagement group that united the world's workers to demand a reappraisal of prevailing neoliberal economic policies and the development of a society that allows people to work in decent conditions. L20 summits call on national leaders to reflect workers' opinions regarding the world economy and employment in their policies – and tripartism that involves the essential participation of not only governments but also workers and employers in tackling the challenges.

At the 2017 G20 Hamburg Summit, the leaders affirmed their commitment to achieving sustainable

global supply chains by fostering the implementation of labour, social, and environmental standards and human rights in line with internationally recognised frameworks, such as those of the United Nations guiding principles on business and human rights and the International Labour Organization's tripartite declaration of principles concerning multinational enterprises and social policy. Policy proposals from the perspective of workers, achieved through social dialogue, were included in G20 discussions, as well as in the leaders' declaration.

A NEW ERA FOR WORKERS' RIGHTS

Under Japan's G20 presidency, the labour and employment ministers will meet in September, after their leaders meet at Osaka. In March, the Japanese Trade Union Confederation (RENGO) and leaders from international trade union organisations including the International Trade Union Confederation delivered a policy paper to Japan's prime minister, Shinzo Abe, in the form of a trade union statement, and Abe engaged in social dialogue with us.

The trade union statement comprised six key pillars: promoting decent work; further promoting gender equality; achieving a just transition to a carbon-neutral economy; guaranteeing that technological innovation benefits all; eliminating tax evasion, avoidance and tax dumping; and reinforcing the global trading system.

Abe indicated his understanding of the importance of such issues and stated that he would present a clear message to the international community with a view to finding solutions to the issues identified.

The L20 summit will be held in August as a precursor to the labour and employment ministerial meeting. It will address the promotion of decent work and achievement of the Sustainable Development Goals, digitalisation, the Universal Labour Guarantee, gender equality, eradication of violence in the world of work, demographic changes, supply chains, and climate change and a just transition.

Throughout the international community, many workers still have no choice but to labour under





harsh working conditions. To establish more decent conditions throughout entire supply chains is a pressing issue. Structural changes in industry as a result of digitalisation and climate change affect workers irrespective of their nationality. For that reason, it is extremely significant that the heads of state and government and their ministers of labour are participating in these discussions and engaging in social dialogue.

The year 2019, in which Japan is hosting the G20, is also the landmark year of the International Labour Organization's centenary. As described in the report by the Global Commission on the Future of Work, the world of work is changing, and dealing with the changes will require reinvigorating the social contract that links government, workers and employers through social dialogue. As trade unions, we will continue implementing such initiatives to improve society. 

RIKIO KOZU

Chair, L2O Japan, and president of the Japanese Trade Union Confederation

Rikio Kozu joined the Nippon Steel Corporation in 1979 and began his trade union career in 1984, when he was elected executive committee member of the workers' union at the Nippon Steel headquarters. In 1990, his trade union career was interrupted for three years while he served as first secretary to the Japanese embassy in Thailand. After his return to trade union work, he was elected general secretary of the Japan Federation of Basic Industry Workers' Unions (Kikan Roren) in 2006 and president in 2010. He became general secretary of RENGO in 2013 and president in 2015. At the 15th biennial convention in 2017, he was re-elected for a second term as president.

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AGEING POPULATIONS' ECONOMIC AND SOCIAL IMPACT



G20 performance on ageing populations

Alessandra Ciccì, co-chair of summit studies, G20 Research Group, details the G20's commitments and progress in supporting ageing populations around the world

Japan's 2019 Osaka Summit will address the emerging issue of ageing populations and the impact on society. Japan itself has an increasingly elderly population, with more than 20% of its people aged 70 or older. Its labour force has dropped by 4.5 million people since 2012. Several other G20 members face a similar situation; all are affected in some way. The G20 can benefit from collectively managing demographic challenges on a policy level, as they affect economic growth, fiscal management,

social security systems and even monetary policy. Thus, the Osaka priority of ageing populations flows from the G20's core mission of providing global financial stability and making globalisation work for all.

CONCLUSIONS

Since its Toronto Summit in 2010, the G20 has addressed ageing populations in its leaders' communiqués, covering ageing societies, seniors, the elderly, old age pensions, poverty and social security for the aged. It has now dedicated a total of 1,318 words to the subject. The peak came at the 2017 Hamburg Summit, which dedicated 334 words in three outcome documents.

COMMITMENTS

G20 leaders have made nine collective, politically binding, future-oriented commitments on ageing populations. They cover the related subjects of social policy, labour and employment, macroeconomics and development. These nine commitments constitute only 0.35% of the 2,526

commitments the G20 has made in all.

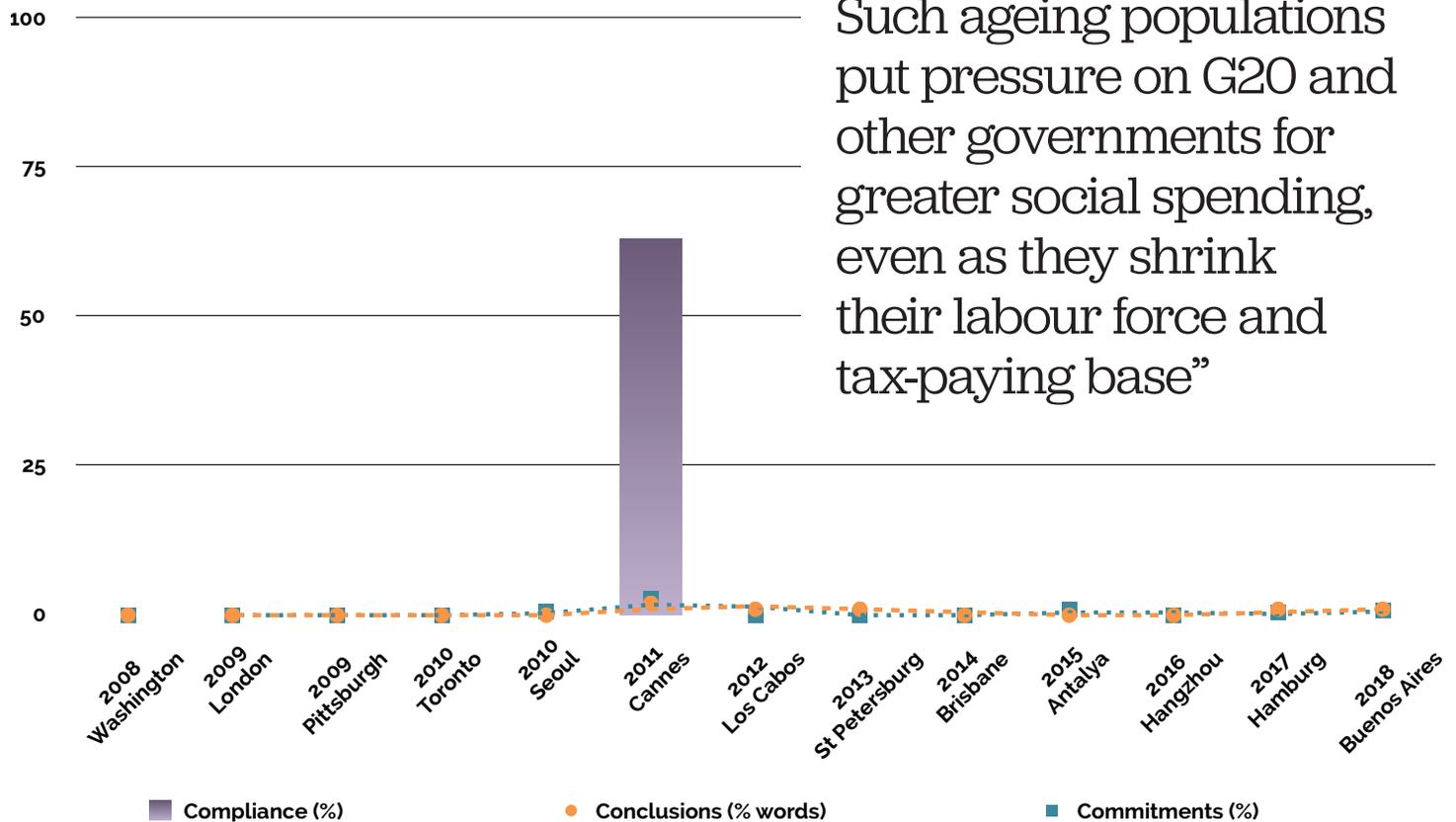
The first commitment on ageing populations came at the 2010 G20 Seoul Summit. Leaders agreed to implement structural reforms and strengthen social safety nets such as pension plans. The following year, at the Cannes Summit, leaders made three commitments on ageing populations, linking the issue to labour and employment and macroeconomic policy.

Commitments on ageing populations then disappeared until the Antalya Summit in 2015. Here, G20 leaders made two commitments: they recognised the challenges that ageing populations posed to labour markets. They committed to explore the potential of the so-called silver economy. They reiterated this commitment and made one other at the Hamburg Summit in 2017, and made one commitment at Buenos Aires in 2018.

COMPLIANCE

The G20 Research Group has assessed only one of the nine commitments for compliance by G20 members. That

Compliance on ageing populations 2008–18



“Such ageing populations put pressure on G20 and other governments for greater social spending, even as they shrink their labour force and tax-paying base”

commitment, made at the 2011 Cannes Summit, encouraged the participation of older workers and women in the labour market. G20 compliance averaged 63%. This was lower than that summit’s compliance average of 74% and the overall compliance average of 71%.

Nine G20 members fully complied with this commitment on ageing. They included the G7 members of Canada, Germany, Japan, the United Kingdom and the United States. Four members failed to comply: Mexico, South Africa, Indonesia and Saudi Arabia.

CORRECTIONS

With only nine commitments on ageing populations and only one assessed for

compliance, it is difficult to directly identify how the low compliance of 63% on this issue can be improved. However, some suggestions for further consideration can be made.

First, for the Osaka Summit, Japan has put at the forefront of its priorities long-term issues that affect economic growth, including ageing populations. Such ageing populations put pressure on the G20 and other governments for greater social spending, even as they shrink their labour force and tax-paying base. On the subjects of macroeconomic policy and labour and employment, compliance has been higher where G20 summits have made more commitments on each of these subjects. Leaders should thus consider making more

commitments on ageing at Osaka, and at their following summits in Saudi Arabia in 2020 and Italy, with its own ageing population, in 2021.

Finance ministers have continued to meet every year since their leaders started meeting in 2008. The G20 has added meetings for ministers of labour and employment in 2010, and these appear to increase compliance with the leaders’ commitments on these subjects. These ministerial meetings and the summits could include more ageing-related aspects of social policy. Future G20 hosts could consider holding a meeting of ministers’ responsible for ageing on their own.

More broadly, G20 leaders should continue to put social policies on their agenda, address their impact on economic growth and work to share best practices. Specifically, to address ageing populations, they should increase the effectiveness of social security and pension systems, consider how innovation and digitalisation can offset the effects of shrinking workforces, and design responsive immigration policies. Finally, they should forge the link to the G20’s core purposes of promoting financial stability, fostering strong, sustainable, balanced and inclusive economic growth, and ensuring that globalisation works for all. 

ALESSANDRA CICCI

Co-chair of summit studies, G20 Research Group

Alessandra Cicci is co-chair of summit studies at the G20 Research Group and a senior researcher for the G7 Research Group based at the Munk School of Global Affairs and Public Policy in Trinity College at the University of Toronto. She holds an honours bachelor of arts in political science, Italian and European Union Studies, and will be pursuing a master of public policy and a master of global affairs at Sciences Po in Paris and the Munk School. She is interested in migration, human security and global governance.

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Let's not just talk pensions

Joachim Breuer, president of the International Social Security Association, calls for immediate and decisive action on demographic change and social security

There is a common misconception about demographic change: many people assume that the challenge of an ageing population lies in preparing the social infrastructure – in particular the system of social security – for growing numbers of pensioners. The problem with this assumption is that it narrows our perspective of the options we have for dealing successfully with demographic ageing.

As a consequence, most public debates about the future of social security in a greying world centre on adjusting the main parameters of old-age benefits: the size of pensions and the age of retirement. Discussing these parameters is not a mistake. They are important factors affecting the sustainability of social security. However, focusing on them exclusively means turning a blind eye to policy measures that are important to all age groups and that might help to solve some of the problems created by population ageing. From my point of view, three policy options are crucial in this context: expanding coverage, investing in prevention and return to work, and offering solutions for long-term care.

EXPANDING COVERAGE

As populations around the world age, the ratio between the number of persons of working age (20–64) and the number of older people who may depend on others' support decreases. Although this old-age support ratio gives us a good idea of the necessary increase in productivity if fewer workers are to finance the livelihood of more pensioners, it describes only a part of the picture when it comes to social security. Why? The ratio between workers and pensioners tells us nothing about the legal and structural relationship between both groups. To find out how many workers actually do support one retired person, we must consider the dimension of coverage. According to the ISSA's report on the 10 global challenges for social security, only half of the world's population has access to old-age benefits. Vast proportions of the global population either do not receive any form of financial support (other than through their families) or do not earn some form of credit towards such support later in their lives. It is obvious that this situation serves the needs of neither the older nor the younger generation. This is why closing the coverage gap must be a priority for political decision makers everywhere.

INVESTING IN PREVENTION AND RETURN TO WORK

Fewer workers per pensioner also means that the full potential of workforces must be activated. Against this backdrop, health

investments need to be considered as a key component for creating not only healthier but also more inclusive and more productive societies. In many countries, efforts are underway to increase health promotion and to improve access to structured and coordinated healthcare services. Support of employment is equally important. The longer a person remains away from work, the higher the risk of being excluded from the labour market and requiring long-term social security benefits. Such policies offer a positive return on investment for older workers and especially for younger workers, because the net impact of prevention and rehabilitation multiplies with every additional year of active labour market participation. Therefore, governments should examine their policies regarding incentives and impediments to promoting health and returning to work, and revise them accordingly.

OFFERING SOLUTIONS FOR LONG-TERM CARE

Projections by the World Health Organization show that the need for long-term care will increase dramatically over the next few decades. As the number of children per family decreases and concepts of family and women's role in society change, new models of delivering and financing long-term care must be developed and implemented. Families will always share the burden of caring – which means professionalising care for the elderly and building schemes that are instrumental for financing the corresponding benefits.

At the global level, closing the coverage gap, investing in prevention and return to work, and providing a stable basis for long-term care are among the measures that G20 governments should consider in the context of population ageing. ISSA, with more than 320 members from over 150 countries, provides a network of expertise and experience in designing and managing social security schemes that can contribute solutions to the problems and challenges on the G20's agenda. 

JOACHIM BREUER

President of the International Social Security Association

Joachim Breuer was elected president of ISSA in 2016. He is also director general of German Social Accident Insurance (DGUV). He began his career at Germany's Federal Ministry for Food, Agriculture and Forestry and in 1990 joined the Federation of German Accident Insurance Institutions (HVBG). He became director general of the institution for statutory accident insurance and prevention in the mining industry in 1995. In 2002 he became director general of the German Federation of Institutions for Accident Insurance and Prevention. Breuer also co-chairs the International Disability Management Standards Council. From 2008 to 2016, he was vice president of Rehabilitation International for the European Region.



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The ratio between workers and pensioners tells us nothing about the legal and structural relationship between both groups. To find out how many workers actually do support one retired person, we must consider the dimension of coverage”





East Asian security

David A. Welch, University Research Chair and a professor of political science at the University of Waterloo, observes flashpoints of potential crisis across East Asia. Here, he outlines the action the G20 must take to promote regional security

East Asia is the only part of the world where the outbreak of a major interstate war – one potentially risking tens or hundreds of thousands of lives – would surprise no one. The Americas have never had such a war. Europe has not since 1945, facilitating its maturation into a security community, in which war has essentially become unthinkable. The only exception to this is, perhaps, conflict between Russia and its near neighbours, although that is an event generally considered improbable given the likelihood of NATO involvement.

Africa is vulnerable to intrastate conflict but has not had a major war since the recently settled Eritrean–Ethiopian War. The Middle East may yet see another major war, but given its brutal history, this would almost certainly require breathtaking foolhardiness on the part of the United States.

But in East Asia, there are four potential flashpoints on which nuclear-armed countries stand on opposite sides and where some combination of miscalculation, desperation or nationalist fury could plausibly lead to catastrophe: Korea, Taiwan, the East China Sea and the South China Sea.

Of these four flashpoints, Korea is the most dangerous in the short term. The United States and North Korea weathered a genuine nuclear crisis in 2017 and 2018 that saw both sides hurl threats and insults, but no missiles. Tensions have calmed somewhat, although perhaps only temporarily, as the result of summit diplomacy between US

president Donald Trump and North Korea's Kim Jong-un. But their two summits in Singapore and Hanoi generated no traction on the fundamental conflict of interest between North Korea's desire for recognition and relief from sanctions, and the United States' desire to roll back North Korea's nuclear capability. With the North Korean economy straining under both sanctions and drought, there is a serious risk that Kim will resort to desperate measures to break the current deadlock. With secretary of state Mike Pompeo and national security advisor John Bolton pushing a hard line, conditions are ripe for a return to crisis.

Taiwan is the most dangerous flashpoint in the long term. The key question is whether China will first lose interest or patience in bringing Taiwan back into the fold. Demographic and political trends clearly indicate that Taiwan will not willingly surrender its autonomy or liberal democracy. Worryingly, President Xi Jinping is the first Chinese leader to express (if indirectly) a desire to make reunification a personal legacy. China's rapid military modernisation is clearly geared towards giving him that capability. Meanwhile, the United States has begun signalling its support for Taiwan more strongly, upgrading representation and sailing naval vessels through the Taiwan Strait on a monthly basis. Positions, in short, are hardening.

The East China Sea is the one flashpoint that seems to be trending in a peaceful direction. The intense pressure China brought to bear on Japan following Tokyo's 2012 nationalisation of the Senkaku Islands has started to abate, most likely as a result of China's awareness that its legal hand is weak and that the game is not worth the candle. The South China Sea continues to be a zone of contention as the United States steps up its freedom of navigation operations to challenge Chinese claims. But the United States has failed to notice that China's policy of assertive unilateralism in the South China Sea ended with the Philippines' arbitration victory in 2016. Although China rejected the ruling, it has quietly complied with it – a move calculated to avoid both a domestic loss of face and further international outrage. All indications are that this balancing act has succeeded domestically, but less so internationally. At this point the main risk of conflict lies in an inadvertent clash triggered by what are, in fact, at this point unnecessarily assertive American freedom of navigation operations.

What does all of this mean for the G20, and what can the G20 do to promote security in the region? Unfortunately, not much. The United States and China have taken the lead on East Asian security challenges and understand their interests, rightly or wrongly (significantly wrongly, in my view), as diametrically opposed. Osaka will offer precious little opportunity to dispel mutual misperceptions or lay a groundwork for trust. The best that we can hope is that the G20 as a whole will strongly endorse the principle of peaceful conflict resolution, placing moral pressure on the principals to keep cool. 

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In East Asia, there are four potential flashpoints on which nuclear-armed countries stand on opposite sides and where some combination of miscalculation, desperation or nationalist fury could plausibly lead to catastrophe”



DAVID A. WELCH

University Research Chair,
Balsillie School of International Affairs

David Welch is university research chair and a professor of political science at the Balsillie School of International Affairs at the University of Waterloo, and a senior fellow at the Centre for International Governance Innovation.

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Mobilising multilateralism

The Right Honourable Paul Martin, former prime minister of Canada, explains the responsibility that comes with living in a globalised world, where we are connected in our action as much as our inaction

Globalisation is not a choice. It is a reality. It is a reality that calls for full cooperation if the world's countries are to achieve meaningful progress.

Unfortunately, the past year was not a good one for collective action, as witnessed by the most recent global get-togethers from the G7 to the G20, from the Asia-Pacific Economic Cooperation forum to the Munich Security Conference, and, most recently, the Arctic Council.

It is against this backdrop that the Osaka Summit will be held. It is here that the participants must make up for lost time by laying the groundwork needed for long-term foundational responses to the matters at hand. The issues are many.

The first is Africa. At the Hamburg Summit two years ago, the G20 launched the Compact with Africa, which is now in its early implementation stage. The Osaka Summit must ensure that the result is not a scramble for Africa primarily benefiting donors, but rather that we recognise that the key to the continent's longer term success will be investing in the generations to follow.

For instance, education, particularly for girls, is crucial to ensure a stable, prosperous future. If Africa succeeds in many areas but fails here, it will be all for naught. In the same vein, we should emphasise the need to support private sector development in Africa to propel the many progressive African entrepreneurs who will require funding if they are to succeed in opening markets to new frontiers. Compact partners must commit to working with African innovators who can enable the continent to become carbon neutral as its economies progress, improving the lives and health of those who live there while helping – as we all must – to clean the air we breathe worldwide.

This brings me to climate change. When the United States announced its intention to withdraw from the Paris Agreement, it was commendable that the other members of the G20 did not flinch. But the fact remains the same: global climate change will not be solved unless every country confronts the issue. We need to face up to the reality that climate change is a borderless problem and that each country

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“We cannot afford to paint the old economy green. We need to transition to a new economy, one that has the environment written into its core”

is inextricably linked to the actions of the whole. There is no doubt that the wave of consequences from those who do not act will be felt around the world.

Across continents, our children are now out in the streets protesting the inaction of the generations before them who have compromised their futures. We must not merely applaud the young generation, but rather deliver results in a meaningful and durable way, transforming their calls

to action into a global system that works. Quite simply, we cannot afford to paint the old economy green. We need to transition to a new economy, one that has the environment written into its core.

Finally, it is important to point out that many of the issues facing the Osaka participants are interconnected. They can be better solved by reflecting on where and how to double up. An example of this is the recent proposal presented to the

Osaka G20 by the Friends of Ocean Action to combat illegal fishing. This proposal serves to both connect our environmental goals and our commitment to Africa, given that so much of the overfishing is taking place by non-Africans off that continent’s coasts.

Here we see the importance of replacing vague promises on overarching issues with specific commitments, so that the G20 Research Group, which sponsors the book containing this article, can zoom in to monitor members’ compliance, their impact and the ways we can build on that impact. What Osaka and subsequent summits must do is catalyse a virtuous cycle of G20 commitments, compliance and correction.

I have raised but a few issues here. What ties them together is the most important point of all. In a world in need of collective action, this last year has not been our best. Unilateralism is back in stride, frustrating much needed effort. Of all the challenges facing the G20 in Osaka, a return to cooperation is of the essence. This has to be the year of multilateralism’s comeback. 

THE RIGHT HONOURABLE PAUL MARTIN

Former prime minister of Canada

The Right Honourable Paul Martin was prime minister of Canada from 2003 to 2006 and minister of finance from 1993 to 2002. He chaired the inaugural meeting of G20 finance ministers and central bank governors in 1999. After leaving politics, Martin joined with members of his family and others to create the Capital for Aboriginal Prosperity and Entrepreneurship Fund and the Martin Family Initiative.

 www.themfi.ca





Supporting the G20's economic governance system

It is hard to believe that more than ten years have passed since the first G20 summit in Washington.

As the shocking events rolled out that autumn, there were international calls for a leaders' summit to manage a crisis threatening to bring down the international financial system and inflict a disaster on the global economy.

In reacting positively to these calls, then United States president George W. Bush wisely moved beyond the G8 to a ready-made larger group of countries whose finance ministers – led at the outset by Canada's Paul Martin and America's Lawrence Summers – had been meeting formally as the G20 since 1999.

The G20 summit was born.

It was evident even then that the Washington Summit was a fundamental turning point. After three decades at the top of the global economic order, the G7/8 no longer had the overwhelming share of economic power to justify continuing as the world's economic steering group.

The imagery could not have been more striking. I was Canada's G8 sherpa at the 2008 Hokkaido-Toyako Summit, where the leaders of Brazil, India and China had – as in years past – been invited as guests, waiting impatiently in the wings to be summoned. In Washington, from the start, they were seated as equals at a new and more powerful table.

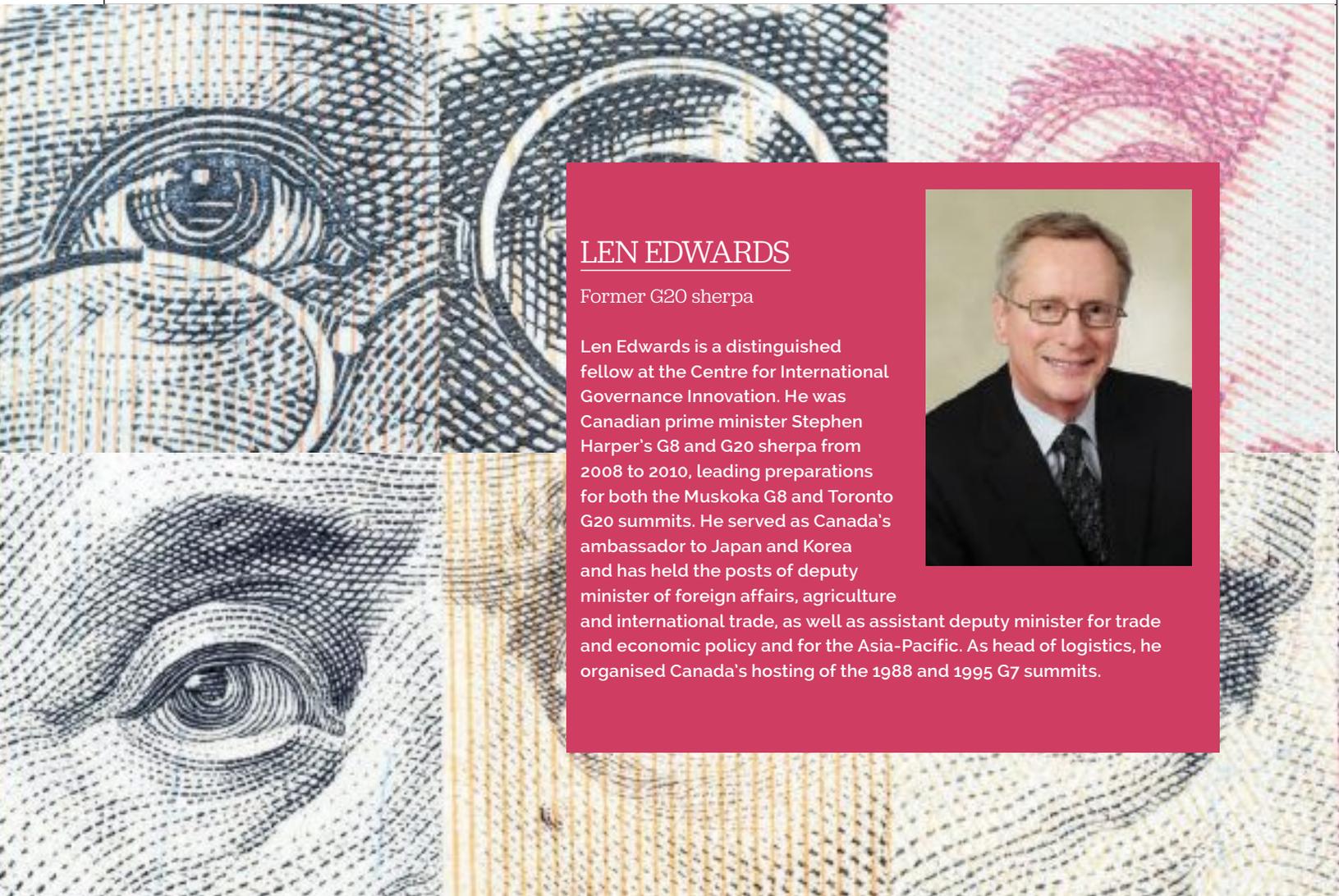
In the months that followed the Washington Summit, voices within the G8 suggested it should be abandoned. Members, including Canada and Japan, were committed to keeping it while

Len Edwards, distinguished fellow at the Centre for International Governance Innovation, says continued interplay between the G7 and the G20 will be integral for navigating the global challenges that lie ahead

adjusting its role to reflect the G20 Pittsburgh Summit's declaration in 2009 that the G20 was the world's 'premier forum for international economic cooperation'.

In respecting this decision, Canada's Prime Minister Stephen Harper, host and chair of both the Muskoka G8 and Toronto G20 summits – held back to back in June 2010 – agreed that Muskoka would not issue an economic statement ahead of Toronto that could be interpreted as pre-empting the deliberations of the G20.

Since then, the G7/8 has successfully transitioned into a less powerful but still valuable forum within the global governance system across its entire traditional agenda. In 2014, it became more homogeneous in terms of interests and values, with the departure of Russia.



LEN EDWARDS

Former G20 sherpa

Len Edwards is a distinguished fellow at the Centre for International Governance Innovation. He was Canadian prime minister Stephen Harper's G8 and G20 sherpa from 2008 to 2010, leading preparations for both the Muskoka G8 and Toronto G20 summits. He served as Canada's ambassador to Japan and Korea and has held the posts of deputy minister of foreign affairs, agriculture and international trade, as well as assistant deputy minister for trade and economic policy and for the Asia-Pacific. As head of logistics, he organised Canada's hosting of the 1988 and 1995 G7 summits.



The G7 has become a principal voice in supporting the reform and continued relevance of the western rules-based liberal order.

Annual G7 summits and ministerial meetings help define issues and prepare positions for discussions in the G20. Contact between the governments hosting annual G7 and G20 summits is a best practice, followed by G7 host Canada and G20 host Argentina in 2018. From the beginning, G7 finance ministers have held a particularly key role on the G20's core macroeconomic agenda, and in driving the highly technical deliberations on fixing the weaknesses within the global financial system.

Many of us who were present at those early G20 summits worried that once the crisis was under control, the G20 would lose its focus on macroeconomic and financial system issues and broaden its agenda. The growth of the G7 agenda since 1975 was evidence of the tendency of summit hosts to add to, but seldom subtract from, an unwieldy built-in agenda with lagging attention to implementation.

Perhaps that experience (which now includes high attention to accountability and implementation) has been helpful. G20 leaders' agendas seem to remain better focused, with selectivity on additional priorities such as climate change, health, food and gender.

Often, non-governmental players and civil society criticise the G20 for lack of ambition.

G20 commitments also seem to be closely tracked, thanks in part to the work of the G20 Research Group of the Munk School of Global Affairs and Public Policy at the University of Toronto.

The G20 has not followed the G7 experience wherein security issues became a standing agenda item. The G20 has discussed security issues, such as Syria, terrorism and North Korea, when required to do so by the timing of a crisis or major event around a summit. However, there appears to be little collective appetite to take on those security crises that have arisen from the policies of G20 members themselves and that could undermine the very integrity of the G20 and its ability to deliver its economic cooperation mandate.

The interplay between the G7 and the G20 will continue, both on subjects and as separate instruments of global governance. There will be points of collaboration and points of friction. Yet this interplay will become increasingly important for navigating what many see as more turbulent times ahead, including resolving differences over the value and functioning of the open, rules-based system of international economic cooperation.

Meanwhile, as this year's host of the Osaka Summit, Japan has chosen forward-looking and relevant themes. It gives the G20 another occasion to validate the wisdom of those leaders who launched the G20 as a new instrument of global governance in Washington in 2008. 

The BRICS and the G20: Building global governance for the future



Marina Larionova, head of the Center for International Institutions Research at the Russian Presidential Academy of National Economy and Public Administration, explains how closer collaboration between the G20 and BRICS will help facilitate Society 5.0



The G20 and BRICS have explicitly committed to reform the global governance architecture to meet the needs of the 21st century. Both have consistently engaged with international organisations. The International Monetary Fund, the international financial institutions and the World Trade Organization are among the top 10 most frequently referenced organisations in the discourse of both the G20 and BRICS, as measured by the share of references in their summit outcome documents.

The G20 is third in BRICS discourse, confirming its support for the G20's central role in advancing the reform of the international monetary system, curbing protectionism, and improving the international environment for trade and investment. At their second summit, in Brasilia in 2010, BRIC leaders (not yet with South Africa as a member) expressed their full support for the G20 as the premier forum for international economic coordination and cooperation of all its member states.

The G20 and BRICS have exerted a catalytic influence, stimulating, endorsing, compelling and supporting the reform of the IMF, multilateral development banks and the WTO. However, their pursuit of the reform of international monetary and trade systems has not brought fundamental changes.

The causes are the structural disparity between the weight of emerging and developing countries in the global economy and their role in the global governance architecture, which is deeply rooted in the foundation of these western-centric international institutions. As the past 10 years have shown, the G20 alone cannot ensure their transformation into a truly multilateral system, given the G7's interest in safeguarding its members' influence, their weight in the G20 and the recent discord among members on trade issues.

Amid low expectations for the 2018 G20 Buenos Aires Summit, and rising tensions in the multilateral trading system, at their Johannesburg Summit in July 2018, the BRICS leaders reaffirmed their commitment to strengthen the WTO. They urged all WTO members to engage constructively to address the impasse over filling the vacancies in the WTO's appellate body and to develop the legal framework within the WTO for multilateral trade. It is unknown whether the BRICS leaders projected a consolidated position in the Buenos Aires negotiations, but despite a tough struggle, at Buenos Aires the G20 leaders stated their support for the necessary reforms of the WTO to improve its functioning, and agreed to review progress at their next summit. Therefore, the world looks forward to the 2019 G20 Osaka Summit to deliver on that promise, with firm backing by the BRICS.

The BRICS should continue to support the G20's central role in advancing the reform of the international monetary and trade systems, curbing protectionism, and improving the international environment for trade and investment. The BRICS should also strengthen coordination within the G20 and beyond. Otherwise the international community faces repeating the failure of global negotiations for restructuring the international economic system

MARINA LARIONOVA

Head, Center for International Institutions Research, Russian Presidential Academy of National Economy and Public Administration

Marina Larionova is head of the International Institutions Research of the Russian Presidential Academy of National Economy and Public Administration. During Russia's 2013 G20 presidency Larionova was the Russian sherpa for the G20-B20 Dialogue Efficiency Task Force. She is author, co-author and editor of several books on global governance and the G7/G8 and G20 system, BRICS and other international institutions, and the editor-in-chief of the *International Organisations Research Journal*.



initiated in the late 1970s by the G77 of developing countries and then stifled by the G7. To provide a new impulse for building inclusive global governance, the BRICS should consolidate its strategy of combining catalytic influence on international organisations and setting up its own institutions, especially in those areas where the gap is widening between increasing multipolarity in international relations and persistent unilateralism in global governance.

Efforts to reform financial institutions should be supplemented by building up the resources and competencies of the New Development Bank. The Contingent Reserves Arrangement should be transformed into a BRICS monetary fund, with increased resources, loans decoupled from the IMF programme, surveillance capacities and closer cooperation between the BRICS central banks. Efforts to strengthen the multilateral trading system should be augmented by negotiations on a BRICS trade and investment agreement open to other countries. The new institutions should be collectively owned and open to other participants, with a positive international agenda targeted at creating global public goods for the society of the future.

These processes are strategic, long term and complex. But they will contribute to developing global governance and will provide additional venues for cooperation on issues that demand true multilateralism: trade and investment, infrastructure development, digital transformation, and sustainable, balanced and inclusive growth.

The BRICS initiatives, coupled with stepped-up collaboration with the G20 and the established international organisations, will advance the achievement of the ambitious goals that Japan's G20 presidency seeks to promote: making the digital transformation work for all and realising Society 5.0 and the Sustainable Development Goals. 

China's concerns for the Osaka Summit

Guo Shuyong and Xu Yan from the School of International Relations and Public Affairs at Shanghai International Studies University outline the geopolitical relationships that will influence China's G20 participation

Over the past few G20 summits, some argued that China and the United States – especially in the aftermath of the global financial crisis that started in 2008 – had reached a consensus to work hand in hand to resolve the challenges facing their countries and the world economy, and that they had managed to cooperate and build constructive ties. Today, this view no longer holds. After US secretary of state Mike Pompeo announced on 29 April in Washington DC that the United States will launch “a fight with a really different civilization and a different ideology”, the world once again is witnessing a resurgence of animosity between the United States and China.

Ordinarily, such a call to arms should not have merited much attention from the international community. It is different this time, however, because the rhetoric smacks of a degree of militancy that would make even Samuel Huntington's clash of civilisations pale in comparison. Some observers note that Sino-US relations have escalated to a level reminiscent of the Cold War between the United States and the Soviet Union. Painted in such a manner, China is therefore considered not only as an economic competitor but also as an ideological competitor that poses a more fundamental long-term threat to the United States than the Soviet Union did.

More pressingly, China's rising power and reach are catapulting the country to a status of being the first great power competitor that is not western in its philosophy or history. Indeed, China and other developing countries – among which are G20 participants – today account for a greater share of the world economy, which weakens the share of the United States and many other high-income states. Unsurprisingly, this has fuelled a perception among scholars and observers that the United States is no longer a global leader in economic terms. It is against this backdrop that the United States is





challenging China in a trade war that has been going on for more than a year, flying in the face of the basic principles of multilateral cooperation and institutional mechanisms designed to safeguard global trade.

WHAT CHINA HOPES TO ACHIEVE AT THE OSAKA SUMMIT

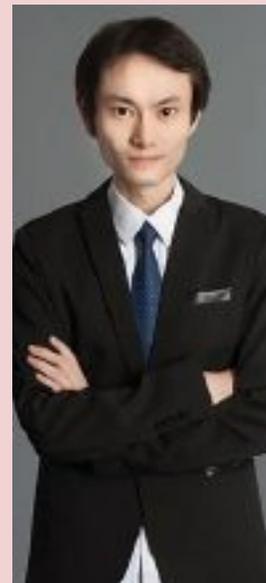
Still fresh in China's memory is the communiqué agreed at the G20 summit held in Buenos Aires on 30 November and 1 December 2018. It recognised that trade and investment constitute an important engine that propels growth, productivity, innovation, employment and development. To be sure, it was revealed after the release of the communiqué that in order for the United States to agree, any reference to the necessary contribution of international organisations to a sound global economy had been deleted. However, the importance of upholding a robust system that promotes international trade and investment was not neglected. Buenos Aires therefore promised to put reform of the World Trade Organization on the G20 agenda and hoped that the issue would be addressed at the Osaka Summit. Indeed, on his visit to meet with Canadian prime

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Guo Shuyong is dean of the School of International Relations and Public Affairs at the Shanghai International Studies University, where he is also director of the Centre of G20 Studies and of the Centre of Study on Parliaments. He is the deputy secretary-general of the Association of Universities in International Politics Research in China, vice chair of the Basic Theory Research Institute in the China Behavioral Law Association and vice chair of the Association of Shanghai UN Studies.

minister Justin Trudeau in April, Japanese prime minister Shinzo Abe expressed his concern about the need to reform the WTO, due to its inability to adapt to the realities of global trade in the 21st century.

It is therefore imperative that China take up the opportunity – agreed by the international community and proffered by Japan as the 2019 summit host – to foster a constructive dialogue among the summit participants at Osaka in an effort to genuinely push forward the reform of the WTO. That will not only mitigate the trade tensions between the United States and China but also pave the way for a better environment for global financial, economic and trade cooperation. 

The Civil 20 has been recognised as an official engagement group of the G20 since 2013, providing a forum for global civil society to engage with and influence the G20 on issues of concern to people around the world. Each year, civil society organisations from many countries come together in thematic working groups to reach collective policy positions. These working groups then seek to engage with and influence the G20 sherpa track process and working groups.

The C20 is a global collection of CSOs, who together boast a wide range of expertise. Our common goal is the urgent need to take actions for the 2030 Agenda and to achieve the Sustainable Development Goals. Globally shared problems need globally shared solutions, particularly in the current economic

As an official engagement group of the G20, the Civil 20 provides a forum for global civil society to raise issues of concern on behalf of people around the world. Yuka Iwatsuki, chair of the C20, explains its function in a changing world

and political context, with increasing challenges to multilateralism and democratic pluralism. The C20 is also an opportunity for CSOs to enable the voices of usually invisible and voiceless people to be heard, and to remind the leading governments of the world to leave no one behind in the pursuit of world economic and financial stability.

THE PARTICIPATORY AND DEMOCRATIC PROCESS OF THE C20

Argentina's C20 in 2018 ensured a participatory, international decision-making process. To ensure continuity, in 2019 C20 Japan deployed the same structure, with a multinational steering committee and international advisory committee. Our main objective has been to contribute to the G20 summit's discussions.



The Civil 20 contribution to the Osaka Summit

Thus, the C20's main activities were to formulate detailed, consolidated policy recommendations in time for the G20 summit and to organise the C20 summit.

Following a dialogue among 221 CSO members and 45 Japanese government officials at the preparatory meeting in Tokyo in February 2019, this April we completed the 2019 C20 Policy Pack.

More than 436 non-governmental organisation colleagues participated through the discussion platform on our C20 2019 website.

This year the C20 has 10 working groups: on anti-corruption; education; the environment, climate and energy; gender; global health; infrastructure; international financial structure; labour, business and human rights; local to global (including civic space); and trade and investment. It also had one task force on the digital economy. Each working group reviewed past G20 commitments relevant to the particular issue, identified challenges and made concrete recommendations that civil society believes should be incorporated in the G20 summit leaders' declaration.

The policy pack containing all these recommendations is available on our website. In April 2019, 10 C20 delegates met with Japanese prime minister Shinzo Abe and submitted this policy pack to him.

THE 2019 C20 SUMMIT

This year, the C20 summit was held on 21–23 April in Tokyo, with 841 participants from 40 countries. Members successfully engaged representatives from the G20 presidency and we presented our policy pack to the state minister of foreign affairs.

The C20 summit included high-level panels with the G20 sous-sherpa and a representative of the G20 finance track. Representatives from all other G20 engagement groups presented their progress and outlined their policy recommendations to the G20. The C20 summit covered a wide range of topics on the G20 agenda, enabling us to refine our common policy positions and deepening our common understanding.

The C20's key message is that the G20 must take action to address the real challenges ordinary people around the world face. G20 commitments must be translated into concrete, timely and realistic actions. The G20 must be accountable, responsive and resolute in addressing global challenges.

We will continue our efforts as the C20 throughout the 2019 G20 summit, and under subsequent G20 presidencies. 

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YUKA IWATSUKI

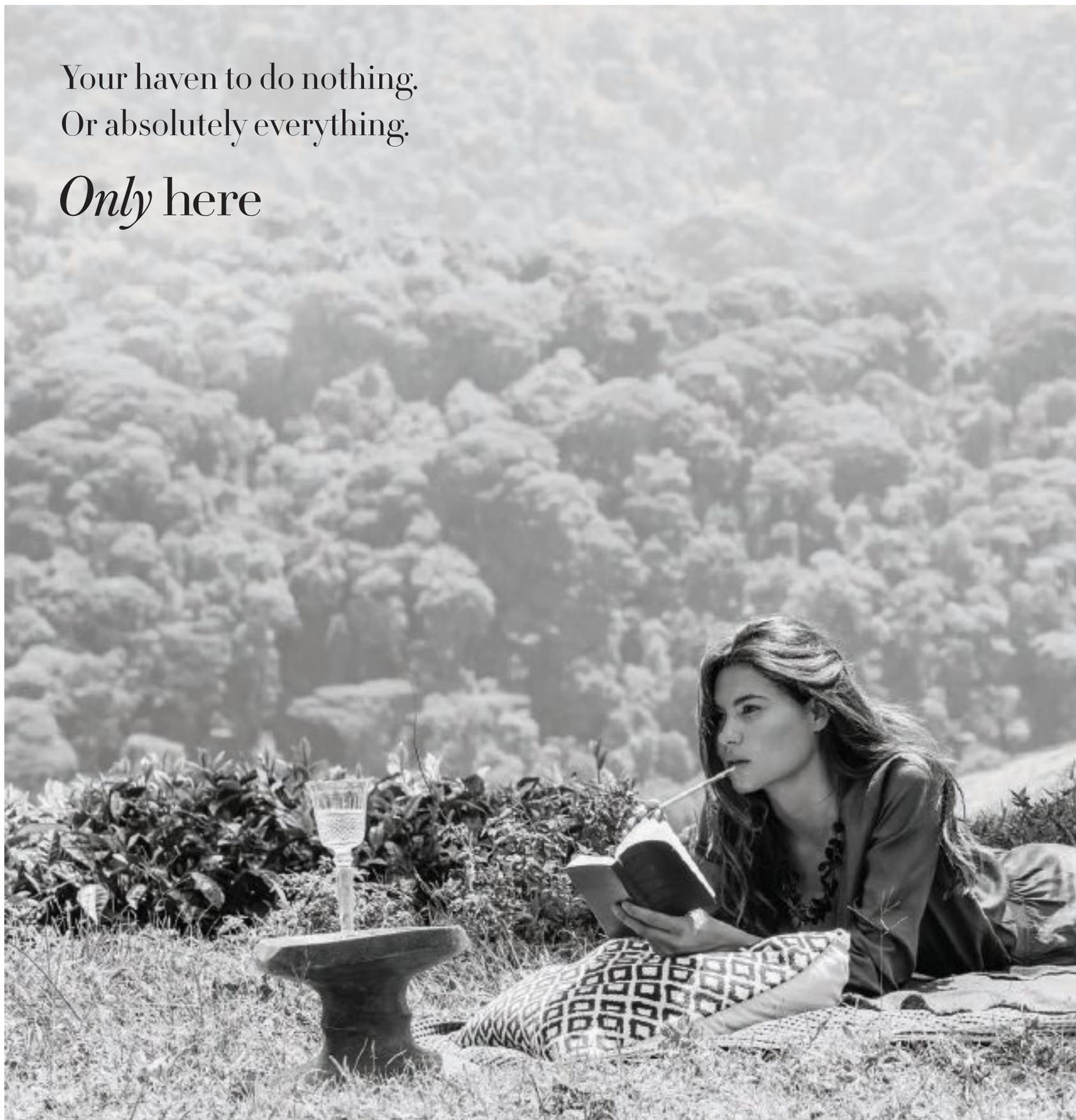
Chair, 2019 Civil 20

Yuka Iwatsuki is chair of C20 under Japan's G20 presidency. She is also the president of Action against Child Exploitation (ACE), a non-governmental organisation addressing global child labour. ACE was awarded the Nikkei Social Initiative Award in the international section in 2016. She also serves as a board member of the Global March Against Child Labour and Ethical Initiative Japan. Iwatsuki led the consolidated NGO campaign at the 2008 G8 summit in Japan and became the co-chair of the Japan Civil Society Platform for the 2019 G20 summit, which was established to prepare for hosting the C20 summit in Japan.

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