



## FINAL DECLARATION

We, the Leaders of the Business Organizations of the G7 gathered in Rome on 30-31 March 2017, by this Declaration convey our conclusions to the G7 Presidency in view of the Summit of Taormina on 26-27 May 2017. Building on the B7-Japan hosted by Keidanren in Tokyo on 20-21 April 2016, we agreed to focus our recommendations on two priority challenges.

**1. Global Trade Governance.** Trade governance is losing pace with globalization, and is threatened by unprecedented protectionist trends. Market fragmentation and self-imposed isolation deprive societies of the full benefits of entrepreneurship and innovation, hinder worldwide interconnected productive processes and jeopardize the benefits of global trade. Exports and imports are beneficial to business, spur job creation, enhance social progress and inclusion as well as sustainable development, thereby encompassing the interests of economies and societies as a whole. To reinforce these positive effects trade should be governed effectively and in coordination with other policies. G7 Countries should not abandon their leading role in establishing a global level playing field for free and fair trade based on shared rules.

Recognizing our responsibility in supporting free and fair trade, we are committed to the goals of steady economic growth based on innovation, sustainability, rule of law, market access, and fair competition. Our ability to engage hundreds of millions of producers, consumers, investors and innovators from around the world in market exchange requires open and vibrant economies. G7 Leaders should recognize the imperative of international trade and work with us to improve the conditions for economic growth. The G7 should call on all Leaders to resist protectionism, to further promote existing initiatives for free and fair trade worldwide, to boost key free trade agreements and to seek plurilateral negotiations on new issues. The G7 needs to identify such issues and effective ways to address them in close partnership with business, including measures for a broader inclusion of small and medium size companies in global value chains. The G7 should also ensure globally consistent tax rules to further facilitate global trade, and encourage countries, including the EU, to abide by the international consensus regarding the protection of confidential information in CbCR (Country by Country Reporting).

Our recommendations aim at enabling the G7 to respond to urgent challenges in three fundamental areas.

1. We call on the G7 to submit to the 11<sup>th</sup> WTO Ministerial Conference of Buenos Aires in December 2017 a shared proposal to reform and revitalize the multilateral trading system. Taking a pragmatic approach to addressing imminent issues surrounding global trade, our recommendations concentrate on major changes needed.
2. We call on the G7 to remain committed to the speedy conclusion and implementation of ambitious bilateral trade Agreements, in particular the EU-Japan Economic Partnership and the EU and Canada Agreement (CETA) as these two Agreements will pave the way for the new multilateral trading scheme. The Transatlantic and Asia-Pacific relations are key for business. The project of bringing the economies concerned closer together remains a priority for business.
3. We urge the G7 to address important trade issues that are pending, including negotiations on plurilateral agreements such as those concerning services and environmental goods.

**2. Innovation and Sustainability.** Modern industrial policies shall focus on enhanced innovation of processes, technologies, services and products and on greater sustainability, especially in the use of energy and natural resources. It is about both incremental and disruptive innovation to generate new business models, also leveraging people and innovative solutions coming from outside by adopting “Open Innovation” models. Innovation enables sustainability, and these two drivers will define the future patterns of industrial development by guiding the transition towards a more resource efficient, digitalized, innovative, low-emissions and more circular economy. In this respect, the challenge for business relies in reconciling economic growth and environmental sustainability while preserving jobs and developing new skills. There are no jobs on a depleted planet and business is the only force to make sure we can produce more wealth for the society while consuming less of the finite natural resources. The results achieved by the manufacturing industry and power sector in reducing CO2 emissions, in energy savings and in waste management are remarkable, while there is room for further efficiency gains in any sectors.

Industry looks at sustainability as a leverage to trigger competitiveness. However companies have to remain competitive in the marketplace and create employment. We call on the G7 to enhance cooperation at international level for the establishment of a global level playing field in energy transition and to sustain and accelerate this process. Research and innovation are key to a reliable global strategy for economic growth and for business competitiveness. In this regard, we call on the G7 to enhance the collaboration between companies and other stakeholders, such as public and private research organizations, universities and technological clusters and to support synergies across existing international value chains. The private sector is called to play a major role in the new pattern of global partnership, as a crucial enabler for sustainable development. In particular, the challenge posed by Sustainable Development Goals (“SDGs”) and the 2030 Agenda foster the transition towards new business models. Public-private partnerships are key to enhance the scale and the impact, and SDGs must be recognized as a strategic tool that can drive and inspire the action of the private sector. Large enterprises can play a key role in boosting innovation ecosystems by acting as drivers for SMEs. However, business cannot be left alone. Access to finance is vital to innovation. We call on the G7 to adopt shared financing schemes, accessible in particular by small and medium enterprises. The gap between research and market deployment of new products and services needs to be bridged and supported by adequate funding. In this regard we call on the G7 to increase the efficiency and the quality of public spending by directing investments towards innovative business models and by focusing on close-to-market activities in order to favor the rapid market entry of the products.

As far as Industry 4.0/Society 5.0 are concerned, the G7 should advance in standardization and deliver a library of relevant standards, while promoting the alignment of experts within international standardization bodies. Cross-border exchange of information schemes specifically designed for SMEs should be established. The legislative barriers that today prevent the full exploitation of innovation and circular economy opportunities, closing the loops between different sectors, have to be addressed. Share formats for competence centers and digital hubs and mutual recognition schemes for Masters and PhD programs should be provided. Unjustified restrictions to data flow should be removed and G7 Countries should refrain from adopting new ones. Security concerns need to be addressed by the G7 by engaging in a systematic fact-finding dialogue with business at the occasion of every G7 Summit.

## **1. GLOBAL TRADE GOVERNANCE**

Multilateralism should remain the cornerstone of free trade and investment. However, to achieve the results set in 2001 with the Doha Development Agenda, the WTO functioning needs to be reformed.

**Recommendation Area 1.1. Strengthen the rule-based multilateral trading system.** *We welcome the entry into force of the WTO’s Trade Facilitation Agreement that, by reducing the cost of trade transactions, promises to boost world trade by as much as \$1 trillion. We call on the G7 to submit a shared proposal to the 11<sup>th</sup> Ministerial Conference in Buenos Aires for the adoption of a foresighted reform work plan. For the G7 to steer discussions, our recommendations focus on the following priorities.*

**Implement the Trade Facilitation Agreement.** Implementation will be critical and the G7 must support Developing and Least Developed Countries. Technical assistance and training programs, as well as exchange of customs officers and other capacity building measures will be necessary for upgrading the customs systems and structures of those WTO members that are more lagging behind. In the absence of such actions, the effective impact of the Agreement will be jeopardized.

**Diversify from the Single Undertaking.** In 2011 Trade Ministers acknowledged that the system would not lead the Doha Round to a conclusion. The WTO should actively continue to pursue innovative ways to negotiate new multilateral agreements without requiring consensus among all WTO members.

**Shape new rules for Plurilateral Agreements.** An ad-hoc Committee representative of the broad WTO membership chaired by the WTO Director General should be tasked with identifying market access needs and with elaborating specific rules for each of them. Its deliberations should be taken by majority. Voting is already allowed in the WTO system. For a more efficient functioning, a voting system based on majorities should become the general rule. Art. X.9 of the WTO Agreement that requires consensus for Plurilaterals should be amended. Only key decisions in selected negotiation areas should be taken by consensus.

**Improve monitoring and information of trade-restrictive measures.** Trade Policy Reviews are hampered by the substantial delays – often of many years – in Member States’ reporting to the WTO of subsidies and other trade measures. A Permanent Monitoring Committee should be established for promptly identifying trade barriers and solving potential conflicts. A new and more accurate classification of Non-Tariff Barriers should be established. Notification requirements should become more stringent so that Members become more accountable. Additional resources should be devoted to internal data management, including the implementation of a friendly accessible Market Access Database.

**Strengthen WTO Committees.** External experts from business, national administrations, standardization and other relevant bodies should be regularly involved to integrate in-house expertise. WTO Committees’ current activities mostly focus on compliance, exchange of information, data-collecting and overlooking notification processes. They should also assess new regulatory avenues, initiating discussions on challenging issues not yet addressed in negotiations.

**Provide Committees with longer leadership.** Average committees’ chairmanship lasts one year: a too short time for implementing new and more intensive tasks. The Chairs should be assigned for a longer period and be renewable once to ensure continuity and be given further technical support by reallocating the resources within the Secretariat officials.

**Enhance the dialogue with business.** Business can provide in-depth added value and it can be decisive in promoting the understanding of core WTO functions. In recent years, its interest decreased because of the standstill of negotiations. A more active engagement of the business community should be pursued on a regular basis, including on the monitoring and assessment of the trade barriers’ effects.

**Recommendation Area 1.2. Enhancing key Free Trade Agreements.** *Preferential Trade Agreements (PTAs) are flourishing worldwide and all involved parties should be encouraged to advance in strengthening their ties. Ambitious, coherent and balanced bilateral/regional agreements are key pathways for business. There is wide diversity in their scope of application. Those that are negotiated on a WTO-plus basis are more likely to contribute to the multilateral approach.*

**Push for an ambitious bilateral trade agenda.** Bilateral trade negotiations are being criticized by sections of the civil society for a variety of reasons, including the perception that trade only benefits large corporations and is not inclusive. On the contrary, “new generation” trade agreements such as EU-Canada CETA and the EU-Japan EPA, are fundamental to steer and set the rules of globalization in an equal and sustainable way. Business also hopes that the countries concerned will soon find ways of deepening the Transatlantic and Asia-Pacific economic relations.

While the adverse effects of liberalization should be properly addressed and mitigated via appropriate measures at national level, these negotiations should be rapidly concluded. It is also expected that a business-friendly framework will be formed to ensure sound and sustainable economic development through a new UK-EU partnership.

**More stringent sustainability chapters.** Effective implementation, monitoring and enforceability are key to sustainable development chapters of PTAs in order to enhance compliance with human rights and social, labor, safety and environmental standards.

**Greater attention to SMEs in addressing technical obstacles.** A survey conducted by the European Commission and the International Trade Centre (ITC) showed that a 10% increase in regulations results in 1.6% reduction in exports for large companies and a 3.2% reduction for SMEs. This demonstrates *inter alia* that SMEs are more affected by trade and investment barriers. Therefore, the inclusion of regulatory cooperation and disciplines regarding non-tariff barriers are key for all businesses, and especially for SMEs.

**Transparency.** The public attention to free trade negotiations has significantly increased in the last few years, and PTAs will continue to be subject to increasing and stricter public scrutiny. On a consensual basis and without jeopardizing the respective negotiating positions, Administrations should continue to enhance transparency during the negotiating processes, *inter alia* by systematically publishing mandates and informing stakeholders on the progress made, in order to meaningfully respond to the perceived lack of involvement of the civil society and to reduce the distrust towards public national and international institutions.

**Ensure a sounder enforcement.** Future PTAs concluded by G7 Members should contain provisions allowing one party to withdraw or limit its tariff concessions in case the partner does not comply with the objectives of liberalization and market access of the agreement. The Parties should fully maintain their right to undertake public policy decisions for the effective protection of public services through a negative list approach.

**Recommendation Area 1.3. Promoting Plurilateral Agreements.** *Bilateral or Regional Free Trade Agreements have achieved liberalization and market access goals. However, not all provide for a WTO-equivalent or a WTO-plus coverage of rules and disciplines relevant to the current international business. The bilateral/regional approach can contribute to global trade governance, but it cannot provide the worldwide value chain connectivity necessary to ensure stability, uniformity and predictability equal to the multilateral trading system.*

**Solve remaining Doha issues and move on to Plurilateral Agreements.** G7 Leaders should engage the G20 and the other WTO members in order to agree on how to address the negotiations, especially regarding market access, and to promptly solve the remaining Doha issues. Where progress was achieved, commitments should be consolidated. An agenda for the 11<sup>th</sup> Ministerial Conference should be prepared as soon as possible including the priority areas listed below.

EGA. The Environmental Goods Agreement is the plurilateral agreement under the WTO framework in which negotiations are the most advanced. An ambitious, future-orientated EGA could contribute to economic growth. It is essential that the outcome complies with WTO rules and principles and preempts negative effects such as new administrative costs.

**Set Plurilaterals' priorities.** New negotiating mandates should be identified in innovative and/or particularly critical areas to start negotiations at the earliest possible. Priority should be given to Digital Trade, Investment Facilitation and Competition.

Digital trade is a vital part of global economic growth, fostering employment and innovation. Nevertheless, it is also an area where a significant number of protectionist measures can be observed and where a level playing field is necessary, and a multilateral discipline is urgently needed.

Legal, fiscal, customs, security and competition-related issues should be high in the Digital Trade negotiating agenda. Acknowledging the work conducted under the WTO program on e-commerce, WTO members should consider how to take this agenda forward and beyond issues strictly related to e-commerce, envisaging a broader Agreement on digital trade, including cross-border data flows, trade facilitation, intellectual property related issues, and trade with digital services and products.

Investment. A Plurilateral Agreement on Investment Facilitation should address market access obstacles and discrimination of foreign investors, also building on the work carried out by other international Organizations.

Competition: Based on the provisions set in the Agreement on Subsidies and Countervailing Measures – SCM, the Plurilateral Agreement should address their extension to services, it should clarify what regime is applicable to State Owned Enterprise – SOEs, and it should provide specific rules for subsidies used outside national borders (e.g. for Mergers & Acquisition purposes).

TiSA. Other plurilateral Agreements such as TiSA would be an important intermediate step to strengthen the multilateral trade regime although it has been negotiated outside the WTO framework. The negotiations have recently been put on indefinite hold, however, the advancement of TiSA negotiations is crucial for the G7 Government to encourage individual government to resume and promote the negotiations.

## 2. INNOVATION AND SUSTAINABILITY

### **Recommendation Area 2.1. Resource efficiency – energy & environment as industrial policy drivers.**

*For industry, resource efficiency means a more sustainable management of energy, materials and soil. Being fully involved in global value chains, industry can address the opportunities, risks and challenges associated with resource exploitation and deliver effective solutions by applying the “reduce, reuse, recycle” principle. We call on the G7 Countries to set up the necessary regulatory and investment frameworks. Priority should be given to the following policy actions.*

**Extend the scope of the G7 Alliance to increase global resource productivity.** Building on its latest achievements, the G7 Alliance for Resource Efficiency should outreach and involve fast growing economies.

**Favor policy convergence in support of global industrial value chains.** Consistent policies and incentives are needed for companies to embed resource efficiency in business growth strategies. As global industrial value chains are complex and include sector-specific features, quick-fix solutions are to be avoided. We call on G7 Leaders to review national and regional policy initiatives that incentivize resource efficiency with a view to progressing towards policy regulatory convergence. This convergence should also be based on principles, such as life cycle approach (LCA) when assessing the impacts of materials or prioritizing substances, as well as on quality and predictability of regulations.

**Support the transition towards a circular economy by developing shared indicators.** A good understanding of material flows, based on credible and robust data, is indispensable for industries and businesses that are more and more interconnected into global value chains. We call on G7 Leaders to promote the adoption of a common work plan to strengthen the shared understanding of material flows, based on a set of shared global scientific indicators and methodologies.

**Allow business to deploy its full potential in polluted site remediation.** By managing polluted site remediation business would actively pursue resource efficiency objectives and preserve natural assets. We call on the G7 to incentivize on-site remediation technologies that are more economically efficient and more environmentally effective.

**Drive the global energy transition.** To achieve a long term sustainable energy system economic growth must be decoupled from energy demand and associated emissions through energy efficiency and low-carbon supply. In this context, low-carbon electricity, as well as heating and cooling and cleaner transportation systems are of utmost importance. Technology neutrality must be the driving principle while to accomplish the transition traditional and innovative energy sources must be integrated. We call on the G7 to support research and development of incremental and radical innovations to low-carbonize the global energy.

**Implement the Paris Agreement through an effective MRV.** The 2015 Paris Agreement is a significant step towards a low-carbon economy. After its entry into force in 2016 the concrete implementation of Nationally Determined Contributions (NDCs) needs to be tracked. Building upon the outcomes of COP22 in Marrakech, we call the G7 to take the lead for the contracting parties to adopt transparent mechanisms for measuring, reporting and verifying the effective implementation of national commitments.

**Strengthen international cooperation on market mechanisms.** To reduce GHG emissions in the long term market mechanisms are preferable solutions in terms of environmental protection when they ensure higher predictability and integrity. The G7 should further explore the potential of art. 6 of the Paris Agreement, which provides the framework for enhanced cooperation in this field.

**Promote investments in energy efficiency and renewable technologies.** Along with the increasing deployment of renewable energy sources in power and heat production, more investments in innovative technologies are necessary to reduce the energy and carbon intensity of other sectors. A significant percentage of cumulative emissions could be reduced worldwide by improving the efficiency of electricity use. Provided that different solutions can suit specific purposes, the G7 should remove barriers to energy efficiency and stimulate private and public investments in most promising technologies.

**Recommendation Area 2.2. Research & Innovation.** *At their meeting in Tsukuba, in May 2016, the G7 Science and Technology Ministers recognized that science, technology, and innovation (STI) are essential for social and economic development and for addressing global challenges such as health, energy, agriculture and the environment. A thriving science ecosystem requires a diverse set of policies that support continued investment in discovery and applied sciences and importantly includes industrial policies that support access and uptake to resulting innovation. Innovation and commercial policies must reinforce one another, particularly given the investment and high risk of failure associated with truly breakthrough innovations that contribute to public health, environmental solutions, and other public goods. G7 policy-makers must establish frameworks that allow business to recoup investment in innovation. If innovation is not recognized and reimbursed commensurate with its value, this acts as a disincentive for continued private investment and puts all the cost innovation on public finance. To deliver on the goal to address global challenges, STI industries, should be supported by the following policy actions.*

**Supporting investments in Research and Innovation** The G7 Countries should adopt an appropriate combination of policy measures to support Research & Innovation investments: fiscal and financial incentives, such as the structural tax credit for R&I; incentives for purchasing or leasing machineries and equipments; provide access to finance through state guarantee on bank loans; public-private funds; and enforce intellectual property protection. Since Innovation comes from studies and research and it is not only about technologies, the G7 countries should increase incentives for innovation activities especially if they are strongly related to sustainability matters, creating shared value for the people and the environment.

**Foster collaboration between public and private research systems.** A stronger public-private R&D collaboration is a fundamental pillar to enhance the efficiency and cost-effectiveness of technology and innovation policy. The G7 Countries should promote wider and stronger partnerships through direct and indirect support measures, pushing and helping companies in adopting an “Open Innovation” approach.

**Build an innovation-friendly business environment.** The G7 should look for harmonized schemes to facilitate start-up business in accessing debt and equity finance, and adopt regulatory frameworks that do not prevent the development of new business models. In this framework, the implementation of an ‘innovation principle’ would help assessing the impact of new regulations and standards on innovation.

**Strengthen innovative value chains.** It is crucial to promote collaboration between enterprises and other R&I actors, strengthening synergies across existing international value chains, as well as creating new ones. We call on the G7 to promote the adoption of key enabling technologies (KETs) within and across sectors and to support the strengthening of technological industrial clusters.

**Promote innovative Public Procurement of Innovative solutions (PPI).** A strong and stable demand through government procurement can stimulate innovation by bringing innovative commercial end-solutions earlier to the market. Contracting authorities should act as a launch-pad of innovative goods or services which are not yet available on large scale commercial basis. The G7 Countries should adopt Innovative Public procurement as a structural element of their action.

**Developing new educational path, new skills for the jobs of the future.** Educational and training path must meet the demand for new skills and competencies. G7 Countries should establish joint training projects to favor the placement of PHDs in R&D intensive companies. New skills sets need to be identified early in an innovation’s lifecycle so that the properly trained individuals can come on stream as innovation is scaled and introduced to the market. In mature G7 societies, life sciences and biopharmaceutical jobs have one of the largest multipliers for indirect and induced jobs. Education for these jobs is a major growth path for G7.

### **Recommendation Area 2.3. Supporting Industry 4.0 / Society 5.0.**

**Standardization.** To achieve the requested level of integration of different IoT (Internet of Things) solutions, the modern digital economy environment needs adequate open standards, scalability, plug&play mechanisms, security, interoperability and global standardization through relevant fora/consortia. To achieve these objectives, the G7 Countries should understand priority areas for digital standardization based on a broad consensus among the stakeholders and coordinate its policy priorities to sustain this digital leadership. The alignment of experts within international and global standardization bodies should also be promoted by the G7.

**Support the engagement of SMEs.** It is crucial that SMEs easily access smart manufacturing applications and digital skills. “Use cases” and future developments and scenarios should be available to SMEs to seize appropriate strategies. We call on the G7 to adopt cross-border exchange of information schemes specifically designed for SMEs to foster positive cross-fertilization.

**Skills Empowerment.** New qualification-profiles will be increasingly needed at all levels of industry production. While training-on-the-job initiatives may suit those already in the labor market, new educational and vocational programs will have to be conceived and implemented for smart manufacturing “native” workers. This includes continuing to re-skill the workforce as demand develops with technology. In this regard we call on the G7 to share formats for the activation of competence centers and digital hubs and to establish mutually recognized Masters and PhD programs.

**Unlock data flows.** The ability to transfer data across borders is crucial for companies to respond to customers’ needs, deliver goods and services, manage supply chains, process payments and provide technical support. However data localization restrictions severely undermine these functions and there is no evidence that they will reduce in the near future. We urge the G7 to remove existing restrictions to the free flow of data and to refrain from adopting unjustified new ones. Therefore, they should include provisions on the guarantee of free cross-border data flows in trade agreements with appropriate safeguards for privacy and security requirements.

**Connectivity and Cybersecurity.** Notwithstanding the need to ensure the free transmission of data, security concerns need to be properly addressed since cybersecurity is a major problematic issue for all industries. With regard to such a complex and sensitive issue, our recommendation to the G7 is to engage in a regular fact-finding dialogue with business at the occasion of every G7 Summit.

