



# ***B7 Tokyo Summit Joint Recommendation***

**April 20, 2023**

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In recent years, the heightening geopolitical tensions, and the rise of protectionist policies following the COVID-19 pandemic have been dividing the world. Since the last B7 Summit in Berlin, global market fragmentation has been exacerbated by Russia's continuing deplorable aggression against Ukraine, which has compounded supply chain bottlenecks, global energy crisis, and food shortages while adding to inflationary pressures.

Market fragmentation hinders investment required to address global issues such as development slowdown, climate change, ocean pollution, pandemics and many others. In fact, it is estimated that if the world were divided into two blocs and the international division of labor and technology transfer were disrupted, the world would lose a considerable amount of its GDP in the long run<sup>1</sup>. This is why rebuilding the free and open international economic order is urgent.

Russia's aggression against Ukraine is a clear infringement of international law and a grave threat to the international order. There is no justification whatsoever for unilateral changes of the status quo by force. The G7 countries, which share common values such as freedom, democracy, human rights, and the rule of law, must continue to act in unity to impose and effectively enforce the sanctions currently applied against Russia and provide unwavering support for Ukraine. We oppose any use of nuclear weapons by Russia in Ukraine. In the Indo-Pacific which also faces growing challenges, from actions inconsistent with the rules-based international order by China to provocations by North Korea, continued and strenuous efforts must be made by the G7 countries to rebuild the free, open and rules-based international order.

Developing countries are the most affected by a divided world and risk losing their potential for future growth. Cooperation with the Global South is indispensable to rebuilding the free and open international economic order, overcoming global challenges, and realizing a sustainable international community built on principles of equality. Moreover, the climate change issue cannot be solved without the involvement of the Global South in reducing CO<sub>2</sub> emissions while pursuing their legitimate growth and development objectives.

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<sup>1</sup> According to the remarks by Dr Ngozi Okonjo-Iweala, Director-General of the WTO, at the 12<sup>th</sup> Ministerial Conference in June 2022, WTO economists estimate that 5% of the world's GDP will be lost.

Based on the above ideas, the representative business federations of the G7 -Japan, Italy, Canada, France, the United States, the United Kingdom, Germany, and the European Union - held the B7 Tokyo Summit on 19-20 April 2023. The B7 urges the G7 leaders to promote initiatives that integrate issues such as economy and finance, trade and investment, green transformation, digital transformation, and global health from the perspectives of achieving sustainable growth while getting inflation under control, strengthening solidarity among the G7, and promoting cooperation with the Global South. The concept of “Society 5.0 for SDGs” is the key to achieving those aims. In other words, through creating a problem-solving society that is equipped with both digital technology and the creativity and imagination of diverse people, it is essential to first achieve sustainable growth in a way that is compatible with the protection of the global environment and to distribute the fruits in a fair and equitable manner, which is conducive to “One Earth · One Family · One Future” as the theme of India’s G20 Presidency.

## I. Economy and Finance

While the world is on the mend from the COVID-19 pandemic, downside risks like those associated with a possible prolonged war in Ukraine remain high and economic recovery is not yet on solid footing. As G7 Finance Ministers and Central Bank Governors pointed out on 23 February 2023, Russia's aggression in Ukraine has exacerbated global economic challenges, including through adding to inflationary pressures, further disrupting supply chains, and heightening energy and food insecurity.

In response to these negative consequences of the war, it is indispensable to enhance supply capacity, secure the energy and food supply chains, and invest in developing human resources and facilitating job creation. It is also necessary to keep vigilant on threats to financial stability caused by interest rate rises. Moreover, since low- and middle-income countries are the most affected by global economic challenges and shifting global financial conditions, necessary measures must be taken to avoid potential debt crises in those countries.

### 1. Enhance Supply Capacity

With a view to tackling shortages in energy, food and critical minerals, enhancing supply capacity and making supply chains more resilient is urgent. This will require coordination and cooperation across the world, building partnerships and reducing barriers to trade. The G7 member states need to be more proactive in working with international organizations, multilateral development banks and with their own development institutions, to create a public-private partnership ecosystem that stimulates further investment, especially in the Global South.

#### (1) Invest in Infrastructure Development

To this end, the G7 should press forward with the Partnership for Global Infrastructure and Investment (PGII) which aims to support the development of sustainable, quality infrastructure in low- and middle-income countries<sup>2</sup>. The infrastructure investment should be further promoted to enhance supply capacity and achieve green and digital transformation and sustainability as pursued under the "Society 5.0 for SDGs".

In order to maximize the positive impact of infrastructure investment, the G7 should increase life cycle efficiency, integrate environmental and social considerations in investments, and strengthen governance, as indicated in the G20 Principles for Quality Infrastructure Investment<sup>3</sup>. The G7 should also accelerate efforts made by the OECD to develop mechanisms to certify quality infrastructure projects against robust criteria and

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<sup>2</sup> The partnership plan was announced in June 2022 during the G7 Elmau Summit. The plan aims at investing 600 billion USD until 2027.

<sup>3</sup> [https://www.mofa.go.jp/mofaj/gaiko/g20/osaka19/pdf/documents/en/annex\\_01.pdf](https://www.mofa.go.jp/mofaj/gaiko/g20/osaka19/pdf/documents/en/annex_01.pdf)

standards such as the Blue Dot Network (BDN)<sup>4</sup>. The tragic consequences of the recent natural disasters should remind policymakers that responsible quality infrastructure must first and foremost be resilient to disasters which should be reflected in any infrastructure finance considerations. Also, quality infrastructure development is key to bringing back a resilient society in Ukraine and other post-conflict states.

## (2) Invest in Critical Minerals

Investment in the production, processing delivery and recycling of critical minerals is essential to enhancing supply capacity and economic security. With a view to reducing excessive dependence on particular countries for their supplies, it is essential to diversify investment destinations, under public-private partnership, not only in the up-streams (mining of raw materials) but also in the down-streams (smelting, refining and processing). To be effective in scaling up downstream production in particular, the G7 will need to work with industry to better understand critical supply chains and routes to co-investment underpinned by free and open trade.

## 2. Secure Energy and Food Supply Chains

The present sanctions must be maintained as long as the aggression by Russia against Ukraine continues. To ensure the effectiveness of the sanctions, the G7 must align with as many countries as possible to prevent substitution of demand and circumvention.

At the same time, it is essential to ensure a stable supply of critical goods such as energy resources, food and fertilizers from Russia and Ukraine. To this end, as we, the B7 observe, the price cap on crude oil and petroleum products has been working effectively in an effort to reduce Russian revenues while ensuring energy security. The G7 should continue this pricing policy.

As both Russia and Ukraine are major exporters of grain and fertilizer, the war in Ukraine has resulted in a severe shortage of food, especially in the Global South. The Black Sea Grain Initiative (BSGI)<sup>5</sup> has so far contributed to delivering food and fertilizer from Ukraine to markets worldwide. The G7 should make every possible effort to make sure that this initiative is extended further.

Additionally, the G7 must call upon those countries who maintain export restrictions to abolish them as soon as possible and to be bastions for free trade, countering the lean toward protectionism to limit unintended consequences of sanctions to the minimum. The G7 should also provide developing countries with technologies and information regarding energy savings, energy efficiency and alternative energy sources to support their resilience.

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<sup>4</sup> [OECD and the Blue Dot Network - OECD](#)

<sup>5</sup> [Black Sea Grain Initiative | Resources | United Nations](#)

As for food, the G7 should offer technical and financial assistance to the Global South, especially to those affected by stagnant food exports from Ukraine, to enhance production capacity. For example, technology that enables to maximize harvest per unit of land with a minimum amount of pesticide and fertilizer contributes both in terms of food security and environmental protection. Collaboration with international organizations such as the FAO, the WFP and the IFAD should be promoted in this regard. In the meanwhile, the B7 takes this opportunity to bring the G7's attention to the "Peace for Food" initiative taken by Business at OECD (BIAC)<sup>6</sup>. It is anticipated that the initiative leads to stabilizing global food markets in times of price inflation and to spur agricultural innovation.

### 3. Develop Human Resources and Facilitate Job Creation

In order to promote innovation and enhance productivity in both industry and services sectors, labor and skill shortages must be addressed. Significant skill mismatches and labor shortages are holding back economic growth in many countries. Each G7 member should assist the private sector investment in re-skilling and up-skilling of human resources, particularly in the field of science, technology, engineering and mathematics (STEMs) skills which are increasingly required across a broad range of sectors to achieve digital and green transformation.

Diverse workforces and inclusive workspaces are key to successful human resources development. To maximize the skills and capabilities of individuals, every single person must be treated equally and with dignity regardless of his, her or their race, religion, creed, gender, sexual orientation and gender identity, social status or family origin.

There is an urgent need to enhance diversity in employment models to adapt to systemic changes and to facilitate business resilience. Different forms of work such as part-time and fixed-term work, agency work, and self-employment are the key to stimulating job creation, enhancing conditions for entrepreneurship and ensuring the growth of the MSME ecosystem. Each G7 member should promote public and private financing and investment to achieve productivity growth and to create more and better jobs.

### 4. Take Debt Relief Measures

National debt hinders many developing countries from embarking on new investment towards enhancing their capacity. It is therefore necessary for the G7 to take the initiative for debt relief for the Global South affected by the rise of interest rates. Collaboration not only among the Club de Paris but also with the G20, involving the world's major creditors, is indispensable with a view to making debt relief effective.

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<sup>6</sup> The initiative aims at policy actions to calm agricultural markets in the short term, and to make the food systems more resilient and sustainable in the long term, through international collaboration, in particular with OECD and G20 initiatives.

## II. Trade and Investment

In order to prevent further global market fragmentation and to make sustainable growth possible, the basic principles of the international trading system must remain intact. The G7 should embody and champion trade without discrimination, freer trade through negotiation, predictability through binding and transparency, promoting fair competition and encouraging development and economic reform. To this end, the G7 should also make every possible effort to reform the WTO and inject new impetus into international trade and investment.

Meanwhile, in the midst of the situation in which economy and national security are inextricably linked, it is essential to make sure that a certain set of technologies are not diverted through trade and investment to those countries that would pose a threat to international peace and security. In doing so, those items subject to regulations for security reasons should be limited to the minimum under the slogan of “small yard, high fence”. Due consideration should also be given to avoiding the danger of extreme dependence on any country or countries, such as through diversifying the supply sources of those products and services critical to national security.

### 1. Launch the “Free and Fair Trade and Investment Club”

Since the WTO has been stalled, the G7 must take the lead in increasing confidence in the multilateral trading regime and signal its firm commitment to free and fair trade and investment. The B7, therefore, proposes to launch a high-level trade and investment framework, the “Free and Fair Trade and Investment Club” with the G7 members and the EU at its core. The “Club” should be open to any country and region that commits itself to meet certain criteria within a set period of time. In return, each Club member is encouraged to provide the other members with national treatment to the extent possible.

The criteria may include:

- i) Seek for tariff elimination on industrial goods,
- ii) Avoid export restrictions on energy, natural resources and food,
- iii) Avoid the adoption of market-distorting subsidies and local content requirements,
- iv) Ensure national treatment principle,
- v) Grant freedom of remittance while limiting performance requirements on foreign direct investment,
- vi) Ensure the respect and sound implementation of intellectual property rights,
- vii) Commit to “Data Free Flow with Trust”.



The “Club” should work with the Climate Club to enhance the role of trade in tackling climate change<sup>7</sup>.

## 2. Ensure Economic Security

### (1) Achieve Supply Chain Resilience

The G7 members should work together to ensure a stable supply of goods such as semiconductors, batteries, medical supplies and critical minerals. Even if supply chains are to be revised in doing so, it should be companies concerned who take the initiative. The governments should focus on supporting corporate efforts rather than resorting to regulatory measures. Whilst the G7 should continue collaboration through promoting supply chain diversification, especially with like-minded countries, it should avoid being exclusionary.

### (2) Address Economic Coercion

The G7 should address economic coercion by the third countries through increased cooperation and coordination among G7 members. International fora such as the EU-US Trade and Technology Council (TTC), the Japan-Australia-India-U.S. (Quad) etc. can contribute as a framework for cooperation and coordination. For instance, the G7 can jointly identify choke points that the country concerned could utilize to impose economic coercion and work with like-minded countries and their industries to increase resilience by exploring or creating alternative sources among them. Also, the G7 can organize those countries, from which the country concerned imports vital goods, into a group that would threaten to cut off the country’s access to the vital goods if the country should act against any single group member. In addition to these collective-resilience measures, each G7 government, private sector, and relevant stakeholders could champion international standards of cutting-edge technologies, such as through utilizing existing EPAs/FTAs, to gain a competitive advantage.

Article 21 of the General Agreement on Tariffs and Trade (GATT) does not preclude a Party from taking any action which it considers necessary for the protection of its essential security interests, such as those “taken in time of war or other emergency in international relations.” The provision should be clearly positioned as a tool applicable to the contemporary challenge of countering economic coercion. However, these powers should be used in extraordinary circumstances and not as a means of increasing protectionism or stimulating economic growth.

## 3. Strengthen the Multilateral Trading Regime

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<sup>7</sup> The Climate Club, which was established in December 2022 based on an agreement at the G7 Elmau Summit last year, is expected to address ambitious and transparent climate policy measures by all of its members. It is anticipated that the Climate Club remains open for any country willing to implement the Paris Agreement in a consistent way and to accelerate climate action.

The WTO is at the center of the multilateral framework comprised of 164 Members. Restoring and strengthening the functioning of the WTO is indispensable to enhancing the free and open international economic order in partnership with the Global South.

#### (1) Address the Crisis in WTO Dispute Settlement

The WTO Appellate Body ceased to function in December 2019. At present, panel decisions can be blocked by “appealing into the void” resulting in a situation where violations of the WTO agreements cannot be properly addressed. Overcoming this impasse over dispute settlement is crucial and it should be a priority of the WTO in 2023.

The Multi-Party Interim Appeal Arbitration Arrangement (MPIA)<sup>8</sup> offers ideas that can be useful as members work towards restoring the Appellate Body’s function. Under the MPIA, the arbitrators only address issues that are necessary for the resolution of the dispute<sup>9</sup>. This position represents a partial response to the criticism that the Appellate Body tends to issue advisory opinions which are not relevant to dispute resolution.

#### (2) Secure a Level-Playing Field

It is difficult to secure a level playing field when state subsidies encourage overproduction, limit market access and competition, and result in market distortion. The Agreement on Subsidies and Countervailing Measures (SCM) should be made more precise and completely reformed to address this issue.

In particular, unlimited guarantees, subsidies to an insolvent or ailing enterprise in the absence of a credible restructuring plan, subsidies to enterprises operating in sectors or industries in overcapacity, and certain direct forgiveness of debt should be defined as prohibited subsidies. Discussions on this issue have been in progress at the Trilateral Meeting of the Trade Ministers of Japan, the United States and the EU<sup>10</sup>, and the G7 should take the lead in forming a critical mass in the WTO.

#### (3) Progress Joint Statement Initiative on E-commerce

A set of disciplines on E-commerce should be agreed upon at a high-level, addressing free cross-border data flow, prohibition of mandatory data localization, prohibition of requirements for disclosure of source code and algorithms, and non-discriminatory treatment of digital products. The G7 should seek to ensure a conclusion of the agreement ahead of the WTO 13<sup>th</sup> Ministerial Conference (MC13) to be held in February 2024.

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<sup>8</sup> Multi-Party Interim Appeal Arbitration Arrangement Pursuant to Article 25 of the DSU

<sup>9</sup> See 10. of Annex 1 of the MPIA

<sup>10</sup> Joint Statement of the Trilateral Meeting of the Trade Ministers of Japan, the United States and the EU (January 14, 2021)

The B7 also welcomes the extension of the moratorium to ban duties on electronic transmissions until MC13, a much-needed outcome for businesses regardless of their size. At the same time, we need to see a permanent moratorium at MC13, and the G7 must serve as the driving force behind this.

#### (4) Address Trade and Environment

The G7 should support the Trade and Environmental Sustainability Structured Discussions (TESSD) at the WTO in order to promote the liberalization and facilitation of trade in environmental technologies, goods and services. A solution that keeps new bureaucratic hurdles in customs duties to a minimum is key.

Environmental regulations such as disclosure of carbon footprints should rely on globally agreed standards and methodologies to facilitate the decarbonization of supply chains and send a consistent signal to customers. They should not be more trade-restrictive than necessary to fulfill legitimate objectives.

Any Cross Border Adjustment Mechanisms (CBAMs) must be designed and implemented in a WTO-compatible manner. The ultimate goal should be the decarbonization of global value chains and not to restrict international trade. Any implementation of CBAMs should not be designed in a way that disproportionately impacts the Global South. They should eventually motivate all countries around the world, including the Global South, to engage in substantial, ambitious and measurable climate policies to reach the collective goals set by the Paris Agreement agreed at COP 21 and the Glasgow Pact agreed at COP 26, while avoiding adverse impacts on international trade. The ongoing development of the Climate Club should progress in closer partnership with industry, with the goals being to remove the need for CBAMs where possible and further decarbonize in third countries.

#### 4. Ensure Human Rights throughout the Global Supply Chains

As the G7 seeks to remove all forms of forced labor from global supply chains<sup>11</sup>, each government should commit itself to advance this objective and avoid placing the onus for enforcement entirely on the industry.

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<sup>11</sup> G7 Leaders' Communiqué, Elmau, 28 June 2022, p. 10

### III. Green Transformation

A virtuous circle between the economy and the environment can only be achieved through green transformation, a transformation of the entire economy and society. The G7 countries must make integrated efforts towards the policy objectives of tackling climate change, ensuring energy security, transitioning to circular economy, and potentially achieving nature-positive outcomes. We must simultaneously address three issues, namely, decarbonization, energy security, and geopolitical stability. Without this balanced approach, the global economy will continue to decouple.

#### 1. Tackle Climate Change

##### (1) Achieving Climate Neutrality through Innovation

It is clear that achieving a climate-neutral society while improving the living standards of the world, including that of the Global South, is an unprecedented challenge for the global community that requires new technologies in addition to today's existing clean technologies, massive public and private funding, and a rethinking of current socioeconomic structures. With a view to achieving climate neutrality by 2050, the green transformation including the development and dissemination of innovative technologies must be positioned as the central axis of the G7's industrial policy. Each government should make long-term and large-scale investments to support innovation and promote international cooperation among the G7. Areas of cooperation include but are not limited to:

- i) Introduction of next-generation storage batteries,
- ii) Faster roll-out of renewable energies and generation capacity such as wind, solar and biomass,
- iii) Affordable mass supply of hydrogen, ammonia and its derivatives,
- iv) The scaling up of Carbon Capture and Utilization and Storage (CCUS) technologies,
- v) R&D and construction of advanced and innovative nuclear power plants<sup>12</sup>,
- vi) Continued R&D for nuclear fusion,

##### (2) Allow for Diverse Pathways to achieve the goals of the Paris Agreement

While the G7 embraces ambitious GHG emission reduction commitments, the transition towards decarbonization must be carried out with respect for technological neutrality and allow for diverse pathways among countries, regions and industries. While there is no "one size fits all" approach, meaningful global cooperation based on credible commitments by all major economic powers will be essential in halting further dangerous climate change.

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<sup>12</sup> These include small modular reactors, high temperature gas-cooled reactors which will be used to produce hydrogen, and fast reactors.

The G7 should focus on different technology pathways for decarbonization. For example, co-combustion with hydrogen, ammonia or PtX - so-called electricity-based synthetic fuels such as e-fuels in particular -, and use of CCUS can contribute to cutting emissions in fleets and installations in the course of transition. In the mobility sector, not only electric vehicles but also hybrid vehicles and vehicles with ICEs fueled by H<sub>2</sub>, e-fuels and advanced biofuels can offer pathways for emissions reduction. Since natural gas including LNG plays an important role as a transitional fuel in many countries, until other effective technologies are developed and deployed, G7 policymakers should continue to enable investment in natural gas production and delivery to the global markets.

This year will see a global stocktake of the Paris Agreement. It is critical that alongside pushing for increased ambition from all parties on their nationally determined contributions (NDCs), the G7 members show leadership in moving from setting targets to implementation. The G7 can demonstrate how this ambition gap can be bridged by setting out clear pathways or implementation roadmaps, that include sectoral plans. The G7 should also encourage all countries to set out such pathways to achieving their NDCs. Alongside implementation roadmaps, interim targets that accompany the high-level commitments can give the industry a clear idea of the road ahead.

### (3) Address Transition Finance

The green transition requires massive public and private investment, and mobilization and redirection of financial flows. In addition to financing technologies that do not emit greenhouse gases, it is critical to mobilize resources for a wide range of technologies needed to make the transition to carbon neutrality. As stated, the path to net zero will be different for every country given divergent starting points and existing technology mixes.<sup>13</sup>

When financing transition, financial institutions face the challenge of increasing financed emissions (FE). G7 needs to consider and discuss a framework to evaluate investments and loans for net-zero in collaboration with representatives of the real economy and in conjunction with international private initiatives (PCAF<sup>14</sup>, GFANZ etc.). When establishing any new frameworks for such a purpose, ensuring interoperability should also be considered.

Businesses need a common understanding of sustainability standards to further scale up financing for decarbonization. We welcomed the progress made at COP26 on TCFD

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<sup>13</sup> For example, the Government of Japan has formulated the "Basic Guidelines on Climate Transition Finance" as well as sector-specific technology roadmaps for the transition to decarbonization, with the aim of promoting climate transition finance in May 2021.

<sup>14</sup> PCAF (The Partnership for Carbon Accounting Financials) sets the Global GHG Accounting and Reporting Standard for the Financial Industry.

reporting and the subsequent setup of the International Sustainability Standards Board (ISSB) and acknowledge further G7 commitments to mandatory climate disclosures in 2022. Now, the G7 countries need to work together towards globally consistent implementation of international standards in their respective jurisdictions and continue supporting further work done by the ISSB to ensure international interoperability and reciprocity as well as avoid fragmentation.

#### (4) Involve Developing Countries

Today CO<sub>2</sub> emissions by the G7 countries account for 23.6% of the global emission<sup>15</sup>. Climate neutrality can never be achieved without the involvement of developing countries.

- i) Private corporations of each G7 member state should engage in trustful cooperation with countries on their way to development and consider investment in environmentally friendly infrastructures in the Global South.
- ii) The G7 and other developed countries should involve the private sector in expanding partnership models such as the Just Energy Transition Partnerships started at COP26, Climate Club, and other regional initiatives such as Asia Zero Emission Community (AZEC).
- iii) The mechanisms under Article 6 of the Paris Agreement may incentivize those private investments. Official Development Assistance (ODA) provided by the G7 governments can also be utilized to promote green infrastructure development and technical assistance. Moreover, the G7 should promote dialogue aimed at ensuring interoperability of standards and regulations, which contribute positively to climate protection, and cooperate to ensure interoperability of those standards and regulations in third countries. This is achieved through the development of international standards in recognized standardization organizations.
- iv) The Paris Summit for a New Financing Pact in June will be key to reshape the architecture of development and climate finance for a stronger and more efficient international financial system<sup>16</sup>.

Beyond extending support and partnership to developing countries, it is critical that the G7 work closely with the G20 network of countries to mitigate global emissions, given together these country's emissions account for 80% of the global total.

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<sup>15</sup> <https://data.worldbank.org/indicator/EN.ATM.CO2E.KT?end=2019&locations=US-1W-JP-DE-FR-IT-GB-CA&start=2019&view=bar>

<sup>16</sup> This Summit will pursue the following objectives : better integrate climate and development strategies ; stronger mobilization of concessional and public finance ; reaffirm and enhance the role of private finance; accelerate the emergence and diffusion of the technologies ; improve the information architecture through which “green” investments and financial flows are defined and earmarked ; reform the IFIs, DFIs, and MDBs such that they deliver effectively, especially to needs of the developing countries.

## (5) Measurement, Reporting and Verification (MRV)

In order to take stock of the GHG emissions trajectory and cut global emissions, MRV of emissions, including those from global value chains, is important to enabling the evaluation of different mitigation approaches. The G7 should share their best practices and work towards a common understanding of assessing ways to compare the effectiveness as well as the economic impacts of diverse mitigation policies such as through explicit carbon pricing and other approaches<sup>17</sup>.

Low-carbon value chains will avoid more emissions than conventional ones. It is therefore necessary for some sectors to be able to evaluate and compare emissions reductions not only from the manufacturing stages of products, but also from the resource and material procurement, distribution, end-use, disposal and recycling stages. A highly energy-efficient product can be promoted if it significantly reduces emissions throughout the global value chain, even if it emits more than a conventional product in the production stage. Focusing on this “avoided emissions” will spur the demand and create markets for such products and accelerate the decarbonization of industrial sectors.

## 2. Respond to the Global Energy Crisis

With the recognition of critical importance to ensure an energy mix that balances safety, energy security, economic efficiency and environment (S+3E), the G7 should pursue a concrete policy taking into account the situation in each country. Russia’s aggression against Ukraine has particularly recalled the critical importance of energy security or stable energy supply. With a view to decreasing dependency on Russian energy, the G7 should focus on diversifying energy supply sources, accelerating the rollout of clean energy technologies, and enhancing energy efficiency. Renewable energy and nuclear energy contribute to strengthening energy security in countries that opt to deploy them<sup>18</sup>. They also will play an indispensable role in achieving carbon neutrality<sup>19</sup>.

Natural gas in particular can be made available to countries that lack other resources to meet their immediate energy security needs while delivering on their Paris Accord climate pledges. In this context, the B7 emphasizes the important role that natural gas, including LNG, will continue to play in the transition to a decarbonized economy, as a

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<sup>17</sup> See G7 Statement on Climate Club, Elmau, 28 June 2022, p. 1. In addition to the launch of the Climate Club, the framework under the UNFCCC through the current Global Stocktaking Exercise, the launch of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA) under the OECD, are key to foster global dialogue and cooperation to ensure the effectiveness of climate policies to achieve the targets of the Paris Agreement.

<sup>18</sup> It would be beneficial to facilitate the development of new technologies such as next generation solar cells, floating offshore wind, as well as nuclear fusion which is expected to be a promising energy source within a measurable period of time. It is beneficial to cooperate in accelerating R&D on nuclear fusion, including through ITER, the international project of thermonuclear experiment reactor.

<sup>19</sup> One nuclear reactor would have the same effect as supplying 1 million tonnes of new LNG per year to the global market. (Speech by Prime Minister KISHIDA in London, May 5, 2022)

vital component of global energy security. Therefore, consistent public policy to support continuing private investment in this sector is necessary in response to the current crisis as acknowledged by the G7 Members<sup>20</sup> and as a safeguard against potential energy market volatility arising from geopolitical tensions.

### 3. Circular Economy

Recognition of importance of the transition to circular economy (reducing natural resources inputs, minimizing wastes, promoting usage of biomass and recycled materials, etc.) is expanding from the viewpoint of reducing environmental impacts and securing resources. To accelerate the transition to a climate-neutral circular economy, it is necessary to enhance cross-sectoral business collaboration, including between manufacturers and recyclers. The G7 should encourage business collaboration and share their best practices. The business community needs a dialogue with the G7 on circular economy and resource efficiency principles ( CEREP ). The B7 urges the G7 to implement policy levers addressing product design and the use of circular materials, while investing in the enabling infrastructure.

With the recognition of the significant impact of marine plastic litter on the ocean environment, the G7 should promote initiatives based on the Osaka Blue Ocean Vision<sup>21</sup>. The B7 encourages collaboration and a bottom-up approach to international negotiations aiming to reduce the negative impact of plastic in the environment.

### 4. Nature Positive

The adoption of the Kunming-Montreal Global Biodiversity Framework decided at the CBD COP15 in December 2022, which succeeds the Aichi targets, represents an important step for greater biodiversity protection. The B7 urges the G7 governments to review National Biodiversity Strategy and Action Plan (NBSAP) in each country to achieve the set of targets of new Framework. The business community will strengthen efforts to conserve biodiversity in collaboration with governments. Each G7 member should also contribute to the conservation and sustainable use of regional marine biodiversity beyond its national jurisdiction. The efforts by the Taskforce of Nature-related Financial Disclosure are another important element in the private sector's growing toolbox of business practices that enhance nature protection. It is expected that its work will evolve to be more structured, transparent, and regionally balanced.

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<sup>20</sup> G7 Leaders' Communiqué, Elmau, 28 June 2022, pp. 5-6

<sup>21</sup> [Towards Osaka Blue Ocean Vision \(g20mpl.org\)](https://www.g20mpl.org/)



## IV. Digital Transformation

Data is essential to all economies, and it is the key to realizing the “Society 5.0 for SDGs”, a problem-solving society that fuses digital technology with the creativity of diverse people. In order to make the most of the value of data, “Data Free Flow with Trust” (DFFT) must be realized. At the same time, it must be ensured that data holders – especially industry – are remunerated when granting access to their data. Just like other goods, data are created based on costly innovation.

The Ministerial Declaration adopted at the G7 Digital Ministers’ Meeting last year will serve as a basis for discussion. Based on the Declaration, the G7 should deepen common understandings on how to promote future interoperability, and identify the commonalities, complementarities and elements of convergence between existing regulatory approaches and instruments enabling DFFT<sup>22</sup>.

### 1. Realize DFFT through the “Free and Fair Trade and Investment Club”

Currently, cross-border personal data flow is secured between Japan and the EU under the Adequacy Decision<sup>23</sup>. The U.S.-Japan Digital Trade Agreement also provides for free data flow, including personal data, between the two countries<sup>24</sup>. The CPTPP ensures data free flow<sup>25</sup> between Japan and Canada, and the UK will be covered by the Agreement after its accession. The US and the EU are in the process of agreeing on a new framework, the EU-US Data Privacy Framework<sup>26</sup>, replacing the Privacy Shield Framework, and it is expected that the free flow of data will continue. The UK and US are also separately progressing on a data adequacy deal<sup>27</sup>.

Based on these existing agreements, any member of the “Free and Fair Trade and Investment Club” as proposed in the section of “Trade and Investment” (see page 6) should commit itself to DFFT by meeting the following disciplines, but not limited to:

- i) Free cross-border data flow,
- ii) Prohibition of mandatory data localization,
- iii) Prohibition of requirements for disclosure of source code and algorithms,
- iv) Non-discriminatory treatment of digital products.

### 2. Achieve Interoperability for Data Protection

From the viewpoint of protecting personal data while enabling data free flow, the B7 supports the establishment of an institutional arrangement for partnership among

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<sup>22</sup> See para. 23 of the Ministerial Declaration.

<sup>23</sup> [Adequacy decisions \(europa.eu\)](https://ec.europa.eu/europe-justice/adequacy-decisions)

<sup>24</sup> See Article 11 of the U.S.- Japan Digital Trade Agreement.

<sup>25</sup> See Article 14.11 of the CPTPP

<sup>26</sup> [EU-U.S. Data Privacy Framework, draft adequacy decision \(europa.eu\)](https://ec.europa.eu/europe-justice/eu-us-data-privacy-framework-draft-adequacy-decision)

<sup>27</sup> See Article 0.2 UK-US Joint Statement: New Comprehensive Dialogue on Technology and Data and Progress on Data Adequacy

government, private sector, and academia to achieve interoperability. It is anticipated that different international data transfer mechanisms, such as APEC's Cross Border Privacy Rules (CBPR) and the future framework under the IPEF, will be interoperable.

### 3. Set Rules for the Government Access

From the perspective of reducing the risks of companies that are responsible for data utilization, the G7 should seek to operationalize, together with industry, principles developed within the OECD, regarding the government access to data held by the private sector, with a view to enhancing transparency and consistency in the access of public authorities to data<sup>28</sup>.

Being mindful that the differences in approaches by countries/regions may hinder DFFT, government access for national security and public interest purposes should be limited to what is necessary and proportionate, and subject to effective redress mechanisms. Adequate judicial remedies can be provided against unjust and bulk personal data collection.

Rules should also be considered by the G7 members to address cases where public authorities, for national security or public interest purposes, require the submission of personal data that exists outside their own territory.

### 4. Ensure Security

#### (1) Enhance Cyber Security

In conjunction with the digital transformation and changes in social and economic activity brought about by the COVID-19 pandemic, cyberspace and physical spaces are merging, not only in industries, but throughout society as a whole. At the same time, cyberattacks via supply chains -such as those targeting business partners and overseas subsidiaries- are also on the rise. Moreover, as heightened geopolitical tensions extend into cyberspace, cybersecurity is becoming a crucial domain for national security.

Under these circumstances, from the perspectives of creating value and building value chains aimed at realizing Society 5.0 for SDGs, as well as managing risks, the G7 should undertake concerted actions such as operational collaboration, cooperation for capacity building for the Global south, and dialogues towards the harmonisation of schemes.

#### (2) Address Disinformation

While freedom of expression, the bedrock of basic human rights, must be guaranteed, disinformation, including malinformation, has the potential to threaten democracy and national security. Each G7 member should respond to disinformation and censorship in

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<sup>28</sup> OECD's declaration on trusted government access to private sector data (14 December 2022) which addresses legal basis, legitimate aims, approvals, data handling, transparency, oversight, and redress should serve as a basis for the discussion among the G7.

its own way and share information and best practices as necessary since this is an issue involving constitutional debates on civil liberties and security considerations.

## 5. Develop Digital Technology

The G7 should establish an international framework for public-private partnership (PPP) aiming at developing technology and common principles in such areas as AI, quantum technology, metaverses, space, privacy enhancement and cybersecurity. PPP with strong industry involvement can foster an ethical and responsible development of those emerging technologies, building on existing national policies and encouraging international cooperation.

AI has enormous potential to positively contribute to the solution of complex global challenges such as climate change and supply chain disruption alongside enabling sector-specific use cases including autonomous vehicles and personalized healthcare. If well harnessed, AI will boost productivity gains, economic growth and wide public benefit already being created.

The B7 recognizes these opportunities and wider benefits that international AI collaboration could unlock. As existing leaders in AI, the G7 countries should ensure that respective national AI policies prioritize interoperability and international cooperation. This should build on existing national policies and international standards. Doing so would pre-empt the need for extensive bilateral agreements such as those seen in data sharing.

The various experiences that metaverses will be able to provide in the future will have a significant impact on people's lives in real space. It is vital that we continuously discuss the degree of impact that is ethically acceptable based on actual usage and form norms and standards across society.

The G7 should also anticipate the 6G as an emerging critical technology and the need for an alignment among the G7 countries on a common 6G research vision. Research collaboration between the G7 should be promoted by building innovation bridges between the G7 members' initiatives. Standardization of 6G should adhere to WTO/TBT principles for international standards development.

## 6. Capacity Building

The G7 should take the lead in assisting developing countries with digital transformation. Especially, establishing legislations addressing adequate personal data protection is the bedrock of realizing DFFT embracing the Global South.

## V. Global Health

It is urgent for the world to recover the free movement of natural persons by lifting and easing immigration restriction measures taken to prevent the spread of COVID-19. In the meanwhile, with a view to preparing for the next waves of the pandemic, the G7 should take the lead in establishing rules regarding the movement of natural persons during the pandemic, while promoting investments in the medical/health sector and enabling equitable access of medical countermeasure to the Global South.

### 1. Recover Free Cross-border Movement of Natural Persons

With a view to minimizing the adverse impact to the economy in the face of the pandemic, the G7 should take the lead in forming an international consensus regarding the essential workers and natural persons necessary for economic and social activities to be exempted from immigration restrictions and quarantine measures. To this end, it is essential for each G7 member to work in cooperation with the private sector to improve administrative capabilities, including the development of a system that can smoothly and extensively implement PCR and antibody tests, and the digitalization of procedures necessary for immigration and travel. Providing assistance to developing countries in this area is also vital.

### 2. Strengthen Health Systems and Investments

The G7 is an important forum for positioning the issue of global health and strengthening the WHO. Political commitments by these communities have a signal effect and are important milestones for the implementation of global health goals. The G7 should play a central role in promoting public and private investment in sectors such as health, medical research, medical and testing devices, pharmaceuticals and biotechnology to create an innovation-friendly ecosystem while implementing appropriate investment controls to prevent the outflow of critical technologies.

### 3. Ensure Equitable Access

To ensure an effective response to future health crises, supporting research and innovation activities is of critical importance, together with a good level of protection of intellectual property rights building on the WTO TRIPS agreement. Rather than waive intellectual property protection, the G7 should encourage multistakeholder strategies to

- i) ensure equitable access to medical countermeasures such as vaccines, therapeutics and diagnostics,
- ii) strengthen the supply chain connectivity,
- iii) develop human resources in the medical/health sector.

The G7 should continue to support the Pandemic Fund and emphasize the importance of engaging the private sector to ensure access to medical countermeasures.

#### 4. Promote Innovation and Digitalization

Digitalization must be promoted so that everyone including the Global South can have access to therapeutics and diagnostics online. The protection of personal data is especially important in this area. The G7 should consider an approach to digital health that is driven by the best models to protect patients' privacy and data security while supporting state-of-the-art digital care, research and innovation, quality monitoring, and other social benefits possible in a digital age. Restrictions to cross-border data flows (including the imposition of mandatory in-country data localization) should be reassessed, given these can pose significant obstacles to the advancement of digital healthcare. The need for common technical standards to support interoperability should also be addressed, which is also critical for the adoption and deployment of digital health technologies.

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#### Business 7

Keidanren (Japan Business Federation)

General Confederation of Italian Industry (Confindustria)

Canadian Chamber of Commerce

Mouvement des entreprises de France (MEDEF)

U.S. Chamber of Commerce

Confederation of British Industry (CBI)

Federation of German Industries (BDI)

BusinessEurope

