



## GLOBAL GOVERNANCE AT A TURNING POINT THE ROLE OF THE G20

edited by  
**Ettore Greco, Fabrizio Botti and Nicola Bilotta**

## IAI Research Studies 5



# GLOBAL GOVERNANCE AT A TURNING POINT THE ROLE OF THE G20

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*Ettore Greco, Fabrizio Botti and Nicola Bilotta*



Edizioni Nuova Cultura

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***Series Editor***

Lorenzo Kamel

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# List of Abbreviations

10YFP	10-Year Framework of Programmes on Sustainable Consumption and Production
3R	Reduce, reuse, recycle
AACE	African Alliance on Circular Economy
AB	Appellate Body
ACWG	Anti-Corruption Working Group
ADB	Asian Development Bank
AEASIJ	Africa–Europe Alliance for Sustainable Investment and Jobs
AI	Artificial intelligence
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BRICS	Brazil, Russia, India, China and South Africa
CE	Circular economy
CEAP	Circular Economy Action Plan (EU)
CEFSP	Circular Economy Finance Support Platform (EU)
CEM	European Circular Economy Mission
CEN	European Committee for Standardization
CENELC	European Committee for Electrotechnical Standardization
CEO	Chief executive officer
CEREWG	Resource Efficiency Working Group (EU)
CRM	Critical raw material
CSO	Civil society organization
CSWG	Climate Sustainability Working Group (EU)
CTE	Committee on Trade and Environment (WTO)
DETF	Digital Economy Task Force (G20)
DFFT	Data Free Flow with Trust
DSU	Dispute Settlement Understanding

ECESP	European Circular Economy Stakeholder Platform
ECOSOC	Economic and Social Council (UN)
EEB	European Environmental Bureau
EESC	European Economic and Social Committee
EGA	Environmental Goods Agreement
EIB	European Investment Bank
EMF	Ellen MacArthur Foundation
EPR	Extended producer responsibility
EU	European Union
G20	Group of Twenty
GAD	Digital Agenda Group (Mercosur)
GDP	Gross domestic product
GGE	Group of Governmental Experts (UN)
GHG	Greenhouse gas
GPA	Agreement on Government Procurement
GPFI	Global Partnership for Financial Inclusion
GTA	Global Trade Alert
IBSA	India, Brazil and South Africa
ICT	Information and communications technology
ICTSD	International Centre for Trade and Sustainable Development
IEC	International Electrotechnical Commission
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
InRE	Indian Resource Efficiency
InRP	Indian Resource Panel
IRP	International Resource Panel
IS	Industrial symbiosis
ISO	International Organization for Standardization
ITA	Information Technology Agreement
ITU	International Telecommunications Union
IUU	Illegal, unreported and unregulated
JICE	Joint Initiative on Circular Economy (EU)

*LIST OF ABBREVIATIONS*

MCS	Material-Cycle Society
MERCOSUR	Mercado Común del Sur
MSME	Micro-, small- and medium-sized enterprise
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PACE	Platform for Accelerating the Circular Economy
PAGE	Partnership for Action on Green Economy
R&D	Research and development
RE	Resource efficiency
SCP	Sustainable Consumption and Production
SDT	Special and Differential Treatment
SMM	Sustainable Materials Management
ROK	Republic of Korea (South Korea)
SCP	Sustainable consumption and production
SDG	Sustainable Development Goal
SDR	Special Drawing Right
SDT	Special and Differential Treatment
SOE	State-owned enterprise
SPS	Sanitary and Phytosanitary
SUN	Symbiosis User Network
TBT	Technical Barriers to Trade
TCP/IP	Transmission Control Protocol/Internet Protocol
TFA	Trade Facilitation Agreement
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
US	United States
VAT	Value-added tax
VRP	Value-retention process
WBCSD	World Business Council for Sustainable Development
WCEF	World Circular Economy Forum
WEF	World Economic Forum

WHO	World Health Organization
WRAP	Waste and Resources Action Programme
WTO	World Trade Organization

# Foreword

The Covid-19 pandemic has impacted every nation in the world, highlighting how globally interconnected we are. To mitigate the health, social and economic effects of the Covid-19 crisis, the world needs effective global responses. However, multilateral cooperation has been facing dramatic headwinds before and after the Covid-19 pandemic. The G20 could play a key role in revitalizing multilateral cooperation, by pushing for new ways and means to deal with global challenges. The Italian Presidency of the G20 in 2021 is providing fresh political impulse for the G20 to advance a renewed global governance agenda.

Before the Covid-19 pandemic, global trade, digitalization, demographic patterns and circular economy have emerged as key areas which would require fresh global coordination. The Covid-19 pandemic appears to have amplified the challenges and opportunities related to these priorities, opening up a window for developing new multilateral answers.

Structural transformations of global trade patterns, persistent protectionist tendencies and growing geopolitical tensions have undermined the main functions of the World Trade Organization (WTO), eroding its rule-making role and paralysing its dispute settlement system. The impact of Covid-19 pandemic on world trade and the lack of coordination in policy responses have further highlighted the need to improve the global trade architecture. Moreover, the Covid-19 pandemic has accelerated the digitalization process, throwing into sharp relief its challenges and opportunities. As the digital transformation is advancing at a quick pace, it is essential that global and national decision-makers explore new multilateral ways and means to deal with its far-reaching impact on economy and society. In the aftermath of the Covid-19 crisis, circular economy approaches have the potential to play a crucial role in stimulus packages by promoting a green, low-carbon and circular post-coronavirus economic recovery. Finally, even before the Covid-19

pandemic, both, advanced and developing economies, have been experiencing unprecedented shifts in their demographic profiles, presenting challenges as well as opportunities for both individual countries and the world economy.

As the G20 tends to act jointly in a case of emergency, the Italian Presidency of the G20 in 2021 has a unique chance to provide a fresh impulse to the global governance agenda.

Lorenzo Kamel  
Rome, May 2021

# Introduction – Reframing Goals and Priorities of the G20 Agenda

*Ettore Greco*

This volume presents the results of a research project entitled “The Role of the G20 in Promoting Global Governance: Challenges and Opportunities of the Italian Presidency in 2021” which the Istituto Affari Internazionali (IAI) conducted in 2020 with the support of the Italian Ministry of Foreign Affairs and International Cooperation and the Compagnia di San Paolo of Turin. The project aimed at investigating the challenges and policy priorities of the Italian Presidency of the G20 in 2021 in light of the changing international scene and the most recent developments of the G20 agenda. It focused on four central themes of the G20 agenda in the belief that they would remain on top of it even during Italy’s G20 Presidency in 2021: the reform of the WTO, aging society, circular economy, and the impact of digitalization on the labour market. Those themes were chosen by the IAI research team after consulting with Italy’s G20 Sherpa Group in mid-2019, that is, at a relatively early stage of the process of the definition of the G20 Presidency’s agenda. Indeed, all four themes have figured prominently in the activities of the G20 working groups and are expected to be given central attention at several key G20 events and the final summit of the Group. In 2020, within the framework of the project, the IAI organized five international conferences to discuss the priorities of Italy’s G20 Presidency: one for each of the aforementioned themes and a final one dedicated to a more general discussion about the prospects of the G20 Presidency. The five conferences were organized around discussion panels which saw the participation of think tankers, scholars, decision-makers and representatives of international organizations. In 2021, the IAI has furthered its research effort on the role of the G20 as a scientific advisor to the Italian Presidency and as the Co-Chair of Think



20 (T20), one of the official engagement groups of the G20 which brings together a wide network of think tanks working on the G20 agenda and more generally on global governance issues.

The background just outlined helped to shape the structure of this volume. The first chapter, authored by Nicola Bilotta and Fabrizio Botti, offers an overview of the role of G20 in the global governance architecture examining both its shortcomings and its comparative advantages with respect to other organizations and international players. After illustrating the historical development of the Group, with a focus on the impact of the most recent international dynamics and the gradual expansion of its agenda, the chapter discusses the reform proposals of its governance structures, assessing their pros and cons. The authors argue that while legitimacy and representativeness remain key issues, the Group, even in its present configuration, has the potential of making a crucial contribution to the advancement of the global governance agenda.

The second chapter by Alex Berger and Clara Brandi analyses the current crisis of the World Trade Organization (WTO), discussing its main causes, the various reform proposals that have been put forward to address it and the role the G20 can play in fostering the ongoing reform efforts. Numerous factors – including the global power shift, protectionist drives, the rise of global value chains, the growing complexities of the trade system, and the new technological challenges such as digitalization – have played a role in what appears to be an existential crisis that has seriously undermined all three core functions of the WTO (rule-making, negotiation and dispute settlement). The authors examine in detail the state and prospects of the debate over the reform of the WTO, including the various positions of WTO members. Noting that only recently has the G20 made serious commitment to the WTO reform, they argue that the Group has a key role to play in moving the WTO reform agenda forward, by helping to keep up momentum for reform and promoting a “grand bargain” covering all different issue areas. Thanks to its wide agenda, the G20 can, they add, address the trade issues through an integrated approach that takes into consideration the inseparable health and environmental problems.

In the chapter which follows (No. 3), Paola Subacchi discusses what the G20 can do to address the problem of ageing, an increasingly topical

issue that has acquired a growing prominence in the Group's agenda in the last few years. Notwithstanding the huge regional differences, ageing, a phenomenon driven by big and rapid changes in fertility and life expectancy, has become a source of concern for an increasing number of countries, including China. This is due to the shrinking labour force, a potential decline in productivity and increased dependency ratio, that is, the ratio of economically active persons to inactive ones. The Covid-19 pandemic has had different impacts on the various age groups. This has amplified, in many ways, the effects of ageing. The author examines what has been done so far at the international level, particularly within the G20, to deal with the social and economic implications of ageing. She underlines that the initiatives have been fragmented because of the lack of mechanisms for international coordination and comprehensive data to monitor their results. Improvements in data collection is therefore essential, she argues, and so is a more thorough analysis of the impact of ageing on fiscal sustainability and income inequalities. The G20, the author concludes, can play a significant role, in conjunction with other organizations, notably the Organization for Economic Cooperation and Development, in fostering a global dialogue based on this holistic approach to the ageing issue.

The fourth chapter, written by Paul Towney, examines the wide-ranging impact of artificial intelligence (AI) technology on the future of work and what the G20 can do to promote international agreements to regulate the rapidly developing AI applications that have been accelerated by the Covid-19 pandemic. Noting that digital economy has been more conducive than other areas of the technology debate to international consensus building, he emphasizes that several initiatives have been undertaken to promote international cooperation on a wide spectrum of issues related to the governance of AI technology at the various levels – national, regional, international – although the results have been limited and the cooperation mechanisms remain embryonic. The author examines how and to what extent the problems associated with AI technology have been addressed by the various multilateral bodies, focusing on the initiatives undertaken in the G20 since 2015. Such initiatives have covered a wide range of issues including digital trade, smart mobility, digital skills in training and education and the protection of privacy and human rights. In the concluding

section, the author recommends a set of new initiatives that the G20 can undertake to ensure that the implications of AI technology are addressed by the Group in a more systematic and holistic way.

In the fifth chapter, Martin Charter and Ichin Cheng offers a comprehensive analysis of the circular economy (CE) concept, the prospects of its concrete application as a key component of the green transition and the national and international action aimed at supporting its implementation. The authors underline that CE concept has become a central element of the pursuit of new models for sustainable and resilient growth, but note that it reflects various concerns and motivations and as such it needs to be discussed and clarified. The G20 can contribute, according to the authors, to this essential effort to define, standardize and measure circularity. They underline that while the discussion about CE remains concentrated on the problem of waste, it has started to address the problem of how economic and social systems can manage differently products, materials and components. A section of the chapter is specifically devoted to the relevance of CE in the various economic sectors. Such sectoral analysis is crucial to shed more light on the actual opportunities for the CE implementation. The authors also provide a detailed analysis of the programmes launched by national governments and international institutions as well as other stakeholders to achieve circularity including new mechanisms allowing reuse, such as recycling and remanufacturing, a more efficient use of resources and waste management, investment in new materials and green public procurement. Recent trends that seem to have accelerated by the Covid-19, such as the diminishing reliance on China as a major manufacturing hub and the growing role played by regional supply chains as opposed to global ones is significantly changing the outlook for the implementation of the CE concept. The chapter also examines the role played so far by the G20 in promoting the CE paradigm and offers an articulated set of recommendations on the new initiatives that the G20 can undertake to foster the economic and social transformations needed to ensure circularity. Key areas on which the G20 should concentrate, according to the authors, are, in particular, synergy between CE and de-carbonization and other aspects of the green transition, the application of the new technologies to CE plans, and the promotion of CE governance in developing countries.

Overall, each of the chapters addresses the implications of the health crisis caused by the Covid-19 pandemic. What follows is an updated analysis of the role of the G20 that focuses on the impact of the pandemic but also takes into account more recent developments in the international cooperation environment.

No doubt that the Covid-19 pandemic remains a top priority for the G20. The international system of multilateral cooperation has so far failed to provide an adequate collective response to the pandemic. Efforts to ensure desperately needed international coordination have been limited. Moreover, the outbreak threatens to transform into an endemic disease. This calls for a long-term strategy that the G20 should help promote and coordinate.

The G20 has indeed the potential to provide the political impetus needed to galvanize global solidarity in the fight against the outbreak and reinforce the mandates and instruments of global health governance. By doing so, it would make a crucial contribution to the preservation, and possibly revitalization, of the global multilateral system.

One of the body's main responsibilities is ensuring policy coordination and preventing major powers from pursuing disruptive competitive policies and strategies in times of crisis. This is the essential function it was able to perform at the early stages of the 2008 financial crisis. To some extent, and provided that geopolitical tensions between the most powerful international players do not spiral out of control, the G20 could prove a vital instrument to help fill the leadership vacuum on display at the global level.

The Covid-19 emergency has laid bare various adverse aspects of interdependence, and several national leaders have indulged in beggar-thy-neighbour policies. The resulting climate of mistrust has become a serious obstacle to collaborative initiatives, even goals of obvious common interest such as global vaccination.

The crisis has also exacerbated geopolitical rivalries, especially between the United States and China, whose bilateral relations are critical to global stability. The Covid-19 outbreak has also exposed structural weaknesses in the global governance system. Multilateral organizations such as the World Health Organization have come under attack from various quarters for alleged inefficiencies and missteps.

In the first stages of the pandemic the G20 countries took significant steps to prevent the crisis from causing major destabilizing effects on the world economy, including the suspension of debt service payment owed by the most fragile countries and an oil supply agreement to stabilize an energy market deeply shaken by an unprecedented demand collapse. More generally, given the global nature of the Covid-19 shock and its economic effects, the G20, whose members account for about 90 per cent of global economic output, need to play an increasingly prominent and active role in fostering and coordinating international efforts to deal with the outbreak, including providing guidelines for the post-crisis recovery.

Reversing former US President Trump's unilateralism, which had done big damage to a number of key international cooperation regimes, the Biden administration is working towards a relaunch of multilateral cooperation efforts. This new attitude is providing, in several sectors, considerable diplomatic space for new deals aimed at reinforcing global governance instruments. Under the Italian presidency, the G20 should continue to make full use of this window of opportunity, by focusing, in particular, on issues on which a higher degree of convergence has emerged of late such as climate change.

The current international environment is characterized by a broader space for multilateral action in comparison with the recent past, but at the same time by persistent tensions and geopolitical rivalries among major powers. In this context the G20 can significantly contribute to trust and confidence building and assert itself as a driving force for the advancement of global governance. Taking into account the most pressing global challenges and the main past achievements – the growing body of positions and documents adopted under the successive presidencies which represents what can be termed as the *acquis* of G20 – the G20 should concentrate on the following tasks.

*Promoting new and increasingly needed international measures in the fight against Covid-19.* The G20 should promote innovative strategies to enhance global health cooperation drawing from the lessons of the Covid-19 pandemic. It should in particular concentrate on promoting the “One Health” approach that emphasizes the need to create synergies between anti-pandemic measures at the local, national and global level

and to address the connections between the health of humans and that of animals as well as the links with the protection of environment, including biodiversity. The Group could also facilitate the creation of mechanisms to ensure reliable and timely data and information sharing on both the evolution of the Covid-19 pandemic and the future ones and the health measures enacted or being developed in the various regions. By doing so, it would play a fundamental confidence-building role. The G20 should also coordinate efforts to provide funds to enhance healthcare structures and capacities in developing countries and foster the digital transformation of health systems.

*Promoting cooperation to preserve supply chains.* The G20 will probably continue to have difficulty resuming its traditional role of promoter of a free-trade agenda given the profound disagreements among member states and persistent trade tensions. Reform of the WTO does not appear within easy reach although, as we have seen, the G20 countries have recognized that profound changes of its mechanisms and rules are needed. The Italian presidency hopes that some progress can be made at the G20 Summit. However, the Group has a crucial role to play in promoting cooperation to preserve essential supply chains and prevent the erection of new disruptive barriers. In particular, ensuring a smooth flow of medical equipment – a critical component of the anti-pandemic strategy – would greatly contribute to restoring mutual confidence. Moreover, and not less important, the G20 can give a crucial support to the ongoing efforts to reach an agreement within the WTO to temporarily ease intellectual property protections for Covid-19 vaccines. Such a deal would give a boost to vaccine manufacturing and distribution worldwide.

*Going beyond current debt relief efforts.* The G20-endorsed debt relief initiative for the poorest countries should be considered as only a first step. The suspension of debt payments, set to be expire in June 2021, was prolonged until the end of the year, as advocated by the Italian presidency. The G20 economic and finance ministers also reached an agreement for a new allocation of special drawing rights (SDRs) to be used for the financial support of the most fragile countries. However, as the financial situation of the targeted countries has continued to deteriorate, other much more incisive debt-relief measures, including outright debt cancellation, will need to be taken. The G20 could play a crucial

role in building consensus within the International Monetary Fund and among leading economies around such objectives and in inducing private lenders to take analogous steps.

*Continuing its role of maintaining global financial stability.* The International Monetary Fund (IMF) and other international financial institutions have repeatedly warned of a new global financial crisis. New vulnerabilities are likely to emerge in the wake of the pandemic. The G20 has a unique responsibility in maintaining global financial stability by exercising the monitoring, supervisory and regulatory functions of the Financial Stability Board. It would also be a critical player should the need emerge for new rules to stabilize the financial system. Other long-lasting goals on the G20 agenda, such as reform of IMF governance, including its quota system, and coordination between development financial institutions have acquired even greater relevance since the outbreak of the pandemic.

*Helping promote the stability of global commodity prices.* As mentioned, the G20 has been involved in the efforts to deal with the recent oil price shock. Those efforts, which have a critical monetary policy component, had a relatively limited effect on energy markets, but the latter are likely to remain highly volatile for a prolonged period. More broadly, the volatility of commodity prices may undermine the economic and social systems of several developing countries. The stability of global commodity markets will therefore need to remain high on the G20 agenda.

*Serving as a forum in which to discuss issues that have been at the centre of ongoing US–China disputes.* Some US–China disputes are strictly bilateral and can be addressed only through bilateral diplomacy. Others, however, could find multilateral resolutions or at least be alleviated by multilateral agreements. This applies to several policy sectors, including trade, finance and technological competition, all fields in which the G20 has tried to develop a distinctively prominent global role. In this respect, G20 diplomacy should also be seen as an instrument to facilitate a rapprochement between Washington and Beijing. A case in point is the flurry of allegations between the two countries about the respective responsibilities in dealing with – or even in triggering – the pandemic. Success by the G20 in promoting common stances and initiatives to address the Covid-19 challenge along the lines sketched out above would

contribute to lessening tensions between the two powers, reducing the global risks associated with the possible further aggravation of their geopolitical rivalry. Biden's multilateral attitude provides significant new opportunities for the G20 to play this role as a facilitator.

*Facilitating global fiscal agreements.* While fiscal policy is doomed to remain mostly a national preserve – even plans for a “fiscal union” within the EU continues to meet strong resistance – there is a growing awareness that joint international action in the fiscal field can facilitate the efforts to address such global issues as growing inequalities, tax evasion and elusion and the related distortions and tensions at the national and international level. The recent preliminary agreements reached within the G20 to impose more effective levies on web giant companies and to harmonize corporate taxes seem to indicate that the G20 can be a driving force also behind the efforts to eliminate the biggest and most disrupting fiscal disparities that have a negative impact on economic competition and social cohesion and deprive governments of essential financial resources.

*Further developing its norm setting role.* Increasingly, the G20 has been able to approve significant documents spelling out norms and parameters on a variety of global issues. This important G20 “*acquis*” need to be preserved and expanded. One example is the application of new technologies: G20-led deals can significantly contribute to preventing highly destabilizing tech-wars. The search for global norms aimed at ensuring responsible behaviour and facilitating cooperation should also be extended to fields that still remain largely unregulated such as migration management. A further expansion of the G20 norm setting role would greatly help to improve its reputation and increase its legitimacy.





# The Role of the G20 in Promoting Global Governance: Challenges and Opportunities for the Italian Presidency in 2021

*Nicola Bilotta and Fabrizio Botti*

## 1. INTRODUCTION AND SUMMARY

This chapter analyses the evolution of the role played by the G20 over the years. The purpose is to identify the main challenges the G20 is facing in promoting global policy coordination and the factors that have contributed to its main achievements.

The G20 was created to improve international policy coordination and give greater visibility to the leading emerging economies, which are increasingly interconnected in the global economy. It played an important role in promoting a joint response to the great financial crisis of 2008 in terms of macroeconomic policy cooperation, containment of trade restrictions and reform of the international financial architecture.

Since then the forum has faced a set of political setbacks due to a number of factors: the divergent views on which policies should be adopted to revive growth in the aftermath of the crisis, the conflicting views among European members on how to deal with their crisis and, more recently, the growing geopolitical tensions between the US and China, notably with respect to trade issues and exchange rate policies.

The mechanism of rotation of the countries that host the G20 has led to expansion of the topics covered. Beyond economic and financial policy

matters a number of issues have been added such as agriculture, food security, climate change and infrastructure. This has led to a proliferation of working groups, study groups and task forces which resulted in increased engagement of business, labour, non-governmental organisations, women and think tanks. Most of these work streams however have not produced tangible results in terms of new institutional arrangements or concrete policy actions and there is an urgent need to refocus on main strategic issues.

The G20 has been increasingly exposed to criticisms of insufficient effectiveness in coping with complex global challenges and lack of legitimacy, due to its inadequate representativeness. Various proposals for reforms, like the creation of a permanent secretariat or the broadening of membership with the adoption of a constituency-based system, similar to that of the Bretton Woods Institutions, have not made any progress and the current political environment does not seem ripe to revive the discussion on these issues.

The Italian presidency of the G20 will come at a time in which most countries will still be recovering from the economic fallout of the global health crisis which is expected to produce one of the sharpest contractions of economic activity in history. Contrary to most recent crises, the current one has affected most advanced economies and may also have a dramatic impact on the less developed countries. This G20 could offer an opportunity to find a joint response on how to recover from the crisis and prevent it from happening again.

## 2. ORIGIN AND EVOLUTION OF THE G20

The G20 was founded in 1999, after the Asian financial crisis, as an annual forum for the finance ministers and central bank governors of 19 countries, representing the largest developed and emerging economies, along with the EU. At that time, it was felt that effective policy coordination could no longer be confined to clubs like the G7 or the G8 and required the inclusion of the leading emerging economies. Today, the G20 countries represent around 80 per cent of global GDP and 75 per cent of all global trade.

An important development took place in 2008 when, in the face of the worst financial crisis since the end of World War II, US President G.W.

Bush decided to escalate representation in the G20 to the level of the countries' leaders.

The 2008–2009 G20 summits with the heads of states were, according to most analysts and scholars, quite successful in mitigating the impact of the worldwide financial crisis.<sup>1</sup> A broad agreement was reached on the monetary and fiscal policies necessary to revive growth and the actions to be taken to restore confidence in the international financial system. The participating countries also jointly affirmed their willingness to avoid protectionism and maintain liberal trading norms. In 2009, during the Summit hosted in the US, the G20 countries established the “Framework for Strong, Sustainable and Balanced Growth” which was conceived as the mechanism to encourage G20 members to assess and coordinate national policies in order to promote growth. Important results were also achieved in some initiatives regarding reform of the international monetary system which led to an increase in the resources of the international financial institutions (IFIs), a revamping of the debate on the role of the special drawing right (SDR) and a shift of quotas in favour of the emerging economies.<sup>2</sup>

Since 2010, with the recovery of global growth and the fading of financial tensions, the political consensus that characterised the previous summits started eroding. The G20 countries started disagreeing on whether to encourage further expansionary fiscal policies, on the long-standing issue of exchange rate manipulation and on how to promote adjustments for countries with excessive surplus.<sup>3</sup> Fragmentation of positions eventually

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<sup>1</sup> Suman Bery, “The G20 Turns Ten: What’s Past Is Prologue”, in Bruegel Policy Contributions, No. 20 (November 2018), p. 9, <https://www.bruegel.org/?p=28339>; Christian Oliver, Chris Giles and Alan Beattie, “Forget Summit Failures, Look at G20 Record”, in *Financial Times*, 12 November 2010, <https://www.ft.com/content/1423f75e-ee61-11df-8b90-00144feab49a>.

<sup>2</sup> Carlo Monticelli, *Reforming Global Economic Governance. An Unsettled Order*, London/New York, Routledge, 2019.

<sup>3</sup> Martin Wolf, “Economics Failed Us Before the Global Crisis”, in *Financial Times*, 20 March 2018, <https://www.ft.com/content/28e2f9ac-2b66-11e8-9b4b-bc4b9f08f381>; Tony Payne, “The Global Governance of Global Crisis: Why the G20 Summit Was Created and What We Still Need It to Do”, in *SPERI Papers*, No. 17 (November 2014), <http://speri.dept.shef.ac.uk/wp-content/uploads/2018/11/Paper-17-Global-Governance-G20-Summit.pdf>.

prevailed. The discussions also ended up being dominated by the European crisis and the contrasts on how to address it.<sup>4</sup>

Since 2010, the performance of the G20 has been contradictory. According to the G20 Information Centre, during the latest seven summits between 2013 and 2019, leaders made 1,482 commitments.<sup>5</sup> However, as highlighted by Kaul, most of those are just a repetition of previous commitments made either in other G20 summits or in other international fora. Furthermore, the vagueness of these promises was rarely translated into concrete actions.<sup>6</sup>

In addition, the G20 meetings have been addressing a broader set of topics, besides the macroeconomic issues, as host countries have added new priorities like agriculture, food security issues, energy efficiency, climate change and the financing of infrastructures. It is however widely recognised that most of these work streams have not produced tangible results in terms of new institutional arrangements or concrete policy actions.

An important recommendation made by the group of eminent persons set up by the G20 to review its *modus operandi* has been that “The role of the G20 in the global financial architecture should be reset. It should focus on developing political consensus on key strategic issues and crisis response. This requires freeing up space from its current crowded agenda and devolving work to the IFIs”.<sup>7</sup>

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<sup>4</sup> One of the key moments of tension was the Deauville summit on 19 October 2010 when Chancellor Angela Merkel of Germany and President Nicolas Sarkozy of France agreed that in future, sovereign bailouts would require that losses be imposed on private creditors. That statement ignited financial pressures on the highly indebted countries that made much more costly the adjustment of their imbalances. Carlo Monticelli, *Reforming Global Economic Governance*, cit., p. 61.

<sup>5</sup> John J. Kirton, “The G20’s Growing Legitimacy”, in *G20 Analysis*, 25 October 2019, [http://www.g20.utoronto.ca/biblio/Kirton-G20\\_Growing\\_Legitimacy.html](http://www.g20.utoronto.ca/biblio/Kirton-G20_Growing_Legitimacy.html).

<sup>6</sup> Inge Kaul, “The G20@10: Time to Shift Gears”, in *South African Journal of International Affairs*, Vol. 26, No. 4 (December 2019), p. 563-582.

<sup>7</sup> G20 Eminent Persons Group on Global Financial Governance, *Making the Global Financial System Work for All*, October 2018, p. 9, <https://www.globalfinancialgovernance.org/report-of-the-g20-epg-on-gfg>.

### 3. CHANGES IN THE GEOPOLITICAL ENVIRONMENT AND DOMESTIC POLICY ATTITUDES

In the post-war era, the US has traditionally played a role of leadership in shaping the institutions of global governance. Under the Trump administration the US withdrew from the Paris climate accord, from the Iranian nuclear deal and from the Trans-Pacific Partnership. Trump also targeted global trade, introducing tariffs against Chinese and the European imports. The US disengagement policy is grounded on the view that multilateralism has provided advantages to foreign countries at the expense of the US, and that the benefits gained by the US have been absorbed by the financial industry at the expense of the real economy. The US is thus putting increasing pressure on the international rule-based system.

These difficulties are a symptom of deeper problems which have affected multilateralism in the past years, and which resulted in the failure of the Doha round or of the Copenhagen negotiation on climate change in 2009 due to the opposition of China, the US, South Africa, India and Brazil. In his term in office Trump was only an unpredictable accelerator of a rising trend that has been questioning the positive effects of globalization and multilateralism.

On its part the EU has strong political interests in preserving an international rule-based system, as it benefits from an open world economy. The EU, however, does not have the ability to exercise an adequate influence on global governance because of its internal divergences in several fields such as security and foreign relations. The EU has also been experiencing a decline of its relative economic importance in the world economy and, with Brexit, will lose a key economic and military member of its union.

Finally, also China's approach towards multilateralism has evolved. Whereas during the Hu-Jintao administration (2002–2012) China maintained a passive approach in the international community, under the leadership of Xi China has shown a proactive attitude and promoted the creation of new global institutions such as the Asian Infrastructure Investment Bank or global projects such as the One Belt One Road initiative. With the retreat of the US as a champion of multilateralism, China has tried to consolidate its global influence as a safeguard of the global governance system. However, China's adherence to the international

rule-based system is ambiguous as it has been extremely selective. Furthermore, China lacks the political legitimacy in the international arena which is necessary to lead the reform of the global governance system.

There are also serious doubts on the ability of China and the EU to act in coordination to support the international rule-based system. The US and the EU have been able to positively work together on global governance issues because of their similar political and economic systems, whereas China and the EU have very different systems. Moreover, the current international system has failed in transforming China and Russia into “market democracies”, and this has encouraged the US to change its international engagement strategy.<sup>8</sup>

In addition to geopolitical evolution, one has to take into account the growing public perception that globalisation has negatively affected the conditions of life for low and middle classes, a sentiment that has fuelled the rise of populist parties and the lack of confidence in international fora. In 2018, an opinion poll carried out by Bertelsmann Stiftung in several G20 countries showed that while the idea of international cooperation is very popular – 83 per cent of respondents expected national governments to cooperate – only 45 per cent have a positive opinion on the G20 summits and 41 per cent think that the G20 forum actually contributes to solving global problems.<sup>9</sup>

## 4. PROPOSALS FOR REFORM

### 4.1. *Organizational structure*

Some analysts have stressed that the G20 forum lacks continuity and implementation monitoring. Currently an informal and temporary secretariat set by the host country is in charge of planning and management

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<sup>8</sup> Jean Pisani-Ferry, “Can Multilateralism Adapt?”, in *Bruegel Opinions*, 3 July 2018, <https://www.bruegel.org/?p=26623>.

<sup>9</sup> Christina Tillmann, “The G20 Is Turning 20. Time to Take Stock of Multilateralism”, in *Future of Democracy Policy Briefs*, No.6/2018 (November 2018), p. 3, <https://www.bertelsmann-stiftung.de/en/publications/publication/did/policy-brief-6-2018-the-g20-is-turning-20-time-to-stock-of-multilateralism>.

for the G20 summit. Even though organisation of the summit and supervision of the implementation of plans and promises is a complex process, a continuity in organisational structure does not exist. This also affects the ability of the G20 forum to ensure continuity and institutional memory among summits.

One of the proposals frequently made is to establish a permanent secretariat which could enhance the coordination between members and international organisations, improve the capability to monitor implementation of G20 recommendations, and mitigate the discretion of each host country in selecting agenda priorities. A proposed option would be to establish a small permanent structure at the International Monetary Fund (IMF) with the function of ensuring continuity and coordination between the rotating presidencies.<sup>10</sup>

However, others argue that the current flexibility of the G20's informal structure enables the forum to offer quick responses in time of crisis and to adapt to sudden challenges, lowering negotiation costs.<sup>11</sup> A short-term solution could be to introduce a multi-annual work stream which could provide the rotating presidencies with some guidance, helping to establish a continuity of priorities and monitoring of implementation.

To improve inclusiveness and effectiveness, the G20 forum has created various engagement groups which are representatives of different civil society stakeholders. Their role is to discuss the major issues affecting their own area of interest and to provide the G20 forum with policy recommendations. These recommendations are non-binding but are usually taken into account during the G20 discussions and negotiations. Today, the G20 forum comprises seven engagement groups: Business 20 (B20) and Youth 20 (Y20) since the Korean Presidency in 2010; Labour 20 (L20) since the French Presidency in 2011; Think Tank 20 (T20) since

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<sup>10</sup> Ignazio Angeloni, "The Group of 20: Trials of Global Governance in Times of Crisis", in *Bruegel Working Papers*, No. 2011/12 (December 2011), p. 27, <https://www.bruegel.org/?p=6263>.

<sup>11</sup> Felicity Vabulas and Duncan Snidal, "Organization without Delegation: Informal Intergovernmental Organizations (IIGOs) and the Spectrum of Intergovernmental Arrangements", in *The Review of International Organizations*, Vol. 8, No. 2 (June 2013), p. 193-220.



the Mexican Presidency in 2012; Civil Society 20 (C20) since the Russian Presidency in 2013; Women 20 (W20) since the Turkish Presidency in 2015; and Science 20 (S20) since the German Presidency in 2016.<sup>12</sup>

## 4.2 Legitimacy and representativeness

When the G20 summit was initially created, leaders positively cooperated, also producing a supportive political environment towards global actions. Nevertheless, the internal political changes in key G20 members and the end of an acute time of crisis have reversed this attitude.<sup>13</sup> If an international institution lacks legitimacy, its member governments are likely to weakly support it, undermining its effectiveness.<sup>14</sup> The Bertelsmann Stiftung opinion poll cited earlier certainly speaks to this situation, showing that while the idea of international cooperation is very popular – 83 per cent of respondents expect national governments to cooperate – only 45 per cent of them have a positive opinion on the G20 summits and 41 per cent think that the G20 forum actually contributes to solving global problems.<sup>15</sup> In Western countries, there is an increasing public perception that globalisation has had a negative economic impact on the condition of their national low and middle classes, fostering an increasing consensus towards nationalism, protectionism and bilateral agreements and simultaneously undermining the legitimacy of international forums.

Since the G20 summit has served as the forum to identify and propose policy for global challenges, legitimacy is seen by some as potentially

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<sup>12</sup> As stressed by Harris-Rimmer and Byrne, these engagement groups have three main functions: (i) influencing the working agenda; (ii) providing the summit with different perspectives; and (iii) pressuring the forum to include topics other than macro-economic issues. See Susan Harris Rimmer and Caitlin Byrne, “Feminist Approaches to Global Economic Governance: The G20 as a Platform for Step-Change?”, in Steven Slaughter (ed.), *The G20 and International Relations Theory. Perspectives on Global Summits*, Cheltenham/Northampton, Edward Elgar, 2019, p. 157-182.

<sup>13</sup> Clara Brandi, “Club Governance and Legitimacy: The Perspective of Old and Rising Powers on the G7 and the G20”, in *South African Journal of International Affairs*, Vol. 26, No. 4 (December 2019), p. 685-702, <https://doi.org/10.1080/10220461.2019.1697354>.

<sup>14</sup> Ibid.

<sup>15</sup> Christina Tillmann, “The G20 Is Turning 20”, cit., p. 2-3.

a structural weakness. First, some fear that the G20 could have undermined the credibility of pre-existing multilateral institutions (such as the IMF or the United Nations), also creating resentment among non-G20 countries.<sup>16</sup> For example, in 2010 Norway's foreign minister, Jonas Gahr Støre, described the G20 forum as "the greatest setback"<sup>17</sup> for international cooperation since WWII, arguing that the G20 lacked any international legitimacy, as it did not have a clear mandate or function.

Furthermore, others have argued that the G20 forum might have a representation issue as it does not include 173 countries in the process, leaving out low/middle countries and underrepresenting Africa.<sup>18</sup> The presence of South Africa and Saudi Arabia does not imply a proper representation of Africa and the Middle East, respectively. For instance, Nigeria, which has 200 million people and is the largest economy in Africa, is not a permanent member of the G20 summit. It is not also clear if the original selection of members is subject to adjustments following eventual major shifts in the global distribution of economic power.

It has also been argued that Europe is overrepresented with France, Germany, Italy and the EU as permanent members in addition to Spain and the European Central Bank which are permanent invited guests.<sup>19</sup> Others have also mentioned the absence of some of the big economies such as Switzerland which has a higher GDP than some of the current G20 members (Argentina, Saudi Arabia) and has the most powerful

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<sup>16</sup> Jakob Vestergaard, "The G20 and Beyond. Towards Effective Global Economic Governance", in *DIIS Reports*, No. 2011:04 (March 2011), <https://www.diis.dk/en/research/g20-and-beyond>.

<sup>17</sup> Jonas Gahr Støre, "One of the Greatest Setbacks Since World War II", in *Spiegel Online*, 22 June 2010, <https://www.spiegel.de/international/europe/norway-takes-aim-at-g-20-one-of-the-greatest-setbacks-since-world-war-ii-a-702104.html>. See also, Andrew Ward, "Norway Seeks Representation at the G20", in *Financial Times*, 8 November 2009, <https://www.ft.com/content/1f2e17fa-cc44-11de-8e30-00144feabdc0>.

<sup>18</sup> Jakob Vestergaard, "The G20 and Beyond", cit., p. 52.

<sup>19</sup> Barry Carin et al., "Making the G20 Summit Process Work: Some Proposals for Improving Effectiveness and Legitimacy", in *CIGI G20 Papers*, No. 2 (June 2010), <https://www.cigionline.org/node/3471>; John J. Kirton, Joseph P. Daniels and Andreas Freytag (eds.), *Guiding Global Order. G8 Governance in the Twenty-First Century*, Aldershot, Ashgate, 2001.

banking and financial sector globally.<sup>20</sup>

To cope with this issue the G20 has been working on improving the dialogue with non-member countries through the invitation of regional and international organisations and guest countries as well as the introduction of individual members' advisory processes with neighbouring states.<sup>21</sup> However, the lack of an institutionalised framework for non-member interaction leaves the invitation of non-members and other international organisations up to the host country, making the legitimacy of this practice questionable.

Several options for reform have been proposed, demanding a new geometry for the G20 composition with the aim of finding an optimal balance between representativeness and effectiveness. It has for instance been proposed to adopt a constituency-based system of representation which would allow the inclusion of a wider number of members without excessively enlarging the total numbers of those "sitting at the table".<sup>22</sup> This would also make it possible to periodically adjust membership to reflect changing realities of the global economy.

## CONCLUSION

Despite the G20 having faced endogenous and exogenous challenges, it is still the forum which is best equipped to foster international policy coor-

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<sup>20</sup> Paola Subacchi and Stephen Pickford, "Legitimacy vs Effectiveness for the G20: A Dynamic Approach to Global Economic Governance", in *Chatham House Briefing Papers*, No. 2011/01 (October 2011), [https://www.chathamhouse.org/sites/default/files/1011bp\\_subacchi\\_pickford.pdf](https://www.chathamhouse.org/sites/default/files/1011bp_subacchi_pickford.pdf). See also Sobhy Amr, *The Rise of the G20 and the Fall of G8*, Birkbeck College, University of London, unpublished.

<sup>21</sup> Permanent guest invitees are the following: African Union, Association of South-east Asian Nations, Financial Stability Board, International Labour Organization, International Monetary Fund, Spain, New Partnership for Africa's Development, Organisation for Economic Cooperation and Development, United Nations, World Bank Group, World Trade Organization.

<sup>22</sup> Jakob Vestergaard and Robert H. Wade, "Establishing a New Global Economic Council: Governance Reform at the G20, the IMF and the World Bank", in *Global Policy*, Vol. 3, No. 3 (September 2012), p. 257-269.

dination, as it accurately reflects the current global balance of power.<sup>23</sup>

While the time is not ripe for major changes in its working practices, it would be important to follow up on the recommendation of the Eminent Persons working group to use this forum to develop political consensus on key strategic issues and crisis response. And at a time when the world is facing a crisis of unprecedented magnitude and nature, there is a high expectation on the part of public opinion and the international community that global leaders will use the upcoming G20 forum to produce a joint plan of action, as they did during the 2008 financial crisis.

A coordinated global effort is necessary not only to contain the health crisis but also to prevent a situation where the ensuing economic crisis produces major disruptions in the global economy. This does not mean that the work programmes that the Italian presidency launched in preparation for the G20 presidency should be discontinued, but that they should be adapted to the new emerging priority.

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<sup>23</sup> It has been said that the G20 represents the best compromise between legitimacy (accurate representation of the power balance), efficiency (a compact group of policy-makers) and effectiveness (the inclusion of leaders who can really shape a global agenda). Barry Carin et al., "Making the G20 Summit Process Work: Some Proposals for Improving Effectiveness and Legitimacy", cit., p. 4.

<https://doi.org/10.1080/10220461.2019.1697354>

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## 2.

# WTO Reform: The Role of the G20

*Axel Berger and Clara Brandi\**

Discussions on the reform of the World Trade Organization (WTO) have intensified over the last few years, and the often uncoordinated trade-policy responses to the Covid-19 pandemic further highlight the need to strengthen multilateral trade cooperation. The need for reform was recognized by the leaders of the G20 (Group of Twenty) at their Buenos Aires summit in 2018 when they acknowledged that the “multilateral trading system [...] is currently falling short of its objectives”. Amid this sober assessment, G20 leaders committed to “support the necessary reform of the WTO to improve its functioning” and to “review progress at our next Summit”.<sup>1</sup> Key issues in the ongoing debate about WTO reform include the hotly contested topics of dispute settlement; Special and Differential Treatment (SDT) for developing countries; transparency and committee work; and the need to update WTO rules on digital trade, fisheries and industrial subsidies as well as technology transfer.

WTO-reform discussions take place in the context of various tracks within and outside the organization’s formal structures. Numerous proposals for reform have been tabled and discussed in the WTO’s General Council by its more than 40 members. Informal clusters, such as the Ottawa Group, have also advanced the discussion on WTO reform. Furthermore, trilateral

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<sup>1</sup> G20, *G20 Leaders’ Declaration. Building Consensus for Fair and Sustainable Development*, Buenos Aires, 1 December 2018, point 27, <https://europa.eu/!hn48Tw>.



meetings between the United States, the European Union and Japan – as well as regional clusters such as the African Group – have contributed to discussions on the reform challenges facing the body. WTO-reform issues were discussed during the G20’s Japanese presidency in 2019, continue during its Saudi Arabian presidency in 2020 and will most likely also figure prominently on the agenda of the upcoming Italian G20 presidency in 2021.

An analysis of the various positions of WTO members on the multiple issues on the reform agenda (see Tables in the Appendix) illustrates that there are strongly differing views across WTO member states. Dispute settlement (Table 2 in the Appendix) is a particularly contentious topic, with the US remaining highly critical of an independent and judicialized dispute-settlement system and having rejected all proposals for reform thus far. The definition and status of developing countries in the WTO (Table 3 in the Appendix) also remains highly controversial – with China, India and South Africa, among others, strongly rejecting the US proposal for reform. While the ongoing discussions on new rules in the WTO (see Table 6 in the Appendix for digital trade, Table 7 for fisheries subsidies and Table 8 for industrial subsidies) are also heated, there are, additionally, some less-debated and more technical issues – above all, transparency (Table 4 in the Appendix) and committee work (Table 5) – that might entail the potential to forge a compromise and make progress on WTO reform. Therefore, in the light of the contrasting views of WTO members and the complex reform agenda, one key question is how the process of WTO reform can be facilitated.

Against this backdrop, the chapter discusses which roles the G20 can play in the increasingly dynamic and overlapping discussions on reforming the WTO – not least in the light of the fact that the group’s members have been actively submitting multiple proposals for WTO reform over the past few months (see Table 1). The G20’s importance stems from the fact that it brings together leaders from economically significant countries, representing 80 percent of world trade, as well as relevant international organizations. It additionally brings together governmental and, increasingly, also societal actors from traditional as well as emerging powers. Furthermore, the G20 is a dialogue-oriented forum that can operate relatively freely, irrespective of formal mandates or negotiation settings. How can these properties be exploited in order to advance reform of the WTO?

**Table 1 |** WTO reform proposals: Overview across issues and countries  
(G20 members in bold letters)

Country	WTO Council & Committee procedures	Development	Dispute settlement	E-commerce	Fisheries	Industrial subsidies / SOEs / Technology transfer	Transparency / Notifications
Albania	x						
<b>Argentina</b>				x	x		x
<b>Australia</b>	x		x	x	x		x
Bolivia		x	x		x		x
Brazil			x	x			
Canada		x	x	x			x
Chile			x				
China	x	x	x	x	x	x	x
Colombia				x			
Costa Rica			x	x			x
Cuba		x	x		x		x
Ecuador		x	x		x		x
<b>European Union</b>	x	x	x	x		x	x
Honduras			x				
Hong Kong	x	x	x	x			
Iceland	x	x	x				
<b>India</b>		x	x		x		x
<b>Japan</b>			x	x		x	x
<b>South Korea</b>	x		x	x			
Malawi		x	x		x		x
<b>Mexico</b>		x	x				
Moldova	x						
Montenegro			x				
New Zealand	x	x	x	x			x
North Macedonia	x						
Norway	x	x	x				
Oman		x	x		x		x
Panama	x						
Paraguay			x				
Philippines					x		
Qatar	x						
<b>Russia</b>				x			
Singapore	x	x	x	x			

<b>South Africa</b>		x	x		x		x
Switzerland	x	x	x				
Taiwan	x		x	x			x
Thailand	x		x				
Tunisia		x	x		x		x
<b>Turkey</b>	x						
Uganda		x	x		x		x
Ukraine	x			x			
<b>USA</b>		x	x	x	x	x	x
Uruguay			x	x	x		
Zimbabwe		x	x		x		x

This chapter has been written in preparation for the Italian G20 presidency in 2021. Its goal is not to provide technical solutions to the various reform dimensions but to offer a short overview of the state of international trade cooperation (Section 1, below) and the positions of key stakeholders on different reform dimensions (Section 2). It discusses the role of the G20 in the multi-track process of WTO reform, and proposes initiatives to be advanced during Italy's G20 presidency (Section 3). The final section offers summarizing conclusions.

## 1. THE STATE OF INTERNATIONAL TRADE COOPERATION

The WTO is currently being challenged by the greatest crisis since its foundation 25 years ago. The organization has been hailed as a multi-lateral-cooperation success due to its increasingly broad membership; substantial coverage of trade-related policy areas; strong secretariat; and, crucially, its independent, rules-based two-stage dispute-settlement system. However, the WTO and its members have responded inadequately to the challenges of an increasingly complex trading system that has seen the rise of global value chains, significant power shifts and growing geopolitical rivalry, as well as the emergence of new global challenges such as digitization and climate change. The symptoms of the WTO's crisis are manifold and relate, *inter alia*, to an inability to adopt new rules, prevent protectionism and settle disputes.

First and foremost, the negotiation of new rules has stalled. The WTO rule book is outdated and out of sync with current trade-related chal-

lenges. The recent Doha Round of trade negotiations proved difficult from the beginning, and reached an impasse in 2008 amid deep division between developed and emerging countries. Instead of a comprehensive package of multilateral rules, WTO members were able to deliver merely a piecemeal approach. The only notable multilateral outcomes were the Trade Facilitation Agreement (TFA), which was adopted in 2013 and went into effect in February 2017, and the agreement to end export subsidies for agricultural products, adopted in 2015. As for multilateral agreements between groups of like-minded members, there has been success in updating the Information Technology Agreement (ITA) and the Agreement on Government Procurement (GPA) but negotiations on new accords such as the Environmental Goods Agreement (EGA) have stalled.

At the last WTO Ministerial Conference in 2017, three proponent groups announced fresh joint initiatives to advance new issues such as electronic commerce; domestic regulations; investment facilitation; and micro-, small- and medium-sized enterprises (MSMEs). While the success of these sectoral initiatives among subgroups of WTO members is all but certain, rule-making predominantly continues to take place outside of the WTO in the context of regional trade agreements. Key unresolved issues are digital trade, fisheries subsidies and support for state-owned enterprises, as well as forced technology transfer.

Second, while multilateral trade cooperation since the Second World War led to a significant reduction of average tariffs, new forms of protectionism have appeared. The Global Trade Alert (GTA) monitoring initiative shows that G20 countries increasingly use “murky” forms of protectionism,<sup>2</sup> such as subsidies and export-related measures, to discriminate in favour of their own domestic producers – several of these are today still permitted due to loopholes in the WTO rules on subsidies. Tariff increases, although much discussed since 2017, only account for a relatively small amount of the total number of harmful policy instru-

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<sup>2</sup> Richard Baldwin and Simon Evenett (eds), *The Collapse of Global Trade, Murky Protectionism, and the Crisis: Recommendations for the G20*, London, Centre for Economic Policy Research (CEPR), 2009, [https://www.alexandria.unisg.ch/235299/1/Murky\\_Protectionism.pdf](https://www.alexandria.unisg.ch/235299/1/Murky_Protectionism.pdf).

ments and they cover relatively small trade volumes.<sup>3</sup> Despite the recent focus on trade tensions between the US and China, resorting to trade protectionism goes well beyond these two major powers. If one only counts major trade-distorting measures that implicate more than 10 billion US dollars of trade, 15 jurisdictions have implemented such “jumbo protectionism” measures in the past three years alone.<sup>4</sup> In the light of this new wave of protectionism, it is no wonder that the WTO’s Director General complains of the unwillingness of members to report about the implementation of trade policies.<sup>5</sup>

Third, in addition to the stalling of rule-making and the monitoring and regulation of the wave of new protectionism, the WTO’s system for adjudicating trade disputes is seriously compromised. While the US has been discontented with the functioning of the WTO’s dispute-settlement system for around a decade, the Trump Administration has been most empathic in characterizing the Appellate Body’s (AB’s) way of exercising its powers as “overreach”.<sup>6</sup> Against this backdrop, the US has since 2017 blocked the filling of vacancies on the AB. Since the terms of two more AB members elapsed in December 2019, and since the number of members is now below the minimum of three required to hear an appeal, the work of the body has been suspended since that point.

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<sup>3</sup> Simon J. Evenett and Johannes Fritz, *Jaw Jaw not War War. Prioritising WTO Reform Options*, The 24th Global Trade Alert Report, London, CEPR Press, 2019, <https://www.globaltradealert.org/reports/47>.

<sup>4</sup> Ibid.

<sup>5</sup> In its annual Overview of Developments in the International Trading Environment, the WTO Director-General observes that the “overview of the compliance and timeliness of Members’ notifications to the WTO illustrates that, with a few exceptions, compliance with notification requirements of the various WTO Agreements remains very uneven. [...] the general sense is that progress on this front remains too slow. The lack of compliance with notification obligations across WTO bodies is problematic because it undermines individual agreements and more generally the operation of the multilateral trading system.” See WTO, *Overview of Developments in the International Trading Environment. Annual Report by the Director-General (2018): October 2017 to October 2018* (WT/TPR/OV/21), 27 November 2018, p. 115, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/OV21.pdf>.

<sup>6</sup> United States, *Statements by the United States at the Meeting of the WTO Dispute Settlement Body*, Geneva, 25 February 2019, <https://geneva.usmission.gov/?p=57191>.

In April 2020, a total of 19 WTO members – including the EU, Canada and China – launched an interim appeal-arbitration mechanism based on WTO rules; this mechanism shall be used as a replacement until the official AB has been put in place again, which is not likely to happen any time soon given the heated debate about its functioning.

In view of these major crisis symptoms, a great number of proposals have been put forward by experts and members. These reform proposals, as well as the positions of major WTO members, will be summarized in the following section.

## 2. KEY ISSUES AND THE POSITIONS OF MAJOR WTO MEMBERS

Discussions on WTO reform are not new. Indeed, they began not long after the organization's creation in 1995. For example, at its tenth anniversary, the so-called Sutherland Report was launched – a high-level panel report on “The Future of the WTO”.<sup>7</sup> Not long after that, the Warwick Commission, another expert group, published its report on WTO reform options.<sup>8</sup> In 2011, the International Centre for Trade and Sustainable Development (ICTSD) launched the E15 Initiative, which brought together multiple institutions and experts to develop ideas for how to reform the global trade system.<sup>9</sup> And in 2013, the Panel on Defining the Future of Trade convened by former WTO Director-General Pascal Lamy published another report.<sup>10</sup> However, it is no exaggera-

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<sup>7</sup> Peter Sutherland et al., *The Future of the WTO: Addressing Institutional Challenges in the New Millennium*, Geneva, WTO, December 2004, [https://www.wto.org/english/res\\_e/publications\\_e/future\\_wto\\_e.htm](https://www.wto.org/english/res_e/publications_e/future_wto_e.htm).

<sup>8</sup> Warwick Commission, *The Multilateral Trade Regime: Which Way Forward?*, Coventry, University of Warwick, December 2007, <https://warwick.ac.uk/research/warwickcommission/worldtrade/report>.

<sup>9</sup> See, for example, Manfred Elsig, *The Functioning of the WTO: Options for Reform and Enhanced Performance*, Geneva, International Centre for Trade and Sustainable Development (ICTSD) and World Economic Forum, 2016, <https://tinyurl.com/jggxbad>.

<sup>10</sup> Talal Abu-Ghazaleh et al., *The Future of Trade: The Challenges of Convergence. Report of the Panel on Defining the Future of Trade convened by WTO Director-General Pascal Lamy*, Geneva, WTO, 24 April 2013, [https://www.wto.org/english/res\\_e/pub-](https://www.wto.org/english/res_e/pub-)

tion to say that the impact of these documents on WTO reform has been limited at best.

In the light of the escalating crisis, there has been a recently intensified and growing debate on reforming the WTO. Since the last WTO Ministerial Conference in December 2017, this debate has picked up speed among both members of the organization and independent academic experts alike. For instance, in 2018, the High-Level Board of Experts on the Future of Global Trade Governance published a report containing reform recommendations for the organization<sup>11</sup> and in 2019, the Global Trade Alert devoted itself to outlining WTO-reform options.<sup>12</sup>

Among WTO members, the latest reform movement has been led by the EU, which has responded in large part to the criticisms put forward by the US. The Union tabled a proposal for WTO reform in September 2018.<sup>13</sup> Its proposal was backed by Canada, which published a note on the subject<sup>14</sup> and initiated a meeting of like-minded WTO members – the so-called Ottawa Group. The group met for the first time in October 2018, and then during the 2019 World Economic Forum’s annual meeting in Davos and the Organisation for Economic Co-operation and Development (OECD) Ministerial Council Meeting in May 2019. Another reform track is based on the Trilateral Meetings of the Trade Ministers of the US, EU and Japan. In September 2018, at the fourth get-together of

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lications\_e/future\_of\_trade\_e.htm. For a summary, see also the synthesis prepared by Bernard Hoekman, “Proposals for WTO Reform: A Synthesis and Assessment”, in Amrita Narlikar, Martin Daunton and Robert M. Stern (eds), *The Oxford Handbook on the World Trade Organization*, Oxford, Oxford University Press, 2012, p. 743-775.

<sup>11</sup> Matteo Fiorini et al., *WTO Dispute Settlement and the Appellate Body Crisis: Insider Perceptions and Members’ Revealed Preferences*, Gütersloh, Bertelsmann Stiftung, 2019, <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/wto-dispute-settlement-and-the-appellate-body-crisis-detailed-survey-results>.

<sup>12</sup> Simon J. Evenett and Johannes Fritz, *Jaw Jaw not War War*, cit. For recent insights by academics, see also Ernst-Ulrich Petersmann, “How Should WTO Members React to Their WTO Crises?”, in *World Trade Review*, Vol. 18, No. 3 (July 2019), 503-525.

<sup>13</sup> European Commission, *WTO Modernisation. Introduction to Future EU Proposals*, Concept Paper, September 2018, <https://trade.ec.europa.eu/doclib/html/157331.htm>.

<sup>14</sup> WTO, *Strengthening and Modernizing the WTO: Discussion Paper. Communication from Canada* (JOB/GC/201), 21 September 2018, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/Jobs/GC/201.pdf>.

the Trilateral Meetings, there was explicit agreement on the necessity for WTO reform.<sup>15</sup> The BRICS grouping (comprising Brazil, Russia, India, China and South Africa) and IBSA (the International Relations and Foreign Ministers of India, Brazil and South Africa) both published statements on WTO reform – in 2019 and 2018, respectively<sup>16</sup> – as did the African Group in the WTO.<sup>17</sup>

At the G20 Buenos Aires summit in December 2018, G20 leaders managed to agree to support WTO reform. This was no small feat, as a month earlier the Asia-Pacific Economic Cooperation (APEC) summit had failed to issue a joint statement on WTO reform due to diverging views between the US and China. At the G20 Osaka summit in June 2019, the G20 Leaders' Declaration endorsed the G20 Ministerial Statement on Trade and Digital Economy, which included several issues concerning WTO reform and details of the commitment to resolve them.

At the WTO itself, the debate on reform has intensified since the autumn of 2018, with well over 40 member states submitting proposals to the General Council and other WTO bodies (see Table 1). Against this backdrop, the remainder of this section summarizes key issues on WTO reform and the positions of important WTO members in order to outline the present state of play on the following:

- discussion on dispute settlement (Subsection 2.1);
- Special and Differential Treatment (SDT) for developing countries (Subsection 2.2);
- WTO transparency and notifications (Subsection 2.3);
- WTO committee work (Subsection 2.4); and
- discussions on potential new WTO rules on digital trade, fisher-

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<sup>15</sup> US, EU and Japan, *Joint Statement on Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union*, Paris, 31 May 2018, <https://trade.ec.europa.eu/doclib/html/156906.htm>.

<sup>16</sup> BRICS, *BRICS Summit Media Statement*, Osaka, 28 June 2019, <http://en.kremlin.ru/supplement/5424>; India, Brazil and South Africa, *IBSA Joint Statement on the Reform of the Multilateral System*, New York, 27 September 2019, <https://www.mea.gov.in/bilateral-documents.htm?dtl/31871>.

<sup>17</sup> WTO, *African Group Declaration on WTO Issues* (WT/L/1054), 28 December 2018, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/1054.pdf>.



ies and industrial subsidies, as well as technology transfer (Sub-section 2.5).<sup>18</sup>

## 2.1 *Dispute settlement*

In the light of the current AB paralysis, reforming its dispute-settlement mechanism is essential for the future of the WTO (see Table 2 in the Appendix for an overview of all relevant proposals submitted to the WTO General Council). In February 2019, the US summarized its criticism of the AB in a statement at a meeting of the WTO dispute-settlement body.<sup>19</sup> In essence, the US has asked WTO members to return to the rules of the WTO's Understanding on Rules and Procedures Governing the Settlement of Disputes (the Dispute Settlement Understanding – DSU) as they had been codified in 1995. In response to this criticism, the EU, Honduras, Taiwan, Thailand and other WTO members have proposed amendments to reform the DSU. More specifically, the EU – along with China, Canada and India – proposes to reform it by making it legally possible to agree on an exceeding of the 90 days' rule as deadline for circulating the AB report. It proposes doing so by allowing an AB member to complete a pending appeal in cases in which a hearing has already taken place by limiting the scope of findings of the AB conditional on the necessity for the resolution of the dispute and by implementing further communication channels to address concerns on AB approaches.<sup>20</sup> Most further proposals pursue the same diplomatic approach on amending

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<sup>18</sup> For an overview of the key issues, see also Tsuyoshi Kawase, "Uphill Battle for WTO Reform Toward MC12", in Japan Spotlight, No. 228 (November/December 2019), p. 23-26, [https://www.jef.or.jp/journal/pdf/228th\\_Special\\_Article\\_01.pdf](https://www.jef.or.jp/journal/pdf/228th_Special_Article_01.pdf).

<sup>19</sup> The key concerns of the US on the AB are the frequent disregard of the compulsory 90-day deadline for report, members not leaving after their term has ended, the expansion of authority in reviewing of panels' factual findings, the practice of uttering advisory opinions that could be interpreted as making law, the practice of increasing the significance of past decisions to near-binding precedent and the exceeding of limits by taking decisions that surpass the text of the WTO agreements. See United States, *Statements by the United States at the Meeting of the WTO Dispute Settlement Body*, cit.

<sup>20</sup> WTO, *Communication from the European Union, China, India and Montenegro to the General Council* (WT/GC/W/753/Rev.1), 10 December 2018, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W753R1.pdf>.

the DSU in order to create a legal framework for current semi-rule-accordingly conducted practices. Moreover, the EU – again, together with China, Canada and India – proposes improving the AB’s independence by expanding the tenure of the body’s members to 6–8 years while limiting it to a single term. Additionally, they suggest increasing the number of AB members from seven to nine and introducing AB membership as an exclusive occupation in order to address the appellate body’s perceived lack of efficiency.<sup>21</sup>

New Zealand’s Permanent Representative to the WTO and Chair of the General Council, Ambassador David Walker, was appointed in February 2019 to search for a potential compromise on AB reform. In November 2019, he presented principles meant to increase the body’s efficiency (e.g. by placing stricter limits on its reports and timeframes) while addressing the US’s concerns and its request to return to the rules of the DSU as established for the WTO’s creation in 1995. Yet, the US has mostly disregarded all reform suggestions, leading to a deadlock on this essential issue.<sup>22</sup>

## *2.2 Special and Differential Treatment (SDT) for developing countries*

WTO rules imply that developing countries receive SDT – for instance, longer time periods for implementing WTO commitments or exemptions from certain obligations. Moreover, the organization’s members are allowed to adopt general systems of preferences under which tariffs on imports from developing countries are cut back or cancelled altogether. At the same time, the WTO rules do not include clear criteria to define “developing countries”. Instead, such countries within the organization

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<sup>21</sup> Ibid.

<sup>22</sup> On the debate on reforming the dispute settlement mechanism, see also Matteo Fiorini et al., *WTO Dispute Settlement and the Appellate Body Crisis...*, cit.; and Anabel González and Euijin Jung, “Developing Countries Can Help Restore the WTO’s Dispute Settlement System”, in *PIIE Policy Briefs*, No. 20-1 (January 2020), <https://www.piie.com/node/14155>; as well as Jennifer Anne Hillman, *A Reset of the World Trade Organization’s Appellate Body*, Washington, Council on Foreign Relations, 14 January 2020, <https://on.cfr.org/31puJOf>.

are designated on the basis of self-selection – regardless of whether they are rich or poor, large or small. It is argued by some members that this “self-designation” approach, which entails China being regarded as a developing country, represents an immense challenge for negotiating new agreements in the WTO.<sup>23</sup>

In February 2019, the US suggested the introduction of objective criteria for “developing countries” in the WTO (see Table 3 in the Appendix for an overview of the SDT-relevant submissions to the organization). According to the US proposal, it should be made impossible to hold on to this status if the country in question is a member of the OECD or the G20, a high-income country or accounts for at least 0.5 percent of global merchandise trade.<sup>24</sup> Major developing countries – including China, India and South Africa – strongly rejected the US proposal in a statement submitted in February 2019.<sup>25</sup> As a compromise between these opposing factions, the EU proposed a “graduation” mechanism that foresees countries flexibly graduating through different stages of preferential treatment, either horizontally or case-by-case, supported by a substantial examination of their development objectives. On behalf of the Ottawa Group, Norway put forward a proposal that seeks to differentiate between the categorization of nations and the promotion of development.

While the current debate on SDT has reached an impasse between the US and its critics<sup>26</sup> – above all, China, but also the G20 members India and

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<sup>23</sup> Clara Brandi and Wallace S. Cheng, “The Disputed Status of Developing Countries in the WTO”, in *DIE Blog*, 14 March 2019, <https://blogs.die-gdi.de/?p=9124>.

<sup>24</sup> WTO, *Draft General Council Decision. Procedures to Strengthen the Negotiating Function of the WTO. Decision of X Date* (WT/GC/W/764), 15 February 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W/764.pdf>. See also: Revision (WT/GC/W/764/Rev.1), 25 November 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W764R1.pdf>.

<sup>25</sup> See WTO, *An Undifferentiated WTO: Self-Declared Development Status Risks Institutional Irrelevance. Communication from the United States* (WT/GC/W/757/Rev.1), <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W757R1.pdf>. In July, a revised statement was submitted, this time not signed by China, which had submitted its own overarching proposal for WTO reform, including the issue of SDT, in May 2019.

<sup>26</sup> For more recent literature on SDT in the WTO, see also Patric Low, Hamid Mamdouh and Evan Rogerson, *Balancing Rights and Obligations in the WTO: A Shared Respon-*

South Africa – the ongoing discussion on the status of developing countries in the WTO might play a constructive role in a horse-trade across different controversial issues, and thus help to promote reform of the organization (see below). In the meantime, Taiwan has declared that it no longer falls into the developing-country category and Brazil and the Republic of Korea (ROK, or South Korea) announced that they were also giving up their developing-country status, which can be interpreted as sign of being open to a potential compromise.<sup>27</sup>

### *2.3 Transparency and notifications*

A key function of the WTO is to increase transparency concerning its members' trade policies. Members are required to submit notifications on their trade measures to the relevant WTO subsidiary bodies, councils and committees in order to assess the implementation of their obligations under WTO agreements. Yet, there are compliance challenges regarding this notification obligation, thereby undermining the WTO role of securing transparency.<sup>28</sup>

To promote transparency, the EU, Japan and the US drafted a joint proposal on notification procedures at their Trilateral Meeting in 2018.<sup>29</sup> One key element of the reform proposal is the suggestion that members that do not file a notification one year after the deadline would be subject to sanctions. In June 2019, a larger group of members comprising Argentina, Australia, Canada, Costa Rica, the EU, Japan, New Zealand, Taiwan and the US submitted a joint proposal to the WTO (see Table 4 in

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sibility, Stockholm, Government Offices of Sweden, December 2018, <https://www.swedenabroad.se/globalassets/ambassader/fn-geneve/documents/balancing-rights-and-obligations-in-the-wto.pdf>; or Clara Brandi and Wallace S. Cheng, "The Disputed Status of Developing Countries in the WTO", cit.

<sup>27</sup> See also Anabel González and Euijin Jung, "Developing Countries Can Help Restore the WTO's Dispute Settlement System", cit.

<sup>28</sup> For a discussion of these challenges and potential ways out, see e.g. Bernard Hoekman, "Urgent and Important: Improving WTO Performance by Revisiting Working Practices", in *Journal of World Trade*, Vol. 53, No. 3 (2019), p. 373-394.

<sup>29</sup> US, EU and Japan, *Joint Statement on Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union*, cit.

the Appendix for an overview of all relevant proposal submitted by WTO members) requesting sanctions but also taking account of the capacity limitations of developing countries by proposing to use the charge levied as sanction as a basis for technical assistance for complying with notification obligations.<sup>30</sup> In response, several developing countries, including India and South Africa, submitted a statement pitted against the use of sanctions, and suggested obligations to notify the WTO that take better account of the resource limitations of developing countries.<sup>31</sup>

As many of the world's large trading powers – including the US, the EU and also China<sup>32</sup> – agree on the importance of improving the transparency role of the WTO, there might be potential to forge a compromise with other G20 members, including India and South Africa, that achieves this goal while also taking adequate account of the challenges faced by developing countries. In that context, the way forward might also entail not only reflecting on how notification obligations are enforced but also reviewing them and pondering what type of information is really needed and how the practice of notifications might be adapted to make them more useful to WTO members.<sup>33</sup>

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<sup>30</sup> WTO, *Procedures to Enhance Transparency and Strengthen Notification Requirements Under WTO Agreements. Communication from Argentina, Australia, Canada, Costa Rica, the European Union, Japan, New Zealand, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, and the United States. Revision* (JOB/GC/204/Rev.2), 27 June 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/Jobs/GC/204R2.pdf>.

<sup>31</sup> WTO, *An Inclusive Approach to Transparency and Notification Requirements in the WTO. Communication from Cuba, India, Nigeria, South Africa, Tunisia, Uganda, and Zimbabwe* (JOB/GC/218), 27 June 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/Jobs/GC/218.pdf>. See also Revision (JOB/GC/218/Rev.2), 22 July 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/Jobs/GC/218R2.pdf>.

<sup>32</sup> See WTO, *China's Proposal on WTO Reform. Communication from China* (WT/GC/W/773), 13 May 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W773.pdf>.

<sup>33</sup> Bernard Hoekman, "Urgent and Important: Improving WTO Performance by Revisiting Working Practices", cit.

## 2.4 WTO committee work

Another challenge is to make the WTO's councils, groups and committees more active and efficient (see Table 5 in the Appendix for an overview of the relevant submissions by WTO members). In October 2019, 18 WTO members, including the G20 members EU and Australia, endorsed a joint proposal for procedural guidelines that includes recommendations for preparing meetings as well as for procedures for discussions and for informal resolutions by chairpersons.<sup>34</sup>

Overall, the issue of improving the work of WTO bodies does not seem to entail many controversial perspectives and could offer some room for making progress regarding WTO reform. One promising way forward might be to conduct an internal or external WTO-wide review of the performance of the various bodies within the organization.<sup>35</sup>

## 2.5 New WTO trade rules

As indicated above, there are several trade issues that the current WTO agendas do not adequately tackle, including digital trade (e.g. e-commerce), fisheries subsidies and technology transfer. The WTO's rules thus need to be updated to address key trade issues of the present and future.

### 2.5.1 Digital trade

At the Ministerial Conference in 2017, more than 70 WTO members published a joint declaration on digital trade. After some exploratory discussions, at a gathering during the World Economic Forum in 2019, these WTO members underlined their aim to start negotiations for a new agreement on digital-trade rules. At the G20 Osaka Summit later in 2019,

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<sup>34</sup> WTO, *Procedural Guidelines for WTO Councils and Committees Addressing Trade Concerns. Draft General Council Decision. Communication from Australia; European Union; Hong Kong, China; Republic of Korea; New Zealand; Norway; Panama; Singapore; Switzerland; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Turkey; and Ukraine. Revision* (WT/GC/W/777/Rev.1), 18 July 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W777R1.pdf>.

<sup>35</sup> Bernard Hoekman, "Urgent and Important: Improving WTO Performance by Revisiting Working Practices", cit.

G20 members initiated the Osaka Track – an effort to make progress on rule-making on digital trade in the WTO. Since the kick-starting of negotiations in the organization, the EU, the US, Canada, Brazil, Japan and Singapore, among others, have submitted draft texts on digital-trade rules. Yet, the views of central member states diverge substantially (see Table 6 in the Appendix). The US values free data flows across borders and favours, for example, the prohibition of source-code-disclosure and data-localization demands.<sup>36</sup> China, on the other hand, favours the regulation of data flows.<sup>37</sup> The EU in turn prioritizes the protection of personal information and considers free data flows across borders only as a subordinate goal.<sup>38</sup> While the G20 leaders managed to agree on a declaration on “Data Free Flow with Trust (DFFT)” in 2019, this seeming agreement on the free flow of data contains continuing discrepancies across the US, Chinese and EU perspectives on digital trade.<sup>39</sup>

### 2.5.2 Fisheries subsidies

Fisheries subsidies have already been on the Doha agenda, but negotiations stalled when the Doha talks became deadlocked. The adoption of the United Nations Sustainable Development Goals (SDGs) – and, especially, target 14.6.1 on regulating subsidies that lead to illegal, unreported and unregulated (IUU) fishing as well as overcapacity and overfishing – sparked a new attempt to find agreement in the WTO. At the

<sup>36</sup> WTO, *Joint Statement on Electronic Commerce. Communication from the United States* (INF/ECOM/23), 26 April 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/INF/ECOM/23.pdf>.

<sup>37</sup> WTO, *Joint Statement on Electronic Commerce. Communication from China* (INF/ECOM/19), 23 April 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/INF/ECOM/19.pdf>.

<sup>38</sup> WTO, *Joint Statement on Electronic Commerce. EU Proposal for WTO Disciplines and Commitments Relating To Electronic Commerce. Communication from the European Union* (INF/ECOM/22), 26 April 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/INF/ECOM/22.pdf>.

<sup>39</sup> On recent proposal for digital trade, see, for example, Wallace S. Cheng and Clara Brandi, “Governing Digital Trade – A New Role for the WTO”, in *DIE Briefing Papers*, No. 6/2019, <https://doi.org/10.23661/bp6.2019>; or Joshua P. Meltzer, “A WTO Reform Agenda. Data Flows and International Regulatory Cooperation”, in *Brookings Working Papers*, No. 130 (September 2019), <https://brook.gs/30dGoeM>.



Ministerial Conference in 2017, WTO members decided on the goal of adopting an agreement on fisheries subsidies at the following Ministerial Conference – originally planned to take place in June 2020. Key sticking points in the talks (see Table 7 in the Appendix) remain the regulation of IUU fisheries subsidies and SDT for developing countries. China<sup>40</sup> and India,<sup>41</sup> for example, defend exemptions from subsidy restrictions for (self-designated) developing countries, stressing among other things the importance of those subsidies for artisanal fishermen, while the US is highly skeptical of such exemptions and proposes linking flexibilities to production volumes rather than to development status.<sup>42</sup> Further proposals address the issue of vessels not flying the flag of the subsidizing member and possible prohibitions on subsidies to those vessels.

### 2.5.3 Industrial subsidies and technology transfer

There are also discussions around the regulation of industrial subsidies and potential new rules on forced technology transfer (see Table 8 in the Appendix for proposals on both topics submitted to the WTO). During their Trilateral Meeting in May 2018, trade ministers from the US, the EU and Japan agreed on the need to create more effective rules on subsidies, strengthen the regulation of state-owned enterprises (SOEs) and generate a new list of prohibited subsidies; they also voiced concern about forced technology transfers to host countries.<sup>43</sup> In May 2019, China

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<sup>40</sup> WTO, *A Cap-based Approach to Address Certain Fisheries Subsidies that Contribute to Overcapacity and Overfishing. Communication from China* (TN/RL/GEN/199), 3 June 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/TN/RL/GEN199.pdf>.

<sup>41</sup> WTO, *Article [X]: Special and Differential Treatment. Communication from India. Revision* (TN/RL/GEN/200/Rev.1), 5 March 2020, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/TN/RL/GEN200R1.pdf>.

<sup>42</sup> WTO, *A Cap-based Approach to Addressing Certain Fisheries Subsidies. Submission of Australia and the United States* (TN/RL/GEN/197), 22 March 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/TN/RL/GEN197.pdf>. See also Revision (TN/RL/GEN/197/Rev.2), 11 July 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/TN/RL/GEN197R2.pdf>.

<sup>43</sup> US, EU and Japan, *Joint Statement on Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union*, cit.



in turn voiced concern over the discriminatory treatment of SOEs in the areas of subsidy regulation and investment examination for security purposes.<sup>44</sup> At a Trilateral Meeting in January 2020, the EU, Japan and the US reiterated their agreement on strengthening WTO rules on industrial subsidies by proposing to add new types of unconditionally prohibited subsidies to the WTO Agreement on Subsidies and Countervailing Measures.<sup>45</sup> Their proposal is meant to close a loophole in WTO rules on “market and trade distorting” subsidies that allows Chinese firms that are strongly supported by the state to gain advantage over companies in other countries. The proposal also calls for better notification of distorting subsidies and for shifting the burden of proof to the subsidizing government to prove that permitted forms of state aid have not generated an unfair advantage. Other rule changes would put pressure on countries to notify the WTO of any subsidies that they provide or face being reported by another government and having the measures banned. The EU, Japan and the US also supported new rules to undermine the forced technology-transfer practices of third countries, which is meant to put a halt to the practice of pressuring foreign firms into sharing their technology with Chinese companies. The three parties hope to make progress on these issues through a multilateral agreement.

In the light of the complex agenda on WTO reform, and the stark differences of opinions between countries on possible reform options, the question arises of how this process at the WTO can be supported. One key forum to facilitate WTO reform is the G20. The following section will discuss the G20’s role in the WTO reform debate.

### 3. THE ROLE OF THE G20

Since the first meeting of the G20 at the leaders’ level in Washington, DC in November 2008, international trade has been an important part of the

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<sup>44</sup> Ibid.

<sup>45</sup> US, EU and Japan, *Joint Statement of the Trilateral Meeting of the Trade Ministers of Japan, the United States and the European Union*, Washington, 14 January 2020, <https://trade.ec.europa.eu/doclib/html/158567.htm>.

group's agenda. The key commitment of G20 leaders during the global financial crisis was to "refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports".<sup>46</sup> This so-called anti-protectionism pledge was replicated and confirmed in subsequent summit declarations, and G20 leaders asked the OECD, WTO and the United Nations Conference on Trade and Development (UNCTAD) to monitor its implementation. Despite general commitments to the multilateral trading system, few trade-policy initiatives were advanced by G20 leaders,<sup>47</sup> who were largely preoccupied with the global and European financial crises. It is therefore no wonder that G20 summitry had little impact on the multilateral trading system and the WTO, which at the time was sliding into a deep institutional crisis, at its core. The WTO's Doha Development Round has been completely deadlocked since 2008, and commitments to its conclusion have disappeared from G20 declarations. Furthermore, since 2017 trade has been one of the most controversial issues on the G20's annual agenda, and leaders have backtracked on key commitments such as support for the multilateral trading system and the anti-protectionism pledge.<sup>48</sup>

Against the backdrop of the recent intensification of trade tensions, serious commitments to WTO reform have been made only in recent years. At their summit in Buenos Aires in 2018, G20 leaders made a landmark commitment to "support the necessary reform of the WTO to improve its functioning".<sup>49</sup> The Osaka summit in 2019 reaffirmed the

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<sup>46</sup> G20, *G20 Leaders' Declaration. Declaration of the Summit on Financial Markets and the World Economy*, Washington, 15 November 2008, point 13, <http://georgew-bush-whitehouse.archives.gov/news/releases/2008/11/20081115-1.html>.

<sup>47</sup> These, for instance, include the support for the WTO negotiations on trade facilitation in 2013.

<sup>48</sup> Axel Berger and Simon J. Evenett, "The Trump-Induced G20 Stress Test on Trade: Did the German Presidency Pass?", in *Global Summitry*, Vol. 3, No. 2 (Winter 2017), p. 124-140, <https://doi.org/10.1093/global/guy002>; Simon J. Evenett et al., *Mend It, Don't End It: The Case for Upgrading the G20's Pledge on Protectionism*, T20Argentina Policy Brief, <https://www.g20-insights.org/?p=9217>.

<sup>49</sup> G20, *G20 Leaders' Declaration. Building Consensus for Fair and Sustainable Development*, cit., point 27.

commitment and agreed “that action is necessary regarding the functioning of the dispute settlement system consistent with the rules as negotiated by WTO members”.<sup>50</sup> The trade ministers’ meeting before the leaders’ summit was more specific about the dimensions of WTO reforms – citing, among other issues, the need to fulfil notification requirements and the strengthening of committees and working bodies. Furthermore, they emphasized the need to agree on discipline on fisheries subsidies and to advance discussions under the Joint Statement Initiatives – in particular, those on electronic commerce.<sup>51</sup>

In the light of the fact that the urgency to reform the WTO has never been greater, and in view of the fact that multiple proposals for such reform are on the table, what role can the G20 play in promoting reform of the organization? The relevance of the G20 stems from its economic importance, covering 80 percent of world trade, and the fact that it includes major trading powers from both the Global North and South. It does not adopt legally binding rules but promotes policy dialogue among its members in order to enhance international cooperation, initiate actions by international organizations and coordinate domestic reform processes. The dialogue-oriented nature of G20 discussions on the level of working-group delegates, trade ministers and leaders outside the formal negotiation forums at the WTO can play an important role in promoting joint understanding on major challenges and broker compromise on key controversial issues. The G20, furthermore, has developed an increasingly dense interaction with non-state actors, the so-called “Engagement Groups”, who usually support multilateral approaches to deal with current trade challenges and who can be effective facilitators of policy dialogue and joint understanding.<sup>52</sup>

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<sup>50</sup> G20, *G20 Osaka Leaders’ Declaration*, Osaka, 29 June 2019, point 8, <https://europa.eu/!vk44tt>.

<sup>51</sup> G20, *G20 Ministerial Statement on Trade and Digital Economy*, Tsubuka, 9 June 2019, <http://trade.ec.europa.eu/doclib/html/157920.htm>.

<sup>52</sup> The G20 Engagement Groups that represent business (B20), think tanks (T20), civil society (C20), labour (L20), women organisations (W20), youth (Y20), science (S20) and cities (U20).

However, despite the fact that the G20 brings together a smaller group of systemically important countries with the hope of facilitating more effective decision-making, the main obstacles to agreement and greater ambition reflect those prevalent in the multilateral setting of the WTO. Nevertheless, there are several ways in which the G20 can support reform discussions at the WTO.<sup>53</sup> It is necessary to leverage the strengths of the G20 as an informal forum for cooperation between heads of state and governments, but without weakening the WTO as a central forum for discussing reforms to the multilateral trade system. In this context, the G20 should focus on promoting dialogue on the objectives and issues of WTO members rather than on technical details. Most of all, there is also a need to improve communication between actors and to build mutual trust.

First, G20 leaders can help to keep up the momentum for reform. The decision to emphasize WTO reform at the 2018 G20 leaders' summit has been a key impetus. The Italian G20 presidency should engage key stakeholders of the trading system, including the relevant international organizations, in a dialogue on the deficiencies and benefits of an effective, legitimate and inclusive multilateral trading system. In close coordination with the G20 Troika (the holders of the previous, current and subsequent presidencies), the Italian presidency should propose a multi-year agenda to prioritize WTO reform. The presidency should include the G20 engagement groups in this dialogue, and seek their input on substantive reform options. One option in this respect is to initiate an eminent trade-expert group that reports on an annual basis on the process.

Second, another hope is that the G20 can help to promote dialogue on possible compromises across the different issue areas of WTO reform. As Table 1 underlines, various important proposals on relevant issues have been submitted to the WTO by members of the G20. The organization seems very unlikely to agree on one dimension of reform without con-

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<sup>53</sup>Axel Berger and Clara Brandi, "The G20 and the Future of the Global Trading System", in *DIE Briefing Papers*, No. 10/2016, [https://www.die-gdi.de/uploads/media/BP\\_10.2016.pdf](https://www.die-gdi.de/uploads/media/BP_10.2016.pdf); Axel Berger and Clara Brandi, "The G20 Summit and the Future of the World Trade Organization", in *The Current Column*, 3 December 2018, <https://www.die-gdi.de/en/the-current-column/article/the-g20-summit-and-the-future-of-the-world-trade-organization>.

sidering others. Since convergence of WTO members' positions on single-issue areas is not very likely, it might be an option to work towards a "grand bargain" across different issue areas. One possibility for making progress might involve a group of larger developing countries, building on the aforementioned offers by Brazil and South Korea to relinquish their demand for SDT in exchange for US agreement on the nomination of AB members.<sup>54</sup> The G20 can play a key role in facilitating discussions about such issue linkages in order to promote a systemic approach to WTO reform.

Third, the G20 has the potential to help bring together different actors from policy arenas other than trade, including the environment and health.<sup>55</sup> More integrated and coherent policy-making of this sort is needed in view of the fact that a functioning multilateral trading system is a key enabling factor in achieving the SDGs. Trade in goods and services can be a key enabler of domestic growth and revenue creation, it can help to diffuse environmental technologies and it can help to tackle global health challenges by providing medical equipment and medicine. The Italian presidency should thus consider engaging finance, environment and health ministers in discussion about WTO reform. Joint ministerial conferences or joint deliverables of the various G20 work streams can be effective tools in promoting WTO reform.

## CONCLUSIONS

Amid an increasingly dynamic debate about the reform of the WTO, which is taking place against the backdrop of geopolitical rivalry, this chapter investigates the role of the G20. The crisis in the WTO manifests itself in the inability of the organization to update its rule book in order to address new challenges such as digitalization, sustainable develop-

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<sup>54</sup> Anabel González, "A Quid Pro Quo to Save the WTO's Appellate Body", in *DIE Blog*, 18 March 2020, <https://blogs.die-gdi.de/?p=11063>.

<sup>55</sup> See, for example, Steffen Bauer, Axel Berger and Gabriela Iacobuta, "With or Without You: How the G20 Could Advance Global Action Towards Climate-Friendly Sustainable Development", in *DIE Briefing Papers*, No. 10/2019, <https://doi.org/10.23661/bp10.2019>.

ment and state-owned enterprises. Furthermore, the organization has proved unable to effectively curb new forms of protectionism, such as subsidies or export-related measures, that are often not prohibited by its rules. Last but not the least, the WTO's dispute-settlement system has plunged into a deep crisis due to the US veto on appointing replacements for outgoing AB members.

While discussion on WTO reform is anything but new, it has recently picked up speed – in particular, due to the G20's high-level commitment to it at the summit in Buenos Aires in 2018. Over the past few years, more than 40 WTO members have issued proposals on various issue-specific reforms. A review of the position of major trade powers on key issues such as dispute settlement, SDT, transparency and notifications, committee work and new trade rules reveals marked differences between country positions. At times, these differences run along traditional fault-lines. On dispute-settlement reform, for example, the positions of the EU and China are closer than those of either party and the US. On SDT, Brazil and South Korea have decided to forgo their developing-country status while other major emerging countries – such as China, India and South Africa – defend this status. Sometimes, these differences reflect principled approaches – for example, on dispute settlement, SDT or multilateral agreements – at other times, they are of a rather technical nature (for example, on improving committee work).

The G20 can play a key role by moving the complex WTO reform agenda forward. As a leaders' forum of systemically significant economies, it can promote high-level policy dialogue as well as joint understanding and trust in order to enhance international cooperation. The Italian chair has an opportunity to use its G20 presidency in 2021 to uphold momentum for WTO reform by engaging key stakeholders and could initiate a multi-year reform agenda as well as an eminent trade-expert group. Second, the Italian chair may leverage the G20's potential to promote dialogue on compromises across different issue areas of WTO reform. Third, the G20 can bridge policy silos and engage finance, environment or health ministers to discuss comprehensive WTO reforms.

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WT/GC/W/777/Rev.1 – *Procedural Guidelines for WTO Councils and Committees Addressing Trade Concerns. Draft General Council Decision. Communication from Australia; European Union; Hong Kong, China; Republic of Korea; New Zealand; Norway; Panama; Singapore; Switzerland; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Turkey; and Ukraine. Revision*, 18 July 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W/777R1.pdf>

WT/GC/W/773 – *China's Proposal on WTO Reform. Communication from China*, 13 May 2019, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W/773.pdf>

WT/L/939 – *Public Stockholding for Food Security Purposes. Decision*, 27 November 2014, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/939.pdf>

WT/L/1054 – *African Group Declaration on WTO Issues*, 28 December 2018, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/1054.pdf>

WT/MIN(15)/43 – *Special Safeguard Mechanism for Developing Country Members. Ministerial Decision*, 19 December 2015, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN15/43.pdf>

WT/TPR/OV/21 – *Overview of Developments in the International Trading Environment. Annual Report by the Director-General (2018): October 2017 to October 2018*, 27 November 2018, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/OV21.pdf>



### 3.

## The G20's Work on the Digital Economy and the Future of Work: International Context, Progress and the Way Ahead

*Paul Twomey*

The nature of competition between states over technology has shifted in the last 25 years. It has moved from competition around telecommunications and broadcasting standards between three main players – the United States (US), the European Union (EU) and Japan – to one around permissions for 5G deployment and, more broadly, around the governance of the internet and artificial intelligence (AI) in which standards are only part of the debate. In this new environment, the two main supply-side protagonists are China and the US. Japan and the EU have somewhat similar interests to the US but lack the sort of national champions that they had in the era of disputes about mobile-telecommunications standards.

While these powers are competing for economic advantage from a supply-side perspective, they nearly all share similar concerns about the impact of the new technologies on the demand side. The discussion of AI technology and its impact on the future of work has tended to be more conducive to international consensus building than other areas of technology debate.

Several initiatives have been recently undertaken to promote international coordination and cooperation on a wide spectrum of issues related to AI-technology governance: developing common standards and principles; ensuring public trust and confidence in AI technologies, including through consumer protection and cybersecurity; strengthening digital infrastruc-



ture; bridging the digital divide; and providing training opportunities and social protection. Several international and regional organizations have launched specific programmes to address those issues, although the results have been so far rather limited, and the cooperation mechanisms remain embryonic. Technological innovation and the impact of the digital economy have become increasingly prominent in the agenda of the G20. Given its composition and *modus operandi*, the group seems well-suited to play a significant role in international efforts to deal with the far-reaching implications of AI technology. This chapter will address the pattern of G20 consensus building amid a broader environment of increasingly fractious disputes about technology by examining four aspects of the issues involved: (1) the state of international cooperation and the positions of the major actors; (2) initiatives undertaken in the G20 context; the impact of Covid-19; and (3) the potential role of the G20.

## 1. INTERNATIONAL COOPERATION

A useful prism through which to view international cooperation is afforded by examining the agenda of the various multilateral bodies involved.

### *1.1 The United Nations*

The generally recognized “peak” organization for international cooperation is the United Nations (UN). However, within the core UN organs over the last several years there has been little discussion of the future of technology and work. No clear link has been made between this topic and the Sustainable Development Goals (SDGs), although some relevant events have been coordinated around the UN General Assembly over the last several years. There was some high-level reference to digitization and the future of work issues in the 2003–15 history of the World Summit for the Information Society, but its main focus was on addressing digital-divide issues and disputes over the appropriate mechanisms for internet governance. In 2015, a high-level meeting of the UN General Assembly reviewed the implementation of the outcomes of the World Summit on the Information Society by the UN General Assembly, and reaffirmed its commitment

to build a people-centered, inclusive and development-oriented Information Society where everyone can create, access, utilize and share information and knowledge, enabling individuals, communities and peoples to achieve their full potential in promoting their sustainable development and improving their quality of life premised on the purposes and principles of the Charter of the United Nations and respecting fully and upholding the Universal Declaration of Human Rights.<sup>1</sup>

One area in which there have been long-standing and increasing tensions among member states in the main organs of the UN is in the discussion of cyber norms and cybercrime. A Group of Governmental Experts (GGE) convened by the Secretary-General to develop a set of norms for cyberspace came up with a proposed set in 2015. Since then, however, Russia and China in particular have acted in the UN to thwart the full adoption of these norms. Ironically, the origin of the United Nations GGE lay in a move by Russia to establish a new cyber-arms-control treaty in the early 2000s. The group was convened and produced three successive UN Groups of Governmental Experts reports – in 2010, 2013 and a consensus report in 2015. But follow-on meetings in 2017 failed to reach a consensus on the next steps, which resulted in two separate resolutions going to the UN Economic and Social Council (ECOSOC) in 2019. A statement by the US and other Western powers<sup>2</sup> pushed for a new GGE on rule norms and responsible state behaviour. The other resolution, promoted by Russian and China, called for an open-ended Working Group of ECOSOC to develop a new cybercrime convention. The First Committee (Disarmament and International Security) approved the two separate proposals to create working groups to develop rules for states on

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<sup>1</sup> UN General Assembly, *Resolution adopted on 16 December 2015: Outcome Document of the High-Level Meeting of the General Assembly on the Overall Review of the Implementation of the Outcomes of the World Summit on the Information Society (A/RES/70/125)*, p. 2, <https://undocs.org/en/A/RES/70/125>.

<sup>2</sup> *Joint Statement on Advancing Responsible State Behavior in Cyberspace*, 23 September 2019, <https://www.state.gov/joint-statement-on-advancing-responsible-state-behavior-in-cyberspace>.

responsible behaviour in cyberspace.<sup>3</sup>

The Russian resolution was adopted partly because it appealed to many developing and small member states who wanted to participate in a more universal UN process. It was also seen as favouring a state-led governance approach based on territorial integrity and sovereignty – and a move away from the previously agreed language of the 2015 GGE report. Furthermore, Western governments have expressed concerns that a new UN treaty would undermine the cross-border provisions of the existing Budapest Treaty on cybercrime.<sup>4</sup> This pattern, played out in the General Assembly, has been similar to that in many international organizations: a clash between liberal open-internet states and non-liberal cyber-sovereignty states.

## *1.2 The International Telecommunications Union (ITU) and the United Nations Development Programme (UNDP)*

This collision between different philosophies of how the internet should operate is particularly noticeable in members' interactions in the International Telecommunications Union. The ITU is responsible for development and international coordination on radio and telecommunications standards. A recent example of the long history of this philosophical

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<sup>3</sup> Allison Peters, "Russia and China Are Trying to Set the U.N.'s Rules on Cybercrime", in *Foreign Policy*, 16 September 2019, <http://bit.ly/2LYwylz>; Owen Daugherty, "UN to Form Cybercrime Committee in Move Opposed by US, EU", in *The Hill*, 28 December 2019, <https://thehill.com/node/476109>; Summer Walker, *Cyber-Insecurities? A Guide to the UN Cybercrime Debate*, Geneva, Global Initiative Against Transnational Organized Crime, March 2019, <https://wp.me/pagYoN-7ak>; Shannon Vavra, "The U.N. Passed a Resolution that Gives Russia Greater Influence Over Internet Norms", in *CyberScoop*, 18 November 2019, <https://www.cyberscoop.com/?p=40815>.

<sup>4</sup> See further: Shannon Vavra, "World Powers Are Pushing to Build Their Own Brand of Cyber Norms", in *CyberScoop*, 23 September 2019, <https://www.cyberscoop.com/?p=39245>; Josh Gold, "Two Incompatible Approaches to Governing Cyberspace Hinder Global Consensus", in *Leiden Security and Global Affairs Blog*, 16 May 2019, <https://leidensecurityandglobalaffairs.nl/articles/two-incompatible-approaches-to-governing-cyberspace-hinder-global-consensus>; Josh Gold, "The First Ever Global Meeting on Cyber Norms Holds Promise, But Broader Challenges Remain", in *CFR Blog*, 30 September 2019, <https://www.cfr.org/blog/first-global-meeting-cyber-norms>.

clash has been provided by Study Group 13 of the Telecommunications Directorate. Chinese multinational technology company Huawei has suggested the concept of a new internet protocol to replace the existing TCP/IP protocol (Transmission Control Protocol/Internet Protocol), which is at the heart of the global internet. This new proposed protocol would allow potentially more efficient addressing and network management than the existing standard. But it has “hooks” that allow governments or carriers to censor, specifically identify and potentially surveil their citizens. Notably, the new proposal would allow a central part of the network to cut off data going to and from a particular address. This new effort within the ITU is seen by civil-liberties groups and other governments as another attempt to try to establish a sovereign-state-type internet structure, which would allow governments to silence activists and others and to potentially link real names to internet users.

It is also another example of China and other nations trying to move internet standard-setting away from multi-stakeholder bodies, such as the Internet Engineering Task Force, to multilateral organizations in which governments have clear control. The Huawei proposal has not been received well in the international internet technical community. While many governments are developing national strategies on AI, the limited discussions on the topic in the UN system have been quite cooperative. For instance, the AI for Good summit is hosted each year in Geneva by the ITU in partnership with UN sister agencies, XPRIZE Foundation and the Association for Computing Machinery. It promotes a global and inclusive dialogue on AI, including its use for the acceleration of progress towards the SDGs.

The ITU has a number of groups focusing on the future of AI – including a focus group on machine learning for future networks, one on AI for autonomous and assisted driving, one on environmental efficiency for AI and other emerging technologies, and a focus group on artificial intelligence for health.<sup>5</sup> The UNDP has run side events to the General Assembly on the digital future of development, and has its own focus on trying to digitize its work.<sup>6</sup>

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<sup>5</sup> ITU website: *ITU-T Focus Groups*, <https://www.itu.int/en/ITU-T/focusgroups>.

<sup>6</sup> UNDP, *The Digital Future of Development*, 12 September 2019, <https://www.undp.org>.

### 1.3 *The International Labour Organization (ILO)*

The UN agency that has focused most strongly on possible technological impacts on the future of work has been the International Labour Organization, which produced a major report in 2019.<sup>7</sup> This drew on two years' worth of work by a high-level Global Commission on the Future of Work headed by the Prime Minister of Sweden and the President of South Africa. That report found, among other things, that new technologies are bringing opportunities but also challenges to working lives. It indicated that new technologies are resulting in greater levels of worker autonomy, regardless of where people work, and also resulting in reduced commuting time. The downsides were identified as longer hours, increased ambiguity between paid work and personal time, and high levels of stress. The further work of the ILO Research Programme, which lasted four years, has focused on issues of the social contract and the future of work, inequality, income security, labour relations, the gender dialogue, climate change and demographic shifts, and the need for new skills. The member states agreed that the achievement of a sustainable future for people needed a human-centred approach to the future of work. This includes investing in skills, social protection and strong support for gender equality.

### 1.4 *The Organisation for Economic Co-operation and Development (OECD)*

The other international organization that is deeply invested in the issues of technology and the future of work is the OECD – the topic has, in fact, been a major focus of its work.<sup>8</sup> Similarly, the OECD has concentrated

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org/content/undp/en/home/news-centre/news/2019/the\_digital\_future\_of\_development.html.

<sup>7</sup> ILO website: *The Future of Work*, <https://www.ilo.org/global/topics/future-of-work>.

<sup>8</sup> See OECD website: *The Future of Work*: <http://www.oecd.org/future-of-work>; and *Digital economy*, <https://www.oecd.org/internet/ieconomy>. See also: Trade Union Advisory Committee to the OECD (TUAC), *OECD Focus on the Future of Work – TUAC Recommendations*, 26 October 2018, <https://tuac.org/news/oecd-focus-on-the-future-of-work-tuac-recommendations>.

on the development and related policies for AI.<sup>9</sup> It also surveys in detail the policies being developed by its member states.<sup>10</sup> Indeed, it was the agreed OECD principles on AI that formed the basis of the G20 adopted principles in 2019. It is worth noting that the OECD's multi-stakeholder approach resulted in two principles specifically focused on employment (fair transitions) and organizational change (safe workplace). Throughout the development of the G20's work on technology and the future of work, the OECD has become an important research partner for each G20 presidency. The OECD's Going Digital process has a "jobs" pillar, and benefits from its four stakeholder groups. It has a measurement framework that contributes to the G20.<sup>11</sup>

### 1.5 Regional organizations

The regional organization with by far the most significant policy and financial resources dedicated to digitalization and the future of work is the EU, under its Digitalization and Social Pillars. The Union has established 20 principles and rights to ensure a fair and well-functioning labour market, acknowledging the challenges produced by the irreversible trend towards the digitalization of the economy. The EU approach emphasizes skilled-workforce development and the establishment of new labour relations.

Other regional organizations have mostly focused on skills-gap issues. For instance, the APEC (Asia-Pacific Economic Cooperation) forum released a report in 2018<sup>12</sup> on the effects of digital technology on labour productivity, and urged members to help people already in the workforce to acquire new skills and upgrade themselves to be able to tackle the complexities of new technologies. Other APEC statements on

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<sup>9</sup> See OECD website: *Artificial Intelligence*, <https://www.oecd.org/going-digital/ai>.

<sup>10</sup> See OECD, *Artificial Intelligence in Society*, Paris, OECD, 2019, p. 121 ff., <https://doi.org/10.1787/eedfee77-en>.

<sup>11</sup> E.g. European Commission website: *Shaping Europe's Digital Future*, <https://europa.eu/!gn83MB>.

<sup>12</sup> Asia-Pacific Economic Cooperation (APEC), *APEC Regional Trends Analysis. The Digital Productivity Paradox*, November 2018, <https://www.apec.org/Publications/2018/11/APEC-Regional-Trends-Analysis---The-Digital-Productivity-Paradox>.

these issues have also focused on the need for skills development.<sup>13</sup>

In December 2017, the Common Market Council of the South American trade bloc MERCOSUR established the Digital Agenda Group (GAD) with the objective of “promoting the development of a Digital MERCOSUR”. In the first half of 2018, the GAD negotiated its first Action Plan (2018–20). While a wide-ranging document, in terms of the future of work, the Action Plan only contains commitments to developing digital skills: (1) development of a common frame of reference for the development of digital skills and computational thinking; and (2) development of common online training systems and programmes.<sup>14</sup>

At the 2015 ASEAN (Association of Southeast Asian Nations) Telecommunications Ministerial Summit, ministers adopted a five-year plan – AIM2020 – with a vision to “Propel ASEAN Towards a Digitally Enabled Economy that is Secure, Sustainable, and Transformative; and to enable an Innovative, Inclusive and Integrated ASEAN Community”. AIM2020 structures ASEAN ICT (Information and Communications Technology) cooperation activities into eight Strategic Thrusts, which cover various issues of digital transformation<sup>15</sup>

Both the Commonwealth and the African Union have addressed technology and the future of work though the need for skill development, particularly among the young<sup>16</sup>

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<sup>13</sup> ILO, *APEC Economies Adopt New Cooperation Framework to Address Future of Work Issues*, 15 May 2017, [https://www.ilo.org/hanoi/Informationresources/Publicinformation/newsitems/WCMS\\_554070](https://www.ilo.org/hanoi/Informationresources/Publicinformation/newsitems/WCMS_554070); “APEC Workshop Promotes Innovative Work Skills in Digital Age”, in *The Voice of Vietnam*, 19 July 2019, <https://english.vov.vn/society/apec-workshop-promotes-innovative-work-skills-in-digital-age-400286.vov>

<sup>14</sup> MERCOSUR, *Acuerdo de reconocimiento mutuo de firmas digitales en el MERCOSUR*, 12 December 2019, <https://www.mercosur.int/?p=11370>.

<sup>15</sup> (i) Economic Development and Transformation; (ii) People Integration and Empowerment Through ICT; (iii) Innovation; (iv) ICT Infrastructure Development; (v) Human Resource Development; (vi) ICT in the ASEAN Single Market; (vii) New Media and Content; and (viii) Information Security and Assurance.

<sup>16</sup> See Commonwealth Secretariat, *Commonwealth Cyber Declaration*, London, 2018, <https://thecommonwealth.org/commonwealth-cyber-declaration>; also supporting youth and social development: Commonwealth Secretariat, *Commonwealth Secretariat Strategic Plan 2017/18 – 2020/21*, 1 June 2017, [https://thecommonwealth.org/sites/default/files/inline/CommonwealthSecretariatStrategic\\_Plan\\_17\\_21.pdf](https://thecommonwealth.org/sites/default/files/inline/CommonwealthSecretariatStrategic_Plan_17_21.pdf); and youth



## 2. INITIATIVES UNDERTAKEN IN THE G20

The G20 has been exploring the topics of the future of work, employment and education in the digital age/digital economy since 2015. The impact of digitization was first referred to in the 2015 Antalya Statement of Heads of Governments: “We are living in an age of Internet economy that brings both opportunities and challenges to global growth.”<sup>17</sup> The statement referred to ICT security issues and the digital divide, calling for no intellectual property theft, the protection of privacy and support for the UN GGE. It closed, “We are committed to help ensure an environment in which all actors are able to enjoy the benefits of secure use of ICTs.”

The G20 started explicit policy discussion on the digital economy under the Chinese presidency in the Hangzhou Summit process in 2016, in which G20 members engaged in a comprehensive discussion on the digital economy, innovation and the new industrial revolution. The Chinese presidency convened a G20 Digital Economy Task Force (DETF), which was to solidify the following year under the German presidency. Officials’ discussions throughout the Chinese process focused on three lines of conversation: (1) support for entrepreneurship; (2) improved science and technology cooperation; and (3) broader discussions about the impact of the digital revolution on the economy.

The Hangzhou Summit picked up the impulse of the Antalya Summit regarding digitalization in its “G20 Digital Economy Development and Cooperation Initiative” statement.<sup>18</sup> This statement analysed the global economy as a digitized world. Its most significant aspect was the agreement by the group’s members on a set of common principles to promote the development of and cooperation in the digital economy:

- promoting innovation;
- calling for greater partnership in sharing knowledge and

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education initiatives: Sydney Perlotto et al., “Africa’s Future. Youth and the Data Defining Their Lives”, in *AUC Policy Briefs*, September 2019, <https://au.int/en/node/37828>.

<sup>17</sup> See G20, *G20 Leaders’ Communiqué*, Antalya, 16 November 2015, <http://www.g20.utoronto.ca/2015/151116-communique.html>.

<sup>18</sup> See G20, *G20 Digital Economy Development and Cooperation Initiative*, Hangzhou, 5 September 2016, <http://www.g20.utoronto.ca/2016/160905-digital.html>.



- experiences;
- recognizing that the digital economy touches almost all economic and social sectors;
- promoting policy flexibility while also calling for comprehensive policies to promote inclusion in the digital economy;
- recognizing the need for enabling and transparent legal, regulatory and policy environments; and
- fostering open, competitive markets.

Considering the tensions that have now arisen between China and the liberal democracies, it is worth noting the full liberal agenda agreed to under the Chinese presidency on the final principle supporting the flow of information.<sup>19</sup> The statement then went on to outline a series of policy recommendations that were generally pro-growth (especially for micro-, small- and medium-sized enterprises – MSMEs), inclusive, protective of intellectual property and international standards, and encouraging of transparent digital-economy policy-making.

In 2017, Germany established the first G20 Digital Economy Ministerial Meeting and created an overall perspective on digital policy with the G20 Roadmap on Digital Economy and the Ministerial Declarations. In doing so, the DETF took forward the 2015 G20 Leaders' Statement, "Blueprint on Innovative Growth",<sup>20</sup> and ensured consistency with the G20 Digital Economy Development and Cooperation Initiative and the G20 New Industrial Revolution Action Plan.<sup>21</sup> Under the German G20 presidency, the first digital ministerial process was set up – signifying the importance of digitalization in the G20 agenda.

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<sup>19</sup> Ibid.: "G20 members recognize that freedom of expression and the free flow of information, ideas, and knowledge, are essential for the digital economy and beneficial to development [...]. We support ICT policies that preserve the global nature of the Internet, promote the flow of information across borders and allow Internet users to lawfully access online information, knowledge and services of their choice".

<sup>20</sup> G20, *G20 Blueprint on Innovative Growth*, Hangzhou, 5 September 2016, <http://www.g20.utoronto.ca/2016/160905-blueprint.html>.

<sup>21</sup> See G20, *G20 New Industrial Revolution Action Plan*, Hangzhou, 5 September 2016, <http://www.g20.utoronto.ca/2016/160905-industrial.html>.

The German Government structured discussion on the digital economy and the future of work in several ministerial forums. Not surprisingly, the German G20 presidency placed an emphasis on “Industry 4.0”, stressing the need for the digital transformation of industry and changes to training and capacity building. The 2017 discussions were also influenced by the topics and positions being discussed by G20 member states and other stakeholders in the Future of Work project in the ILO. In developing the programme, German officials worked closely with colleagues in the OECD in order to build on the existing German domestic digital agenda to provide a blueprint for possible topics and background data.<sup>22</sup> As the year of discussions among member-state officials progressed, it became clear that the challenge for the presidency was to balance materials and statements that could be useful for each member, and for the whole, while respecting each country’s stage of digital development. Hence, the statements sought to establish connections between the core digital-economy/future-of-work concerns and more peripheral issues – including the infrastructure concerns of some countries (for instance, Japan), education strategies for digitalization in others (e.g. Argentina), digital security (many countries), and cybersecurity (the US and other Western nations). This expansion of issues into which the digital economy reaches continued to be a challenge for future presidencies – particularly in the areas of where to draw the boundaries of the Digital Economy Task Force’s remit, and whether the issues should be distributed among other working groups.

The G20 Labour and Employment Ministers Meeting in May 2017 set out a statement, “Towards an Inclusive Future: Shaping the World of

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<sup>22</sup> See OECD, *Bridging the Digital Gender Divide. Include, Upskill, Innovate*, Paris, OECD, 2018, <https://www.oecd.org/internet/bridging-the-digital-gender-divide.pdf>. For instance, an OECD study “Key Issues for Digital Transformation in the G20” was presented at the Digital Ministerial Meeting. Importantly, the OECD study was a product of multistakeholder inputs. A multistakeholder forum preceded the Ministerial meeting. Another OECD report which covered digital and work dimensions was the “Bridging the Digital Gender Divide” prepared under the sponsorship of the Australian government in preparation for the 2018 G20.

Work”,<sup>23</sup> recognizing the challenges produced by digitalization on the labour market.<sup>24</sup> The ministers also agreed to a set of G20 Priorities on the Future of Work,<sup>25</sup> revolving around adapting working skills and promoting social protection.<sup>26</sup>

A month later, the G20’s Digital Economy Ministers approved the outcome of the work of the DETF. Their declaration<sup>27</sup> set out a series of visions and some detailed plans (such as reaffirming a commitment, made in Hangzhou, to the goal of connecting the next 1.5 billion people by 2020) under three broad headings: (1) harnessing digitalization for inclusive growth and employment; (2) digitizing production for growth; and (3) strengthening trust in the digital world.

Importantly, the ministers outlined their future programme in three agreed statements: (1) a Roadmap for Digitalisation: Policies for a Digital Future; (2) Digital Skills in Vocational Education and Training; (3) G20 Priorities on Digital Trade.<sup>28</sup>

The Roadmap for Digitalisation laid out future expectations and work

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<sup>23</sup> G20 Labour and Employment Ministers, *Towards an Inclusive Future: Shaping the World of Work*, Bad Neunahr, 19 May 2017, <http://www.g20.utoronto.ca/2017/170519-labour.html>.

<sup>24</sup> Ibid.: “The resilience and inclusiveness of our economies and societies will depend on how we shape the future of work, tackle uncertainty and foster economic security. [...] We need to respond to critical challenges, including more frequent occupational changes, labour market segmentation, employment polarisation, geographical differences, as well as gaps in social protection resulting in part from the rise in non-standard forms of employment and the growing platform economy.”

<sup>25</sup> G20 Labour and Employment Ministers, *Annex A: G20 Priorities on the Future of Work*, Bad Neunahr, 19 May 2017, <http://www.g20.utoronto.ca/2017/170519-labour-annex-a.html>.

<sup>26</sup> Ibid.: (i) Strengthening skills development and adaptation throughout the working life; (ii) Promoting adequate social protection and social security coverage for all workers, including those in non-standard forms of employment; (iii) Encouraging social dialogue including collective bargaining for adaptable and fair work arrangements and working conditions; (iv) Harnessing the opportunities of structural change for new and better jobs. (v) Monitoring trends and exchanging good practices.

<sup>27</sup> G20 Digital Ministers, *G20 Digital Economy Ministerial Declaration: Shaping Digitalisation for an Interconnected World*, Düsseldorf, 7 April 2017, <http://www.g20.utoronto.ca/2017/170407-digitalization.html>.

<sup>28</sup> Ibid.: see annexes.

under 11 headings. These promoted expanding digital technologies to the “unconnected”, fostering competition, supporting MSMEs, promoting trust and consumer protection. The one new area was a call for encouraging the continued development of the internet of things (IoT) and the digitalization of production. The roadmap is also important because it was endorsed by the G20 heads of governments in the 2017 Hamburg Statement.<sup>29</sup> This was the first time that the subject of digitization and future of work had been broadly discussed by the heads of governments.<sup>30</sup>

In 2018, Argentina focused on digital government, the digital gender divide, infrastructure deployment and the measurement of the digital economy, in addition to creating the G20 Repository of Digital Policies. The Digital Economy Ministers issued a declaration, which noted that it was essential to continue work on further understanding the market impact of emerging technologies and new business models like online platforms, and the need to advance a fair, predictable, transparent, competitive and non-discriminatory business environment. One notable aspect of Argentina's presidency was the closeness of the Argentinian officials, civil society and businesspeople tasked with leading the Secretariat and the other engagement groups of the G20 like the T20, B20, L20, etc. They knew each other from the usual run of business in Buenos Aires. They were also able to leverage a digitalization round-table process already under way within the Argentinian Government. The result was a close interchange of ideas. For instance, the Think 20 policy brief on AI<sup>31</sup> was discussed in some detail in the DETF. Throughout the Argentinian process, the various engagement groups felt that their inputs were being considered by the Secretariat and the numerous official working groups.

The Argentinian presidency placed the Future of Work agenda across several workstreams, including the Employment Working Group, the

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<sup>29</sup> G20, *G20 Leaders' Declaration: Shaping an Interconnected World*, Hamburg, 8 July 2017, <http://www.g20.utoronto.ca/2017/2017-G20-leaders-declaration.html>.

<sup>30</sup> It is worth reading the “Harnessing Digitization” section of the Statement to see the breadth of issues Heads of States recognized being affected by digitization.

<sup>31</sup> Paul Twomey, *Building on the Hamburg Statement and the G20 Roadmap for Digitalization – Towards a G20 Framework for Artificial Intelligence in the Workplace*, T20 Argentina Policy Brief, 19 June 2018, <https://www.g20-insights.org/?p=7709>.

newly created Education Working Group and the DETF under the “Sherpa” track as well as under the Finance track. Argentina’s DETF theme was in line with its presidency’s focus on sustainable development, and also represented the interests of regional partners like Brazil, Chile and Mexico. The Argentinian officials faced a similar problem to that of earlier DETFs: how to include the various topics raised by G20 members while still trying to keep a boundary to the task force’s work and focus on complete deliverables. They also quietly bemoaned the lack of a G20 full-time secretariat, which could have acted as a repository of corporate memory – they relied heavily on officials from the preceding German presidency and other members of the DETF in order to ensure an understanding of continuity. The one topic that Argentinian officials particularly pushed was education reform for a digital world in the developing world – an issue that they considered to be pressing in Latin America.

A reflection of this emphasis was the first ever joint meeting of the G20 ministers responsible for education, labour and employment. They released their declaration in September 2018,<sup>32</sup> making recommendations on developing skills for an inclusive Future of Work (both North/South and gender-based) and promoting a whole-of-government and multi-stakeholder approach to skills governance. In addition the Ministers of Employment and Labour also released the “Fostering Opportunities for an Inclusive, Fair and Sustainable Future of Work” declaration,<sup>33</sup> which set out a set of recommendations to promote innovative and coordinated skills-development policy while promoting fairness through formalizing and improving labour conditions. They also called for social protection to be more sustainable, adaptable and responsive to the new platform and “gig” economies.

Significantly, the ministers also agreed on a set of “Policy principles for promoting labour formalization and decent work in the Future of Work

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<sup>32</sup> See G20 Education, Labour and Employment Ministers, *G20 Joint Education and Labour and Employment Ministers’ Declaration 2018*, Mendoza, Argentina, 6 September 2018, <http://www.g20.utoronto.ca/2018/2018-09-06-education-and-employment.html>.

<sup>33</sup> G20 Labour and Employment Ministers, *Fostering Opportunities for an Inclusive, Fair and Sustainable Future of Work*, Mendoza, Argentina, 7 September 2018, <http://www.g20.utoronto.ca/2018/2018-09-07-employment.html>.

and in the platform economy”,<sup>34</sup> which included promoting fair treatment in working conditions, access to social protection, the formalization of all work, and training opportunities for all workers regardless of the type of employment relationship. They called on members, in dialogue with business, to identify and define basic guidelines, drawing on applicable international labour standards that digital platforms should follow. This was the first statement by the G20 on the increasingly controversial area of the impact of internet platforms and the associated gig economy.

The broad extent of the work of the DETF under the Argentinian presidency became clear with the announcement of the G20 Digital Economy Ministerial Declaration (the “Salta Declaration”) and its accompanying four statements.<sup>35</sup> Very detailed recommendations were included in the papers on: (1) G20 Digital Government Principles; (2) Bridging the Digital Gender Divide; (3) Measurement of the Digital Economy; and (4) Accelerating Digital Infrastructure for Development.<sup>36</sup>

The challenge of how to ensure the transfer of corporate memory to the subsequent Japanese presidency emerged in 2019. Government officials and heads of the engagement groups from Argentina – and, to a certain extent, Germany – dedicated significant time to supporting the Japanese Government and engagement group partners. Because of planning for the hosting of the Rugby World Cup and the Olympic Games, the Japanese presidency’s work plan had to be compressed. While adopting the broad range of issues on digitization that had emerged out of Argentina, the unique areas of emphasis for Japan lay in supporting ageing populations; promoting sustainable infrastructure; developing financial-technology skills among G20 members, especially developing countries; and

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<sup>34</sup> Ibid.

<sup>35</sup> See G20 Digital Ministers, *G20 Digital Economy Ministerial Declaration*, Salta, Argentina, 24 August 2018, <http://www.g20.utoronto.ca/2018/2018-08-24-digital.html>. The statement set out what it called a “Digital Agenda for Development” under various areas: principles to increase efforts to digitally transform G20 governments; reviewing OECD recommendations to overcome the digital gender divide; measuring the digital economy; and sets of principles similar to previous years on overcoming the digital divide, encouraging MSMEs and promoting consumer protection.

<sup>36</sup> Ibid.: see annexes.

human-centric AI. This emphasis was clear in the ministerial declarations. The labour and employment ministers committed to human-centred future-of-work policy priorities:<sup>37</sup> adapting to demographic change, including accepting a longer working life and recognizing long-term care work as a new job opportunity in an ageing society. New forms of work were recognized, while the call for formalization of jobs continued.

The theme of the first ever joint meeting of Trade and Digital Economy Ministers was the design and implementation of digital policies to maximize a human-centred future society.<sup>38</sup> One new topic was that of a human-centered future society – an inclusive, sustainable, safe, trustworthy and innovative society achieved through digitalization.<sup>39</sup> One highly significant, and in some ways surprising, decision of these members was the propagation of a set of G20 Principles on Artificial Intelligence.<sup>40</sup>

Over recent years, there has been an increasing call by technical and scientific leaders, trades unions<sup>41</sup> and civil society – and by technology

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<sup>37</sup> See G20 Labour and Employment Ministers, *Shaping a Human-Centered Future of Work. Ministerial Declaration*, Matsuyama, Ehime, Japan, 2 September 2019, <http://www.g20.utoronto.ca/2019/2019-g20-labour.html>.

<sup>38</sup> Ministers made proposals in the following areas which had been also addressed in previous year: trust and the free flow of data, security, governance innovation in the digital economy related to the digital economy, the SDGs.

<sup>39</sup> See G20 Trade Ministers and Digital Economy Ministers, *G20 Ministerial Statement on Trade and Digital Economy*, Tsubuka, Ibaraki, Japan, 9 June 2019, <http://www.g20.utoronto.ca/2019/2019-g20-trade.html>.

<sup>40</sup> While recognizing the benefits which may result from AI the ministers also noted that “AI, like other emerging technologies, may present societal challenges, including the transitions in the labor market, privacy, security, ethical issues, new digital divides and the need for AI capacity building. To foster public trust and confidence in AI technologies and fully realize their potential, we are committed to a human-centered approach to AI, guided by the G20 AI Principles drawn from the OECD Recommendation on AI”. Like all G20 statements the Principles statement is non-binding. The principles include “inclusive growth, sustainable development and well-being”, “human-centered values and fairness”, “transparency and explainability”, “robustness, security and safety” and “accountability”. The principles also offer “guidance for consideration by policy makers with the purpose of maximizing and sharing the benefits from AI, while minimizing the risks and concerns, with special attention to international cooperation and inclusion of developing countries and underrepresented populations”.

<sup>41</sup> See UNI Global Union, *Top 10 Principles for Workers’ Data Privacy and Protec-*



companies themselves<sup>42</sup> – for governments to intervene to ensure that human control and values are mandated in AI development. In May 2019, important progress was made when the 35 member countries of the OECD agreed on the OECD Principles on Artificial Intelligence.<sup>43</sup> These complemented the AI Ethics Guidelines for Trustworthy AI adopted by the European Commission's High-Level Expert Group on AI in April 2019.<sup>44</sup>

AI policies and the question of how to implement the 2019 G20 Principles on AI were among the discussions at the first meeting of the DETF for the Saudi Arabian presidency in February 2020.<sup>45</sup> Other points of discussion included:

- improving cross-border data flows and lower barriers;
- shaping the future of technology applications in urban centres, and smart mobility;
- advancing measurement approaches for the digital economy, which would enhance evidence-based policy-making;
- cybersecurity measures aimed at improving the resilience of global economic systems; and
- addressing growing global concerns, including economic losses from cyberattacks.

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tion, Nyon, 2018, <http://www.thefutureworldofwork.org/docs/10-principles-for-workers-data-rights-and-privacy>; TUAC, *OECD Recommendation on Artificial Intelligence Calls for a "Fair Transition" Through Social Dialogue*, 22 May 2019, <https://tuac.org/news/oecd-recommendation-on-artificial-intelligence-calls-for-a-fair-transition-through-social-dialogue>; and Anna Byhovskaya, "Is Artificial Intelligence Let Loose on The World of Work?", in *Workers Voice @ OECD*, 15 January 2020, <https://link.medium.com/Xuy2YU1FN7>.

<sup>42</sup> Cf. Microsoft, *The Future Computed. Artificial Intelligence and Its Role in Society*, Redmond, Microsoft Corporation, 2018, <https://news.microsoft.com/futurecomputed>.

<sup>43</sup> OECD website., *OECD Principles on Artificial Intelligence*, <http://www.oecd.org/going-digital/ai/principles>.

<sup>44</sup> Cf. European Commission High-Level Expert Group on Artificial Intelligence, *Ethics Guidelines for Trustworthy AI*, 8 April 2019, <https://europa.eu/!bC37vJ>.

<sup>45</sup> See G20 Digital Economy Task Force (DETF), *Emerging Technologies and Cyber Resilience on G20 Table*, Riyadh, 2 February 2020, [https://g20.org/en/media/Documents/G20SS\\_PR\\_First\\_Digital\\_Economy\\_Taskforce\\_Meeting\\_EN.pdf](https://g20.org/en/media/Documents/G20SS_PR_First_Digital_Economy_Taskforce_Meeting_EN.pdf); G20 Trade Ministers and Digital Economy Ministers, *G20 Ministerial Statement on Trade and Digital Economy*, cit.



In an important process innovation, the Saudi Arabian presidency arranged for the DETF to join an expert audience for the G20 Cybersecurity Dialogue. “The event [was] organized to extend the discussions on cybersecurity challenges to business leaders, academics and civil society representatives to shape an inclusive debate on the matter.”<sup>46</sup>

The DETF held its second virtual meeting in April 2020 to discuss the “G20 Roadmap Toward a Common Framework for Measuring the Digital Economy” report. Participants included G20 members, experts from international organizations and key stakeholders – including businesses. Following up an agenda initiated by the Argentinian presidency in 2018,<sup>47</sup> the task force discussed a suite of fundamental indicators for the joint adoption and monitoring of trends in jobs, skills and growth in the digital economy – aiming to measure these areas as well as the effects on them. Participants also discussed the policy relevance and statistical feasibility of such indicators. The DETF is seeking to set out a conceptual framework for the measurement of the digital economy, and to identify areas of work for future action.<sup>48</sup>

There was certainly surprise in OECD circles when the G20 adopted its principles, considering that the OECD principles reflect the liberal-democratic values of its members. But the G20 discussions on AI had started in 2015 with the Chinese presidency, and had continued within the DETF through to the Japanese presidency.

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<sup>46</sup> Ibid.

<sup>47</sup> See the toolkit document prepared for the 2018 meeting: G20 DETF, *Toolkit for Measuring the Digital Economy*, January 2019, <http://www.oecd.org/g20/summits/buenos-aires/G20-Toolkit-for-measuring-digital-economy.pdf>; and more work done at the OECD: OECD, *Measuring the Digital Transformation: A Roadmap for the Future*, Paris, OECD, March 2019, p. 19-27, <https://doi.org/10.1787/9789264311992-en>.

<sup>48</sup> See G20 DETF, *G20 Digital Economy Task Force Tackles Critical Common Challenges*, Riyadh, 5 May 2020, [https://g20.org/en/media/Documents/G20SS\\_PR\\_G20%20Digital%20Economy%20Working%20Group%20Meeting\\_EN.pdf](https://g20.org/en/media/Documents/G20SS_PR_G20%20Digital%20Economy%20Working%20Group%20Meeting_EN.pdf).

### 3. THE IMPACT OF COVID-19

As for the impact of the Covid-19 pandemic, while the “new normal” is yet to settle, long-term changes are likely to include:

1. The surge in teleworking remaining to a significant degree, and firms having to adapt their organizational models to it. This will also bring calls for clearer guidelines and assessment of workers' well-being and productivity levels.
2. The increased surveillance of consumers and employees at workplaces in order to trace the virus spread probably being maintained – or, at least, “mothballed” – to be used in responding to future infections. If not carefully regulated and time constrained, such tools are likely to raise workplace and consumer monitoring to a higher level than hitherto.
3. The collection of data from workers for the Covid-19 response exacerbating policy issues around whether or not workers' data should be treated as personal data for privacy purposes.
4. The adoption of online and contactless technologies during the pandemic accelerating a trend for the adoption of robotics and AI, with a negative impact on some jobs. Much has been made of the impact of AI and related robotics on jobs – especially since Carl Benedikt Frey's and Michael A. Osborne's 2013 paper estimating that 47 per cent of jobs in the US were “at risk” of being automated over the next 20 years.<sup>49</sup> Debate has ensued on the exact nature of this impact: the full or partial erosion of existing job tasks and the impacts across sectors – and across developed, emerging and developing economies. Whatever the specifics, the results are clearly going to be very significant for G20 economies and their citizens. And, if the rate of adoption continues to outpace previous major technological adoptions,<sup>50</sup> the scale of social

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<sup>49</sup> Carl Benedikt Frey and Michael A. Osborne, “The Future of Employment: How Susceptible Are Jobs to Computerisation?”, in *Oxford Martin School Working Papers*, 17 September 2013, <https://www.oxfordmartin.ox.ac.uk/publications/the-future-of-employment>.

<sup>50</sup> See discussion in Steve Lohr, “A.I. Will Transform the Economy. But How Much,

dislocation is likely to be greater – which provides even stronger reasons for the G20 to work now on an action plan on how to fulfil the 2019 G20 Principles on AI (including a timeline) and set up a monitoring framework.

5. Geopolitical pressures will increasingly be echoed in national digital-technology policies, reflecting the narrative battle that has already ensued over the causes of the Covid-19 pandemic. Examples include the disputes about the role of Huawei in the global roll-out of 5G networks and the increasing sanctioning by the US of robotics and AI companies that it deems “represent a significant risk of supporting procurement of items for military end-use in China”.<sup>51</sup>

#### 4. THE POTENTIAL ROLE OF THE G20

In the arena of the digital economy and the future of work, the G20 has shown itself to be a surprisingly effective model for building consensus on issues that affect nearly every economy in the world. While inter-state interaction on technology issues in other international forums has often been fractious, the discussions in the G20 – and, especially, the DETF – have been robust but have mostly avoided conflict. This success can be attributed to several factors:

- Outside periods of crisis (such as 2008–09), the G20’s culture has become one of building consensus around statements of aspiration. Even when the statements outline commitments to principles, these are explicitly non-binding on digital-economy and future-of-work issues. This path-forward nature of G20 negotiations has been a useful way to keep the group’s member states heading in a broad common direction – especially on demand-

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and How Soon?”, in *The New York Times*, 30 November 2017, <https://www.nytimes.com/2017/11/30/technology/ai-will-transform-the-economy-but-how-much-and-how-soon.html>.

<sup>51</sup> See, for instance: US Department of State, *Commerce Department to Add Two Dozen Chinese Companies with Ties to WMD and Military Activities to the Entity List*, 22 May 2020, <https://www.commerce.gov/node/2948>.

side issues such as the impact of technologies on work, but also on supply-side issues such as principles on AI or principles on labour relations in regard to the platform economy.

- Issues that have emerged in statements have normally been on the officials' and engagement bodies' agenda for several years, and have been allowed to mature by successive presidencies before appearing in a ministerial statement. This is despite the challenge of balancing a complex set of issues and handing them on from one presidency to another. Additionally, the lack of an organ for passing on corporate memory (such as a secretariat) has made this handover process ad hoc and variable from year to year.
- The leadership of particular presidencies has had a particular impact on G20 output – both in the year of incumbency and in influencing subsequent presidencies.
- The small scale of the G20 has meant that while there are undoubtedly certainly groupings and differences in perspective among its members, the incentive for pursuing global influence politics that is present in organs such as the United Nations is absent. In contrast to the dispute in the UN over cybercrime and cyber norms, the G20 does not have 193 countries that need to be courted.

While the G20 process has been broadly successful, there are four issues that may confront the upcoming Italian presidency. They are laid out below.

#### *4.1 Ensuring memory transfer*

There have been a number of calls for a permanent G20 secretariat since French President Nicolas Sarkozy's proposal, first made in 2010. But there is no consensus for such a move among the group's members. As noted above, the OECD has been a useful partner for various presidencies but at present there is not even a common site for all the various G20 websites – and, indeed, much important public data from past meetings has been lost. One avenue that should be explored is partnering further with the engagement groups of the G20 in order to offer aspects of a secretariat function. Perhaps the B20 or the T20 could undertake to host a long-term website-preservation project for the G20, without interfering

with the flexibility of each successive presidency. Another useful move would be to have the T20 and the OECD liaise as to how to commission research from OECD staff and the think-tank community to input into the working groups. Keeping a central record of research and policy briefs for ongoing reference would also be a useful step without moving into the arena of a permanent secretariat (a version of such a record is already convened by the Global Solutions Initiative).<sup>52</sup>

## 4.2 *The future of the DETF*

The Digital Economy Task Force has grown since the Hangzhou Summit into a grouping with an increasingly complex set of issues before it – reflecting the role that digital technologies play in underpinning nearly all sectors of the global economy. It now produces major ministerial statements and policy statements. But the challenge for each presidency lies in where to draw the boundaries of its work and to manage the overlap with the established working groups of the G20.<sup>53</sup> Nonetheless, the DETF's interim nature now seems to have passed. A number of people in the G20 community coming from an information-technology/communications background have privately argued that the task force should now be made into a working group. Others, coming from a digitizing-government background, have argued that this task force should be a smaller unit providing case studies and technical input to the other working groups in order to bring digital issues to each working group's attention. This author thinks that the task force has now assumed an important long-term responsibility to oversee the policy commitments made on AI: measuring the digital economy, the platform economy and the future of work (although here more could be done by the task force

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<sup>52</sup> See G20 Insights website: *Policy Briefs*, [https://www.g20-insights.org/policy\\_briefs](https://www.g20-insights.org/policy_briefs).

<sup>53</sup> The working groups of the G20 are: Agriculture Working Group, Anti-Corruption Working Group (ACWG), Development Working Group, Employment Working Group, Framework for Growth Working Group, Global Partnership for Financial Inclusion, Green Finance Study Group, HealthWorking Group, International Financial Architecture Working Group, Sustainability Working Group (Energy and Climate) and the Trade and Investment Working Group.

with the G20 Employment Working Group). Furthermore, the task force is now addressing the governance issues of emerging technical capabilities (like AI) that do not naturally fall within the existing working groups' mandates.

One obstacle is that national delegates represent either technology ministries or foreign ministries, so face-to-face meetings are often difficult as the relevant knowledge varies among delegates. France has addressed this challenge through a 20-year tradition of appointing a Digital Ambassador.

#### *4.3 Expanding the interaction between working groups and the DETF with engagement groups and experts*

As several officials from various presidencies have shared with the author, it is clear that if private-sector, civil-society and other experts can be brought into discussions with the various government officials involved, then the type of consideration encountered in the working groups/DETF would be so much richer. This is difficult to coordinate when there is no secretariat and interactions among officials occurs only three or four times before the ministerial meetings. The multi-stakeholder approach to the discussion of digital issues has been relevant for countries, with side events happening in Germany, Argentina and Japan. There is still a great deal of room for improvement on how these spaces are used in the context of the discussion. Usually, the limited time available and the pressure to produce a declaration make it difficult to find space for more innovative ideas.

One simple step would be to arrange for the engagement groups to give written input to the working groups and DETF, either before or after the first meeting of officials. By that time, the engagement groups would have settled into the general topics of discussion, and much of their thinking could be transferred from one-year presidency to another. A good example of this is the Think 20, which has to date developed 287 peer-reviewed policy briefs on the G20 work agenda. As is happening this year – with the DETF, at least – experts from the engagement groups could then be asked to meet in person with officials during the meetings of officials. These two simple steps would both enrich consideration at the official levels and further bind the engagement groups into the G20

process. The political reality is that if the participants in the engagement groups begin to become disillusioned with the G20 and its levels of inclusiveness, media – and broader – disillusionment will follow.

#### *4.4 The next steps on principles for responsible stewardship for trustworthy AI*

Under Japan's presidency, the G20 endorsed the principles that were drawn largely from the OECD 2019 Principles. These are centred on human values, fairness, transparency, clarity, robustness, security, safety and accountability. Being (necessarily) broad in tone, these principles now require specific steps towards implementation through regulatory actions – especially because current practices by many AI systems do not fully reflect them. Both the Saudi and Italian presidencies have an important challenge to shape and coordinate AI policies, and to make practical recommendations to G20 leaders on how their national governments can implement these principles.

The G20 would be well positioned to: (1) formulate an action plan on how to fulfil the principles (including a timeline, as it has in the case of past growth and gender targets) and set up a monitoring framework; and (2) bridge the “silos” of the DETF and the Employment Working Group in order to address future-of-work issues (the Italian presidency could, for example, host a joint meeting on digital issues and employment).

A further political issue that might confront the Italian presidency is that some less-liberal members of the G20 will have more experience of what the wording involved actually means in terms of AI deployments, and may wish to limit the commitments that they have made in the AI statement. The goal should be to keep all the members committed and allow no watering-down of the statement's provisions.

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## The Challenges of an Ageing Society

*Paola Subacchi*

The G20 (Group of Twenty) countries – both advanced and developing economies – are experiencing an unparalleled shift in their demographic profiles. The world is ageing: the estimated proportion of the 2020 population aged 60 years and over is significant in many countries, and stands at 13.5 per cent globally. Almost a quarter of the world population is aged under 15 (24.1 per cent), but the growth pace of this group is slower than that of the over-60s. Between 2010 and 2020, the over-60 age group grew by 37.4 per cent while the under-15 group grew by only 5.7 per cent.<sup>1</sup>

There are significant regional differences. Europe and North America are already demographically mature, with 24.8 per cent of their populations aged 60 years and over, and 16.7 per cent aged under 15 years. In eastern and southern Asia, the proportion of the populace aged 60 and over (16.6 per cent) is similar to that under 15 (19.4 per cent) – while sub-Saharan Africa, and North Africa together with the Middle East have a large share of children (42.3 and 30.4 per cent respectively for the under-15s) against a small share of older people (4.7 and 8.8 per cent respectively for the 60-and-over bracket).<sup>2</sup>

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<sup>1</sup> UN Population Division, *World Population Prospects 2019*, <https://population.un.org/wpp/Download/Standard/Population>.

<sup>2</sup> Population estimates for 2020, UN Population Division, *World Population Prospects 2019*, File POP/8-1: Total population (both sexes combined) by broad age group, region, subregion and country, 1950-2100 (thousands), Estimates, 1950-2020, August 2019.

The dramatic transformation of the population's age structure has been driven by changes in mortality – first in early life and then in later life. Life expectancy at birth in developed countries has increased steadily from approximately 65 in the mid-1950s to the current 79.<sup>3</sup> Even more significantly, life expectancy at 60 has increased; a 60-year old individual residing in a developed country can now expect to live until they are almost 81.<sup>4</sup> Between 1950 and 2020, the number of over-60 persons more than tripled in the developed world. Within this age cohort, the over-90 group has grown at the strongest pace. There are now almost 12.5 million people aged over 90 in developed countries; in 1950, there were just over 700,000.<sup>5</sup>

Along with changes in mortality, there have been significant developments in fertility. The total fertility rate (i.e. live births per woman) dropped worldwide from 4.97 in 1950 to the current 2.47. In developed countries, total fertility rate fell from 2.82 to 1.64, which is below the replacement level. In the least-developed countries, fertility levels have fallen from 6.53 in 1950 to the current 4.00.<sup>6</sup> Changes in mortality and life expectancy, coupled with changes in fertility, have resulted in a stronger expansion in the older age group than the younger one. The United Nations (UN) predicts that there will be over 2 billion people aged 60 and above worldwide in 2050, and one in five people in developing countries will be aged 60 or over. In ten G20 countries, the aged 60 and over now comprise more than 20 per cent of the total population, outstripping the under-15s (see Table 1). This trend is due to continue, making ageing a critical topic for the G20.

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<sup>3</sup> UN Population Division, *World Population Prospects 2019*, File MORT/7-1: Life expectancy at birth (both sexes combined) by region, subregion and country, 1950-2100 (years), Estimates, 1950-2020, August 2019. This steady increase has been significant especially for women.

<sup>4</sup> UN Population Division, *World Population Prospects 2019*, File MORT/13-1: Life expectancy at age 60 (both sexes combined) by region, subregion and country, 1950-2100 (years), Estimates, 1950-2020, August 2019.

<sup>5</sup> Population estimates for 2020, UN Population Division, *World Population Prospects 2019*, File POP/8-1, cit.

<sup>6</sup> Population estimates for 2020, United Nations, Population Division, *World Population Prospects 2019*, File FERT/4: Total fertility by region, subregion and country, 1950-2100 (live births per woman), Estimates, 1950 - 2020, August 2019.

**Table 1** | Demographic transition in G20 countries

G20 country	Population (millions)	under 15 (millions)	60 and over (millions)	under 15 as % total	60 and over as % total
Argentina	45.196	11.044	7.021	24.4	15.5
Australia	25.500	4.920	5.553	19.3	21.8
Brazil	212.559	44.019	29.857	20.7	14.0
Canada	37.742	5.954	9.396	15.8	24.9
China	1,439.324	254.930	249.776	17.7	17.4
France	65.274	11.523	17.520	17.7	26.8
Germany	83.784	11.693	23.991	14.0	28.6
India	1,380.004	361.018	139.610	26.2	10.1
Indonesia	273.524	70.941	27.524	25.9	10.1
Italy	60.462	7.852	18.042	13.0	29.8
Japan	126.476	15.744	43.412	12.4	34.3
Mexico	128.933	33.310	14.492	25.8	11.2
Russia	145.934	26.797	32.706	18.4	22.4
Saudi Arabia	34.814	8.598	2.037	24.7	5.9
South Africa	59.309	17.082	5.062	28.8	8.5
South Korea	51.269	6.431	11.870	12.5	23.2
Turkey	84.339	20.193	11.021	23.9	13.1
United Kingdom	67.886	12.000	16.568	17.7	24.4
United States	331.003	60.811	75.718	18.4	22.9

Source: UN Population Division, *World Population Prospects 2019*, Database.

We should celebrate the fact that we live longer and are healthier than our predecessors, but there are challenges as well as opportunities in the current demographic transition. A shrinking labour force, a potential decline in productivity, an increased dependency ratio and the growing number of elderly – especially those aged 80 and above – change the dynamics of the labour market, threaten economic growth and the sustainability of public finances, and affect the impact of conventional macroeconomic policies.

In this chapter, I examine this demographic transition against the backdrop of the G20's policy agenda, assessing the existing level of policy cooperation and raising issues that need to be included in the agenda. I start by looking at the state of international cooperation, and then examine what the G20 has done so far and what it has pledged to do in the future. My starting point – and, to some extent, the key question of this chapter – is whether the interests of the G20 member states vis-à-vis



ageing are truly aligned, given that not all of them are grappling with this transition. Indeed, ageing is prevalent in the advanced economies of the G20 – notably, those of Japan; Italy; France; Germany; Canada; the United Kingdom; and, to a lesser extent, the United States. These countries are members of the G7, yet even within this group there are significant differences (see Table 1). Figures also show that the middle-income countries are experiencing a much faster growth rate of their over-60 populations than the low- and high-income ones – exacerbating the middle-income “trap”. China, in particular, is ageing rapidly; in late 2019, the State Council launched a national plan to respond to population ageing.

## 1. THE STATE OF INTERNATIONAL COOPERATION

Japan’s Priority Agenda for the G20 Osaka Summit 2019 ranked the challenges of an ageing society as its sixth priority (out of seven). This was the first time that the G20 had looked at ageing,<sup>7</sup> but the theme was not new to the international agenda. The UN General Assembly convened the first World Assembly on Ageing in 1982, which produced the 62-point Vienna International Plan of Action on Ageing<sup>8</sup> that the General Assembly adopted and then endorsed in the same year (Resolution 37/51).<sup>9</sup> This document – the first published by an international organization on the subject – provided the basis for the formulation of policies and programmes. It identified the areas in which action was needed – such as health and nutrition, protection of elderly consumers, housing and environment, family, social welfare, income security and employment, and education – and offered 62 policy recommendations based around research, data collection, analysis, and training and education.

In 1991, the General Assembly adopted the United Nations Principles

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<sup>7</sup> John Kirton, “Japan’s Priority Agenda for its G20 Osaka Summit 2019”, in *G20 Analysis*, 1 December 2018, <http://www.g20.utoronto.ca/analysis/181201-kirton-osaka-priorities.html>.

<sup>8</sup> UN website: *Ageing*, <https://www.un.org/en/sections/issues-depth/ageing>.

<sup>9</sup> UN General Assembly, *Question of Aging*, 3 December 1982, <https://undocs.org/en/A/RES/37/51>.

for Older Persons,<sup>10</sup> which listed 18 entitlements aimed at preserving and improving independence, participation, care, self-fulfilment and dignity. The following year, the International Conference on Ageing met to follow up on the Plan of Action and adopted a Proclamation on Ageing.<sup>11</sup> Following the conference's recommendation, the UN General Assembly declared 1999 the International Year of Older Persons. The International Day of Older Persons is celebrated every year on 1 October.

Action on behalf of the elderly progressed in 2002 when the Second World Assembly on Ageing was held in Madrid. Aiming to design international policy on ageing for the 21st century, it adopted a Political Declaration and the Madrid International Plan of Action on Ageing.<sup>12</sup> This document called for changes in attitudes, policies and practices at all levels in order to fulfil the enormous potential of ageing. The document's specific recommendations for action set three priority areas: (1) older persons and development (in particular, social protection); (2) advancing health and well-being into old age; and (3) ensuring enabling and supportive environments.

In 2015, all UN member states adopted the Sustainable Development Goals (SDGs)<sup>13</sup> as part of the 2030 Agenda for Sustainable Development<sup>14</sup> to end poverty, protect the planet and improve the lives and prospects of everyone. Tangentially, this includes ageing by recognizing that development will only be achievable if it is inclusive of all ages. SDG 10 aims to "ensure equal opportunity and reduce inequalities of outcome", and pledges to "[b]y 2030, empower and promote the social, economic and

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<sup>10</sup> UN General Assembly, *Implementation of the International Plan of Action on Ageing and Related Activities*, 16 December 1991, <https://undocs.org/A/RES/46/91>.

<sup>11</sup> UN General Assembly, *Proclamation on Ageing*, 16 October 1992, <https://undocs.org/A/RES/47/5>.

<sup>12</sup> United Nations, *Political Declaration and Madrid International Plan of Action on Ageing. Second World Assembly on Ageing, Madrid, Spain, 8-12 April 2002*, New York, United Nations, 2002, [https://www.un.org/en/events/pastevents/pdfs/Madrid\\_plan.pdf](https://www.un.org/en/events/pastevents/pdfs/Madrid_plan.pdf).

<sup>13</sup> UN website: *About the Sustainable Development Goals*, <https://www.un.org/sustainabledevelopment/?p=45262>.

<sup>14</sup> UN website: *The Sustainable Development Agenda*, <https://www.un.org/sustainabledevelopment/?p=46650>.

political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status”.<sup>15</sup> Empowering older persons in all dimensions of development – including promoting their active participation in social, economic and political life – is one way to ensure inclusiveness and reduce inequalities. In 2019, the theme of the International Day of Older Persons<sup>16</sup> – “The Journey to Age Equality” – was aligned with SDG 10, and focused on coping with existing and preventing future old-age inequalities.

These are all commendable initiatives, but they are fragmented and their implementation is difficult to monitor because many countries lack age-disaggregated data. This in turn has led to too much anecdotal, descriptive and self-defined information – with little evaluation of the relationship between output and policy impact, and a difficulty in comparing countries.<sup>17</sup> Greater national capacities are needed in many countries to provide guidelines in assessing progress. Guidance on data collection, including timescales for reporting, is an area in which coordinated action would have a significant impact.

## 2. INITIATIVES WITHIN THE G20 CONTEXT

I have already mentioned the fact that the G20 is a relatively latecomer to this issue, with ageing only becoming part of its agenda in 2019 on the initiative of Japan – the G20 member with the highest proportion of over-60s (see Table 1). The two main contributions on ageing to the 2019 G20 agenda came from the Organisation for Economic Co-operation and Development (OECD), together with the Global Partnership for Financial Inclusion (GPII), and the World Health Organization (WHO) – health has been on the G20 agenda since 2017. Both contributions focus on empowering elderly people through better health care and financial inclusion

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<sup>15</sup> UN website: *Goal 10 Targets*, <https://www.un.org/sustainabledevelopment/?p=71>.

<sup>16</sup> UN website: *International Day of Older Persons*, <https://www.un.org/en/events/olderpersonsday>.

<sup>17</sup> Asghar Zaidi, “Implementing the Madrid Plan of Action on Ageing: What Have We Learned? And, Where Do We Go from Here?”, in *HD Dialogue blog*, 29 January 2018, <http://hdr.undp.org/en/node/2832>.

in order to reduce the inequalities – in terms of health conditions and financial provisions – that are, for many, intrinsic to ageing.

In the WHO “Contribution to G20 2019 Presidency on Health-related Issues”,<sup>18</sup> the organization recommends that the G20 take up two issues related to public health:

1) To call for a Decade of Healthy Ageing and generate a global movement with measures that foster healthy and active ageing, and access to affordable good-quality primary health care for conditions such as dementia.

2) To call on relevant stakeholders to scale up action on dementia in line with the “Global action plan on the public health response (2017-2025)”, which has been adopted by ten G20 countries, through the implementation of a national dementia strategy.

The 2019 G20 Osaka Leaders’ Declaration draws on the WHO recommendations and commits to “promote healthy and active ageing” and “implement [a] comprehensive set of policies to address dementia, including promoting [...] sustainable provision of long-term care as well as inclusive societies aiming to improve quality of lives of people with dementia and caregivers”.<sup>19</sup>

In their “G20 Fukuoka Policy Priorities on Aging and Financial Inclusion – 8 Key Steps to Design a Better Future”<sup>20</sup> – the GPFI and the OECD identify financial inclusion as a way to empower elderly people; reduce pressures on social security, including the pension system; contain old-age poverty; and improve intergenerational equality. They highlight eight policy measures that the G20 should implement:

1. data gathering to assess which policies are working;
2. strengthening digital and financial literacy;
3. supporting lifetime financial planning;

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<sup>18</sup>World Health Organization, *WHO Contribution to G20 2019 Presidency on Health-Related Issues*, Geneva, 12 February 2019, <https://www.who.int/ageing/g20-feb-2019.pdf>.

<sup>19</sup> G20, *G20 Osaka Leaders’ Declaration*, Osaka, 29 June 2019, point 31, <http://www.g20.utoronto.ca/2019/2019-g20-osaka-leaders-declaration.html>.

<sup>20</sup> Global Partnership for Financial Inclusion (GPFI) and OECD, *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion - 8 Key Steps to Design a Better Future*, 2020, <https://www.gpfi.org/node/1221>.

4. identifying and addressing the diverse needs of older people – there isn't one "size" that fits all;
5. innovating and harnessing inclusive technologies;
6. tackling financial abuse and fraud perpetrated on older people;
7. encouraging stakeholder engagement; and
8. targeting key audiences and addressing vulnerabilities.

The Osaka Leaders' Declaration has taken on board the G20 Fukuoka Policy Priorities on Aging and Financial Inclusion in order "to strengthen financial inclusion in the aging society", recognizing that "demographic changes, including population aging, pose challenges and opportunities for all G20 members, and [that] these changes will require policy actions that span fiscal, monetary, financial, labour market and other structural policies".<sup>21</sup>

These commitments are good steps in the right direction – but overall, they are too generic and lack depth. Even the recommendations offered by the WHO Contribution and the G20 Fukuoka Policy Priorities are short of practical and measurable goals. Furthermore, they address some aspects of ageing without framing the issue against a wider policy context. For instance, the Fukuoka Policy Priorities do not recognize that existing constraints, such as historically low interest rates and the falling individual-savings rate, could undermine financial sustainability and independence for many old people in the years to come.

### 3. AGEING: AN AGENDA FOR THE G20

So far at the G20 level, the response to ageing has been patchy – mainly focusing on health and welfare. What is missing is a coordinated macro-economic approach that brings together fiscal sustainability with monetary policy and structural reforms. At their meeting in Fukuoka in June 2019, the G20 finance ministers and central-bank governors acknowledged the need for such a coordinated approach. Their communique<sup>22</sup>

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<sup>21</sup> G20, *G20 Osaka Leaders' Declaration*, cit.

<sup>22</sup> G20 Finance Ministers and Central Bank Governors, *Communiqué*, Fukuoka, Japan, 9 June 2019, <http://www.g20.utoronto.ca/2019/2019-g20-finance-fukuoka.html>.

recognized that ageing requires a combination of fiscal, monetary, financial and structural policies in the following policy areas:

(1) productivity and growth; (2) public spending; (3) tax; (4) monetary policy; (5) financial institutions; (6) cross-border capital flows; and (7) migration.

This means, in practice, investing in education and skill formation, enhancing the efficiency and effectiveness of public spending, redesigning the tax system to tackle old-age inequality, assessing the links between ageing and monetary policy, and considering immigration policies and the movement of critical workers in relation to population ageing. These points should provide a framework for the G20 to discuss and address ageing.

There are a number of steps that the G20 can put in place in order to develop such a policy framework. Above all, it should create a new working group on ageing to bring together what has been done so far at the international level and to take a fresh look at the challenges of an ageing population. This working group should address the following items:

- *Improvements in data collection and better definitions.* For example, from a health-care perspective there are significant differences within the broad group of over-65s, and these differences need to be taken into account for the sustainability of social-security systems. Health conditions set limits to how long we can extend the working life – a key point in any discussion about pension-system reforms. Survey figures show that health conditions play a significant role in individuals' decisions to stay in paid employment after they reach state-pension age. Still-active individuals tend to concentrate in the "younger" end of the over-65 group: only a small minority (4 per cent of men and 2 per cent of women) are still in work past 75 years of age.
- *Rethink the economic contribution of "active" retirees.* In many G20 member states, active and healthy retirees – roughly in the age group 65–74 – contribute to the domestic economy by providing child-care and, increasingly, care for their very old parents. Calculating the contribution to gross domestic product (GDP) of this domestic work would help in reassessing the economic burden of population ageing. Set against the context of the unpaid contribution of many

elderly people, the dependency ratio – which is crudely calculated as non-working-age individuals compared with working-age ones – becomes less precise in assessing the economic burden of ageing.

- *Consider the distributional effects of the reform of pension systems, and prevent old-age poverty.* To address the issue of reducing the economic burden of ageing and maintaining fiscal sustainability, countries have reformed or are reforming their pension systems, mainly via a mandatory increase in the retirement age and a reduction of pension benefits – for example, by modifying benefit-calculation formulas such as the inflation-indexation component. Recognizing that many retirees contribute to the domestic economy, as discussed in the previous point, could be the starting point of a discussion about how retirees with limited pension benefits – especially women – could earn a minimum wage.
- *Preserve intergenerational equity.* Intergenerational differences in income growth, especially post-global-financial crisis (and, most likely, post-pandemic too), inevitably reflect on savings and thus on the accumulation of assets – notably, houses. Individuals' financial debt decreases with age. Most of it, such as student debt, is accumulated early in life. As a result, individuals and households find it difficult to save; according to surveys, about 55 per cent of people interviewed indicate low income as the main reason for not contributing towards a pension. The younger generations' "constrained" saving capacity reflects on wealth accumulation, with the result that intergenerational inequality in the distribution of wealth has widened.<sup>23</sup> For instance, using home ownership as a proxy for wealth, in the UK nearly three-quarters of pensioners live in homes that are owned outright (compared to roughly 1 in 5 of the working-age population). Saving towards retirement during their working life is critical for many people to avoid old-age poverty. But falling savings rates among the

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<sup>23</sup> David Amaglobeli et al., "The Future of Saving: The Role of Pension System Design in an Aging World", in *IMF Staff Discussion Notes*, No. 19/01 (January 2019), <https://www.imf.org/~media/Files/Publications/SDN/2019/SDN1901.ashx>.

younger generations mean that even countries that successfully manage public expenditure on pensions risk not having financially self-sufficient pensioners.

- *Take a long-term view on the impact of ageing on fiscal sustainability, and link it to income/wealth inequalities.* Today's young people – grappling with low wages, precarious jobs, high housing costs and no savings – are tomorrow's "squeezed" pensioners. Falling relative income levels and ageing will continue to put pressure on public spending, despite the savings achieved through various pension reforms. Policy action should focus on helping low-to-medium-income households to save more for retirement, especially in countries with mixed private and public systems, in order to ensure that future pensioners won't face poverty in retirement.
- *Consider the impact of historically low interest rates on pension-systems sustainability.* Preserving intergenerational equity may become increasingly difficult under current monetary-policy conditions. Low interest rates increase the liabilities of defined-benefits pension schemes – pay-as-you-go as well as private – and reduce the income from defined-contributions pension schemes. At the same time, population ageing may continue to depress real interest rates, limiting the policy space for monetary policy; undermining the profitability of financial institutions; and, ultimately, threatening global financial stability.<sup>24</sup>

## CONCLUSION

The international policy debate is still grappling with the complexity of ageing and the long-term implications of the current demographic transition. Many policy areas have not been sufficiently explored – such as, for example, the impacts of intergenerational inequality and the falling savings rate on the financial independence of future pensioners. A broader

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<sup>24</sup> IMF, *Global Financial Stability Report: Lower for Longer*, October 2019, <https://www.imf.org/en/Publications/GFSR/Issues/2019/10/01/global-financial-stability-report-october-2019>.



macroeconomic approach to ageing is needed that brings together fiscal, monetary and structural policies.

Despite current divergences, the G20 countries, with a few possible exceptions, are facing or will soon be facing the challenges of ageing. Thus, this is a policy area in which efforts must be coordinated. In addition, unlike other policy areas – such as, for example, climate change and the green economy – ageing is rather uncontroversial, and so it should be relatively easy for the Italian presidency to gather support and ensure consensus around policy objectives. Of course, the challenges of ageing being a long-term issue, becoming more acute in the next decade or so, the Covid-19 emergency might result in crowding out such long-term issues and focusing the G20 action on short-term crisis-resolution measures. But this would be a mistake. Apart from locking the G20 into a perennial crisis-resolution mode – with the implication of rendering it ineffective during normal times – the differential impact of Covid-19 by age group and the overall impact on health care, welfare and social policies display some significant overlapping with the effects of ageing. In particular, the Italian presidency should concentrate on the implications of Covid-19-driven fiscal policy and monetary policy for an ageing population. As monetary policy has become even more extreme as a result of the pandemic, and fiscal policy more stretched, the challenges of an ageing population are going to be even more pressing.

There are lessons and good practices that can be shared, as well as scope for coordination. Thus, it would be advisable for the G20 to establish a working group on ageing in order to bring together expertise in different policy areas – from health and health care to data gathering and macroeconomic policies – and to coordinate policy action. Planning ahead and creating resilience should be the objectives of such a group, with clearly measurable and implementable policy measures. As ageing is a known trend, we should prepare and mitigate its impact, and contain the risks.

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## 5.

# The G20: Accelerating the Transition to a Global Circular Economy

*Martin Charter and Ichin Cheng\**

A transition towards a more resource-efficient and circular economy (CE) has earned growing political attention across the globe. The CE concept is increasingly viewed as a central component in the world's pursuit of new models for sustainable, "green" and resilient growth. Building greater social, environmental and economic resilience in a post-pandemic world is now a central topic of discussion among policy-makers and commentators globally. Several countries in Europe and Asia have adopted CE strategies, and momentum is also growing elsewhere – for instance, in Canada.<sup>1</sup> CE measures are now a core component of both the

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Europe Union's (EU's) 2050 long-term strategy to achieve a climate-neutral Europe and China's current Five Year Plan. Japan, as a global front-runner in the development of CE, included it as a priority at the Group of Twenty summit during its G20 presidency in 2019.<sup>2</sup> The Italian Government has decided to explore CE as one of the main priorities for international cooperation during Italy's upcoming G20 presidency, in 2021.

CE is an ambitious paradigm that stems from concerns about such issues as the efficient use of resources, waste management, material recycling and an environment-friendly transformation of business models. As such, it aims to complement and integrate with the social, economic, educational and health objectives identified by international organizations, including the United Nations (UN) Sustainable Development Goals (SDGs). CE is not a wholly new concept; it blends the principles underlying many schools of thought, including resource efficiency. The transition to a CE at global, regional, national and local levels would benefit from the development of common standards – e.g. CE terms and definitions. A global, multi-stakeholder consensus would help to progress the development of circular business models, products, technologies and services; allow the creation of “bridges” to broader social and economic goals; and potentially unleash more funding opportunities.

Four key benefits of a transition to a CE are commonly referred to in the literature: (1) reduced extraction of virgin natural resources; (2) reduced exposure to (geopolitical) supply risk(s); (3) reduced environmental pressures; and (4) new economic opportunities.<sup>3</sup>

US management consulting firm McKinsey has predicted that by 2030, adopting CE principles will generate a net economic benefit of 1.8 trillion euro in Europe as well as substantial environmental and social

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<sup>1</sup> Canada Government website: *Circular Economy*, 2 December 2019, <https://www.canada.ca/en/environment-climate-change/news/2019/12/circular-economy.html>.

<sup>2</sup> Felix Preston, Johanna Lehne and Laura Wellesley, “An Inclusive Circular Economy: Priorities for Developing Countries”, in *Chatham House Research Papers*, May 2019, <https://www.chathamhouse.org/node/39058>.

<sup>3</sup> Andrew McCarthy, Rob Dellink and Ruben Bibas, “The Macroeconomics of the Circular Economy Transition. A Critical Review of Modelling Approaches”, in *OECD Environment Working Papers*, No. 130 (16 April 2018), <https://doi.org/10.1787/19970900>.

benefits.<sup>4</sup> Dublin-based professional-services company Accenture has forecast that CE could generate 4.5 trillion US dollars of additional economic output globally by 2030.<sup>5</sup>

In order to facilitate the transition towards CE at a global level, supranational institutions and national governments will need to explore more deeply the policy implications of the CE paradigm and its potential synergies with other policy objectives. This includes its relationship with any post-pandemic recovery, and the continuing need to ensure economic competitiveness in a world in which labour-market changes are increasingly driven by digital technology, automation and artificial intelligence.

The G20 is a forum focused on advancing international cooperation and coordination among 20 major developed and emerging-market countries. It accounts for more than two thirds of global material resource use,<sup>6</sup> and has, on average, higher growth rates for material use than the rest of the world. Based on current trends, the amount of material used in G20 countries is expected to increase from 65.4 billion tonnes in 2015 to 142.2 billion tonnes by 2050.<sup>7</sup> Global material use has tripled in the past few decades, and in the absence of specific measures to counter such a trend it is expected to further double by 2060.<sup>8</sup>

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<sup>4</sup> Ellen MacArthur Foundation, Deutsche Post Foundation and McKinsey Center for Business and Environment, *Growth Within: A Circular Economy Vision for a Competitive Europe*, June 2015, <https://www.ellenmacarthurfoundation.org/publications/growth-within-a-circular-economy-vision-for-a-competitive-europe>.

<sup>5</sup> Peter Lacy and Jakob Rutqvist, *Waste to Wealth. The Circular Economy Advantage*, Basingstoke/New York, Palgrave Macmillan, 2015.

<sup>6</sup> Material resources include biomass (like crops for food, energy and bio- based materials, as well as wood for energy and industrial uses), metals (such as iron, aluminium and copper used in construction and electronics manufacturing), non-metallic minerals (used for construction, notably sand, gravel and limestone), and fossil fuels (in particular coal, gas and oil for energy).

<sup>7</sup> International Resource Panel (IRP), *Resource Efficiency for Sustainable Development: Key Messages for the Group of 20*, Paris, UN Environment Programme (UNEP), 2018, <http://hdl.handle.net/20.500.11822/31622>.

<sup>8</sup> European Commission, *A New Circular Economy Action Plan* (Ares(2019/7907872), 23 December 2019, [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=pi\\_com:Ares\(2019\)7907872](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=pi_com:Ares(2019)7907872).

Increased material use will also have an impact on climate change. According to the International Resource Panel (IRP), resource-efficiency approaches could reduce greenhouse gases (GHGs) emissions by 60 per cent by 2050.<sup>9</sup> Transitioning towards CE has enormous potential to reduce CO<sub>2</sub> emissions and to mitigate the impact of climate change. It would entail the eventual elimination of the linear conversion of hydrocarbons to CO<sub>2</sub> and its replacement with enhanced energy-efficiency, bio-energy and carbon capture, utilization and storage technologies,<sup>10</sup> and more circular strategies.

Unlike the traditional linear “take-make-consume-throw away” model of consumption and production, the CE model aims to achieve sustainable growth by retaining value in products, materials and components for *as long as possible* in economic and social systems.<sup>11</sup>

“Designing for the CE” thus requires shifting focus from waste management and resource recovery to the objective of “closing the loop” in both biological and technical cycles (Appendix B). A circular economy is one in which products, materials and components are better designed and better maintained – and are repaired, reused, refurbished, remanufactured and finally recycled rather than being thrown away.

CE policy initiatives to close, extend and narrow material loops are largely initiated at national level (see Table 1, below).<sup>12</sup> For instance, Extended producer responsibility (EPR) schemes, landfill taxes and industrial partnerships to encourage ecodesign are generally imple-

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<sup>9</sup> Paul Ekins et al., *Resource Efficiency: Potential and Economic Implications*, Paris, UN Environment Programme (UNEP), March 2017, <http://hdl.handle.net/20.500.11822/21230>.

<sup>10</sup> The position of the authors is that CE must be seen as vital component and enabler of the United Nations 2030 Agenda for Sustainable Development and notes that CE links directly to several of the individual Sustainable Development Goals. For the purposes of this paper, direct discussion over energy is taken to be outside of the scope of CE.

<sup>11</sup> Martin Charter (ed.), *Designing for the Circular Economy*, London/New York, Routledge, 2018.

<sup>12</sup> Green Growth Knowledge Platform (GGKP), “Can International Trade Increase Resource Efficiency?”, in *GGKP Webinars*, 8 December 2015, <https://www.greengrowth-knowledge.org/node/141517>.

mented within national jurisdictions.<sup>13</sup> Greater focus is therefore needed in specific areas in order to enable a global transition to CE: international cooperation, global governance, trade, supply/value chains, standardization, of products/processes and economic incentives – e.g. taxes on virgin raw materials and investment frameworks.

This chapter focuses on the “state of the art” in CE, international cooperation and policy-making – and highlights major global actors, stakeholders and initiatives related to CE. Some issues are explored from a macroeconomic perspective, some from a regional one and some at the level of organizations and products. It also offers recommendations to enhance the role of the G20 in promoting the transition to CE through short-term and medium-term actions as well as initiatives aimed at longer-term systemic change.

**Table 1** | Selected policy instruments used by developed countries to drive CE

Type	Policy	Example
Economic instruments	Landfill taxation	Landfill tax in Denmark, the Netherlands and the UK
	Carbon tax	Carbon tax in the Netherlands, Norway and Sweden
	Container deposit legislation	AB Svenska Returpak in Sweden
	Infrastructure investment	UK Recycling and Waste LP fund for smaller-scale recycling
	Differentiated VAT rate	Reduced VAT rates in China for secondary raw materials
Information-based	Labelling	EU Ecolabel; Der Grüne Punkt in Germany
	Public education programmes	EU public information campaign on environmental damage caused by plastic waste
	Skills and training	Scotland Skills Investment Plan
Ecodesign	Extended producer responsibility (EPR)	India 2016 E-Waste Management Rules; Canada-wide Action Plan for Extended Producer Responsibility
	Ecodesign requirements: durability, repairability, recyclability	EU's Eco-Design Directive

<sup>13</sup> OECD, *Extended Producer Responsibility. Updated Guidance for Efficient Waste Management*, Paris, OECD, 2016, <https://doi.org/10.1787/9789264256385-en>.



Other regulations	Waste prevention standard	BS 8001: 2017 – a framework standard for implementing the CE in organizations
	Voluntary agreements	European PVC industry voluntary agreement; WRAP's Courtauld Commitment to reducing private-sector food waste
	Waste shipments: proper enforcement	UK Transfrontier Shipment of Waste Regulations
Public procurement and innovation	Green public procurement	Dutch government's Green Deal
	Targeted public R&D	EU Circular Economy Finance Support Platform; EU InnovFin, backed by Horizon 2020; Innovate UK
	Pilot zones	CE industrial parks in China; eco-industrial parks in Scandinavia

Source: Felix Preston, Johanna Lehne and Laura Wellesley, "An Inclusive Circular Economy: Priorities for Developing Countries", cit., p. 41.

## 1. THE IMPACT OF COVID-19

The Covid-19 pandemic is causing profound transformations worldwide. The coronavirus has disrupted global supply chains, creating major challenges in sourcing products, components and raw materials from countries around the world. Arguably, it is also fuelling a backlash against globalization.<sup>14</sup>

While the pandemic is still unfolding daily as this chapter is written, its global economic, social and environmental impact has not fully emerged – and it is important to learn lessons in real time rather than to wait until the end of the crisis. As Covid-19 has shown, our challenges are increasingly global in nature and require systemic solutions at a global level. The decisions that we make now to tackle this threat will affect us for generations to come. The present crisis has also illustrated the worldwide challenges that we face in developing solutions to halt global warming<sup>15</sup> and transitioning to a CE. As emphasized by European

<sup>14</sup> Peter S. Goodman, "A Global Outbreak Is Fueling the Backlash to Globalization", in *The New York Times*, 5 March 2020, <https://www.nytimes.com/2020/03/05/business/coronavirus-globalism.html>.

<sup>15</sup> Christiana Figueres and Tom Rivett-Carnac, "Our Approach to Covid-19 Can Also Help Tackle Climate Change", in *New Scientist*, No. 3276 (4 April 2020), <https://www.newscientist.com/article/mg24532763-500>.

Commission President Ursula von der Leyen, the “circular economy will make us less dependent and boost our resilience”. She signalled that sustainability had been elevated to a top security priority, after the viral outbreak exposed the EU’s vulnerability vis-à-vis global supply chains.<sup>16</sup>

The epidemic may, in particular, have the following eventual impacts:

1) The world might move from a globalized economy to one based on regional “bloc economies” centred around the EU; North America; Asia; and, in the longer term, Africa. This major potential shift will have profound implications for the global economy and for the transition towards CE. In particular, with more production migrating back to individual countries (so-called “re-shoring” in opposition to the hitherto more common offshoring), there may be more opportunities to design “closed loop” models based on increased national and localized consumption and production.

2) The world is moving away from reliance on China as a major manufacturing hub. Some companies are accelerating the re-shoring of manufacturing activities from China in order to shorten global supply chains.<sup>17</sup> Such actions, which also reflect growing protectionist drives, reduce the business risks associated with global supply chains that have been exposed by Covid-19. They have therefore come to be seen as a way to increase resilience in case of further economic shocks.

3) Recent commitments to ban single-use plastics might remain unmet in the short term for hygiene reasons.<sup>18</sup> Citizens around the globe

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<sup>16</sup>Ewa Krukowska and Nikos Chrysoloras, “Europe Signals Pandemic Made Green Agenda Top Security Priority”, in *Bloomberg*, 16 April 2020, <https://www.bloomberg.com/news/articles/2020-04-16/stimulus-measures-should-help-green-shift-eu-climate-chief-says>.

<sup>17</sup> For example, on the same day that Japan announced that it would spend upwards of 2.2 billion US dollars to get its corporations out of China and either back to Japan or spread throughout southeast Asia, White House National Economic Council Director Larry Kudlow said the US should “pay the moving costs” of every American company that wants to move out of China in the early of April of 2020. Kenneth Rapoza, “Kudlow: ‘Pay the Moving Costs’ of American Companies Leaving China”, in *Forbes*, 10 April 2020, <https://www.forbes.com/sites/kenrapoza/2020/04/10/kudlow-pay-the-moving-costs-of-american-companies-leaving-china>.

<sup>18</sup> Starbucks announced in March 2020 that it would be temporarily pausing the use of ceramic mugs amid the Covid-19 outbreak, with all drinks being

are now increasingly taking precautions to increase domestic hygiene amid the pandemic, like wearing single-use disposable gloves or masks in public. This may lead to increased marine litter in a number of countries.<sup>19</sup> The likely resulting increase in hazardous waste calls for measures that can ensure damage limitation and mitigation.<sup>20</sup>

## 2. CONCEPTUAL AND DEFINITIONAL ISSUES

Unlike the “traditional”, linear economic model used since the Industrial Revolution and based on a “take-make-consume-throw away” pattern of consumption and production, the CE model aims to achieve environmentally and economically sustainable growth by retaining *value* in products, materials and components *for as long as possible* in economic and social systems.<sup>21</sup> CE means moving away from the generation of waste and the recovery of materials towards “closing the loop” in both biological and technical cycles. Those materials can then be fed back into new rounds of manufacturing or different cycles of reuse, and reutilized components can be incorporated in new products (e.g. reused plastic bumpers in some heavy-goods vehicles).

Many definitions of CE are used worldwide, and there is a lack of consensus over the term.<sup>22</sup> In addition, there are numerous terms associated with CE whose usage differs widely. The author’s involvement in the core team of BS8001:2017,<sup>23</sup> for example, identified confusion over spe-

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served in disposable cups for the time being in the US and Canada, Victoria Forster, “Starbucks Won’t Fill Your Reusable Cup Anymore Over Coronavirus Fears”, in *Forbes*, 4 March 2020, <https://www.forbes.com/sites/victoriaforster/2020/03/04/starbucks-wont-fill-your-reusable-cup-anymore-over-coronavirus-fears>.

<sup>19</sup> Kelly McCarthy, “Single-Use Plastic Gloves Seem Like a Good Idea During Coronavirus, But Here’s the Problem”, in *ABC News*, 7 April 2020, <https://abcn.ws/2JJWBmg>.

<sup>20</sup> Ibid.

<sup>21</sup> Martin Charter (ed.), *Designing for the Circular Economy*, cit.

<sup>22</sup> Ibid.; Julian Kirchherr, Denise Reike and Marko Hekkert, “Conceptualizing the Circular Economy: An Analysis of 114 Definitions”, in *Resources, Conservation and Recycling*, Vol. 127 (December 2017), p. 221-232, <https://doi.org/10.1016/j.resconrec.2017.09.005>.

<sup>23</sup> British Standards Institution (BSI), *Framework for Implementing the Principles of*

cific CE-related terms such as “upcycling” and “remanufacturing”. This lack of standardization has now been recognized by the International Organization for Standardization (ISO), which has set up a new technical committee, TC323, that is progressing the development of four standards – including one covering terms and definitions.

As indicated above, the discussion, which has thus far concentrated on the problem of waste, is now starting to address the problem of *value* – e.g. how to retain *value* in products, materials and components for *as long as possible* in economic and social systems.<sup>24</sup> However, at present, most of the world’s focus is still primarily on narrower, “downstream” issues such as waste management and materials recycling. Policy, standards and government initiatives will increasingly set their sights higher up the value chain, concentrating on the ecodesign of new products and the repair, reuse, refurbishment and remanufacture of existing products that are already in use.

Today, the implementation of comprehensive approaches to CE is still very limited. To accelerate the transition to global CE and a circular society, the long-standing environmental imperative of the 3 R’s – Reduce, Reuse, Recycle – will need to be extended towards a large spectrum of objectives (see the 12 “R’s in Appendix A).<sup>25</sup>

### 3. CE PLANS LAUNCHED BY THE EU AND NATIONAL GOVERNMENTS AROUND THE WORLD

As stated above, policy action that aims to close, extend or narrow material loops is commonly considered at the national level.<sup>26</sup> For instance, EPR schemes, landfill taxes and ecodesign policies are generally implemented within national jurisdictions. More broadly, waste management and materials recovery are also taken forward at a national level, and

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*the Circular Economy in Organizations. Guide*, London, BSI, May 2017.

<sup>24</sup> Martin Charter (ed.), *Designing for the Circular Economy*, cit.

<sup>25</sup> Ichin Cheng, “Why Asia Matters: Circular Economy in Japan, China and Taiwan”, in Martin Charter (ed.), *Designing for the Circular Economy*, London/New York, Routledge, 2018.

<sup>26</sup> GGKP, “Can International Trade Increase Resource Efficiency?”, cit.

CE initiatives are largely enacted through national policies.<sup>27</sup> The concept of CE is taking root around the world – especially in Europe and Asia<sup>28</sup> – and there are numerous examples of CE action undertaken by G20 countries (see Appendix B). Europe, in particular, is at the forefront in promoting the CE agenda globally. The European Commission’s Circular Economy Action Plan (CEAP) policy package was passed in 2015, and a great deal of progress has since been published. In March 2020, the Commission published a new action plan, CEAP 2.0,<sup>29</sup> that highlighted various initiatives to support a global transition to CE. For example, the European Plastics Strategy aims at an international agreement on plastics and promotes the uptake of the EU’s CE approach on plastics. The Commission has proposed a Global Circular Economy Alliance in order to identify knowledge and governance gaps that hinder the advancement of a global CE and to build partnerships with other major economies, including those of China and African countries. Under CEAP 2.0, the Commission has also started discussions on an international agreement on the management of natural resources, and is working to ensure that free-trade agreements and the International Platform on Sustainable Finance reflect the enhanced objectives of the CE. One of the actions of CEAP in 2015 was to develop a mandate for CEN/CENELC (the European Committee for Standardization and the European Committee for Electrotechnical Standardization) to incorporate CE aspects into energy-related products. Standards related to critical raw materials (CRMs), repair, reuse, durability and remanufacturing have now been published.<sup>30</sup>

In parallel with Commission developments, several EU member states such as Italy, the Netherlands, Finland, Denmark, Spain, France and Ger-

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<sup>27</sup> OECD, *Extended Producer Responsibility. Updated Guidance for Efficient Waste Management*, cit.

<sup>28</sup> Ibid.

<sup>29</sup> European Commission, *A New Circular Economy Action Plan. For a Cleaner and More Competitive Europe* (COM/2020/98), 11 March 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0098>.

<sup>30</sup> European Environmental Citizens Organisation for Standardisation (ECOS), *M/543 Series of Horizontal Standards on Material Efficiency Soon to Be Finalised*, 20 January 2020, <https://ecostandard.org/?p=2744>.

many have developed proactive CE policies at the national or regional level. In 2016, the Dutch Government set a dual objective at national level: reduce the use of virgin raw materials by 50 per cent by 2030 and become a “100% circular economy” by 2050. Sweden and Austria have blazed a trail by putting in place new policy instruments – e.g. tax reductions – to incentivize product repair. In France, a “Roadmap for the CE” – 50 measures for a “100% Circular Economy” has been launched; and Germany has undertaken a Resource Efficient Programme for the sustainable use and conservation of natural resources.

In 2017, Italy established a national strategic framework to increase circularity in the Italian economy. It calls for a “change of paradigm” and a new way in which to consume, produce and do business.<sup>31</sup> The country’s national strategy is based on an action plan that includes various CE demonstration projects aimed at promoting the regenerative bioeconomy, improving the use of economic tools, implementing public procurement and e-commerce.<sup>32</sup> The Italian Government has also identified international cooperation in the CE field as one of the main priorities of its G20 presidency in 2021.

The United Kingdom (UK) has not explicitly used the term “circular economy” in its policy. In Britain, the Waste and Resource Action Programme (WRAP) was established in 2010 to promote sustainable waste management and fund a significant number of CE-related projects.<sup>33</sup> The United States (US) has also not used the term CE. It has adopted the Sustainable Materials Management (SMM) approach, which aims at a more productive use of materials throughout their life span.

A group of Asian countries is setting up CE strategies focused on

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<sup>31</sup> Italian Ministry for the Environment and Ministry of Economic Development, *Towards a Model of Circular Economy for Italy. Overview and Strategic Framework*, November 2017, <http://consultazione-economiacircolare.minambiente.it/node/21>.

<sup>32</sup> Circular Economy Network (CEN) and ENEA, *Report on Circular Economy in Italy 2019. 10 Proposals and Research Summary*, April 2019, <https://circulareconomy.europa.eu/platform/en/node/2298>.

<sup>33</sup> Italian Ministry for the Environment and Ministry of Economic Development, *Towards a Model of Circular Economy for Italy*, cit.

managing waste, and is implementing the 3 “R” principles.<sup>34</sup> Japan has proved to be the global front-runner in the development of CE. Its strategy is based on a comprehensive long-term legislative framework aiming towards a circular society. At the turn of the Millennium, the country announced that the year 2000 was to be “the first year of Japanese Circular Society”, and a Fundamental Law for Sound Material-Cycle Society (MCS) was passed in 2001. This approach was underpinned by legislation related to resource efficiency, waste and several sector-specific initiatives. As a result, Japan had, by 2014, implemented advanced materials-recycling systems<sup>35</sup> with 98 per cent of metals recycled and 74–89 per cent of the materials from home appliances recovered.<sup>36</sup> In comparison, the EU had a 32.2 per cent e-waste recycling rate in 2015.<sup>37</sup> Japan also holds the highest number of patents related to CE technologies globally (28 per cent). Strategically, 2018 was an important year for Japan as it moved into the third phase of its strategy towards a circular society and, in the same year, it also hosted the World Circular Economy Forum.

China provides another long-term example. The Chinese Government aims to address environmental problems in parallel with maintaining economic growth. The People’s Republic’s Circular Economy Promotion Law came into force in 2008, and it is now promoting CE as a national strategy focused on the greening of its industry and the reduction of waste. CE has become one of the key national policies with which to build China’s “Ecological Civilization”, guided by the country’s 12th (2011–15) and 13<sup>th</sup> (2016–20) Five Year Plans, and the Made in China 2025 Strategy.<sup>38</sup>

India has not adopted CE terminology, but the Indian Resource Efficiency (InRE) strategy released by the Indian Resource Panel (InRP) in

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<sup>34</sup> Ichin Cheng, “Why Asia Matters: Circular Economy in Japan, China and Taiwan”, cit.

<sup>35</sup> Ibid.

<sup>36</sup> H. Itoh, “The Recent Trend of E-waste Recycling and Rare Metal Recovery in Japan”, in *WIT Transactions on Ecology and the Environment*, Vol 180 (2014), <https://doi.org/10.2495/WM140011>.

<sup>37</sup> De Groene Zaak, *Governments Going Circular. A Global Scan*, Dutch Sustainability Business Association, February 2015, <http://www.govsgocircular.com/media/1354/governments-going-circular-dgz-feb2015.pdf>.

<sup>38</sup> Ichin Cheng, “Why Asia Matters: Circular Economy in Japan, China and Taiwan”, cit.

2017 detailed the way in which CE approaches such as recycling, reuse, repair and remanufacture could support improvements in resource efficiency. The InRE strategy identifies numerous opportunities associated with a more resource-efficient economy, including the development of industries focused on reprocessing waste (e.g. the reuse of construction and demolition waste in new building products) and job creation in green product certification, eco-labelling and green marketing.<sup>39</sup>

## 4. CE POLICY INSTRUMENTS

Experience from advanced CE countries suggests that many different policies can be used to support the implementation of CE (see Table 1).<sup>40</sup> A variety of actions can thus facilitate the transition. Key CE policy-instrument areas include economic instruments, information-based policy, regulations and public procurement. Developed countries have introduced financial incentives such as reduced value-added tax (VAT) on repaired products, as well as EPR policies and labelling schemes to help consumers choose more “circular” products. Other examples include economic instruments like landfill taxes in Denmark, the Netherlands and the UK. An independent, evidence-based study completed for the European Commission covering product policy and CE highlights a number of demand- and supply-side policy recommendations.

Some of the measures enacted in developed countries have been adopted and/or are now being considered in emerging and developing nations. For example, China, Colombia, India, Nigeria, Thailand, Indonesia and the Philippines are considering adopting EPR schemes for the management of plastic waste.<sup>41</sup>

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<sup>39</sup> Felix Preston, Johanna Lehne and Laura Wellesley, “An Inclusive Circular Economy: Priorities for Developing Countries”, cit.

<sup>40</sup> Ibid.

<sup>41</sup> Ludwig O. Federigan, “An Extended Producer Responsibility Policy for PH”, in *The Manila Times*, 19 July 2018, <https://www.manilatimes.net/?p=420998>; and Basten Gokkon, “Indonesia leans on businesses to do more about plastic waste”, in *Mongabay*, 12 November 2018, <https://news.mongabay.com/2018/11/indonesia-leans-on-businesses-to-do-more-about-plastic-waste>.



CE measures, including new waste and recycling laws, are expected to account for “half of the EU’s effort to achieve net-zero carbon emissions by 2050. European Commission President Ursula von der Leyen has recently stated that CE is “the number one priority” of the European Green Deal.<sup>42</sup>

Under the aegis of the European Green Deal, the Commission has, as stated above, recently published the CEAP 2.0 to accelerate the transition towards a CE in Europe. The CEAP 2.0 was published in March 2020 together with the EU’s New Industrial Strategy in order to mobilize industrial sectors and value chains towards a model of sustainable and inclusive growth, ensuring resource-efficient and clean resource cycles.

Over the past three years, the issue of plastics has become a high political priority in many G20 member countries. A ministerial declaration issued at the UN Environment Assembly in 2019 aimed at “significantly reducing single use plastics by 2030”. In addition, the International Maritime Organization (IMO) adopted an action plan to target plastic litter from ships.<sup>43</sup>

G20 global CE initiatives should focus on actions with the greatest possible impact in increasing sustainable resource use. In the context of globalized value and supply chains, the use of a sector-based approach is likely to be a useful strategy—for developed and developing countries alike. Such an approach might focus on the following:

#### *4.1 Climate change and decarbonization*

By early 2020, over 1,400 local governments in 28 countries had made climate-emergency declarations and set up policy priorities to tackle climate change. However, to what extent these plans will be implemented in the post Covid-19 situation is an open question.

There should be greater clarity over the links between CE activities

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<sup>42</sup> Frédéric Simon, “Circular Economy Erected As ‘Number One Priority’ of European Green Deal”, in *Euractiv*, 13 November 2019, <https://www.euractiv.com/?p=1399987>.

<sup>43</sup> European Commission, *Leading the Way to a Global Circular Economy: State of Play and Outlook* (SWD/2020/100), 11 March 2020, [https://ec.europa.eu/environment/circular-economy/pdf/leading\\_way\\_global\\_circular\\_economy.pdf](https://ec.europa.eu/environment/circular-economy/pdf/leading_way_global_circular_economy.pdf).

and climate change. A study related to seven European countries has shown that national CO<sub>2</sub> emissions can be reduced by 66 per cent and new jobs created by shifting to a CE.<sup>44</sup>

A paper, “Completing the Picture – How the Circular Economy Tackles Climate Change”, published by the UK-based Ellen MacArthur Foundation in 2019 emphasizes the link between CE and the achievement of climate goals by governments and businesses. The paper highlights the fact that while 55 per cent of the climate-change challenge can be addressed through renewable-energy systems the other 45 per cent needs to be addressed by a CE transformation in how we make and use products.<sup>45</sup>

## 4.2 Agriculture, water and food

The literature has hitherto paid limited attention to the problem of how to integrate CE with food-security and agricultural-development plans. Incorporating CE could offer interesting policy opportunities for developing countries – particularly those with ambitious targets for the advancement of their agricultural sectors. Tanzania’s National Development Vision 2025, for example, aims to transform the East African country “from a low productivity agricultural economy to a semi-industrialized one led by modernized and highly productive agricultural activities” supported by industrial and service activities. Opportunities for

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<sup>44</sup> Anders Wijkman and Kristian Skånberg, *The Circular Economy and Benefits for Society. Jobs and Climate Clear Winners in an Economy Based on Renewable Energy and Resource Efficiency. A Study Pertaining to Finland, France, the Netherlands, Spain and Sweden*, Club of Rome, 2015, <https://clubofrome.org/?p=11053>; Anders Wijkman and Kristian Skånberg, *The Circular Economy and Benefits for Society. Jobs and Climate Clear Winners in an Economy Based on Renewable Energy and Resource Efficiency. A Study Pertaining to the Czech Republic and Poland*, Club of Rome, 2015, <https://circulareconomy.europa.eu/platform/en/node/277>; Anders Wijkman and Kristian Skånberg, *The Circular Economy and Benefits for Society. Jobs and Climate Clear Winners in an Economy Based on Renewable Energy and Resource Efficiency. A Study Pertaining to the Norwegian economy*, Club of Rome, 2016, <https://www.avfallnorge.no/fagomraader-og-faggrupper/rapporter/the-circular-economy-and-benefits-for-society>.

<sup>45</sup> Ellen MacArthur Foundation, *Completing the Picture. How the Circular Economy Tackles Climate Change*, 26 September 2019, <https://www.ellenmacarthurfoundation.org/publications/completing-the-picture-climate-change>.

CE approaches to minimize input requirements while adding value to agricultural outputs and creating new asset loops can be found along the entire food value chain, from production to processing to consumption.<sup>46</sup>

### *4.3 Construction and Building*

The construction sector uses billions of tons of materials – from sand to gravel and iron ore, to biotic resources such as wood and food. According to one estimate, more than one third of global material consumption is accounted for by construction materials and the building sector.<sup>47</sup> The production of these materials requires an amount of energy representing more than 40 per cent of GHG emissions associated with global materials production. Such raw-material consumption is predicted to grow faster than urban populations, and to reach an estimated 90 billion tons by 2050 (from 40 billion tons in 2010).<sup>48</sup> The high demand for such raw materials far exceeds what the planet can sustainably provide, and contributes significantly to climate change (today, concrete alone is responsible for 9 per cent of total GHG emissions).<sup>49</sup>

### *4.4 Textiles, clothing and fashion*

These are a fundamental part of everyday life, and an important sector in the global economy. The 1.3 trillion US dollars clothing industry employs more than 300 million people worldwide along its value chain. After the oil industry, textiles and clothing form the second-largest polluting sector in the world. The sector accounts for 10 per cent of global CO<sub>2</sub> emissions, 25 per cent of chemical emissions and is second only to agriculture as a consumer of water. One kilogram of textile material

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<sup>46</sup> European Commission, *Leading the Way to a Global Circular Economy: State of Play and Outlook*, cit.

<sup>47</sup> Ellen MacArthur Foundation & ARUP, *Urban Buildings System Summary*, March 2019, [https://www.ellenmacarthurfoundation.org/assets/downloads/Buildings\\_All\\_Mar19.pdf](https://www.ellenmacarthurfoundation.org/assets/downloads/Buildings_All_Mar19.pdf).

<sup>48</sup> Ibid.

<sup>49</sup> European Commission, *Leading the Way to a Global Circular Economy: State of Play and Outlook*, cit.

requires approximately 100–150 litres of water.<sup>50</sup>

The CE is one of the strategic areas of innovation for the future development of the textiles, clothing and fashion sector. The industry has begun engaging with the CE in multiple ways. Many global brands are supporting the transition to circularity by nurturing and scaling innovation,<sup>51</sup> and leading companies have made commitments, at CEO (Chief executive officer) level, to creating a circular fashion system.<sup>52</sup>

#### 4.5 ICT, e-waste and CRMs

E-waste is one of fastest-growing global challenges in economies increasingly based on information and communications technology (ICT). However, in a “closed loop” world, components could be reused or consumer electronics could be repaired – and e-waste could be a valuable resource for many new products. In addition, there have been growing concerns over the reliance on the use of CRMs<sup>53</sup> in advanced technologies – e.g. rare-earth elements for smartphones or cobalt for electric vehicles.<sup>54</sup> Increased demand in certain sectors will impact on prices, creating intense competition as some materials become increasingly scarce and more expensive.

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<sup>50</sup> Carmen Busquets, *4 Reasons Fashion Is the Second Largest Polluter*, 29 March 2017, <https://www.carmenbusquets.com/journal/post/sustainable-fashion>.

<sup>51</sup> C&A Foundation website: *Circular Fashion*, <https://www.candafoundation.org/impact/circular-fashion>.

<sup>52</sup> Global Fashion Agenda, *CEO Agenda 2019*, <https://globalfashionagenda.com/?p=5244>.

<sup>53</sup> The European Commission produced a list of 27 CRMs that includes raw materials that have reached or exceeded thresholds of economic importance and supply risk to Europe. From its original list of 14 CRMs in 2011, the EU expanded its total of designated CRMs to 27 in 2017. Those 27 CRMs include 17 rare earth metals (REMs), also known as rare earth elements (REE). European Commission, *2017 List of Critical Raw Materials for the EU* (COM/2017/490), 13 September 2017, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0490>.

<sup>54</sup> Felix Preston, Johanna Lehne and Laura Wellesley, “An Inclusive Circular Economy: Priorities for Developing Countries”, cit.

## 4.6 Crosscutting issues

CE processes aim to retain *value* in products, components and materials within the economic and social systems for as long as possible through better design (ecodesign) and through repair, reuse, refurbishment and remanufacturing – all considered value-retention processes (VRPs).<sup>55</sup>

*Ecodesign*: Design specifications are typically responsible for about 75 per cent of a product's manufacturing costs, and an estimated 80 per cent of product-related environmental impacts are determined at the design and development phase.<sup>56</sup> So, without an emphasis on design-ing-out waste and retaining *value* in products, components and materials, the pursuit of CE can only be an incremental affair. Ecodesign (including circularity considerations) requires a team approach and the engagement and involvement of a range of internal business functions and external stakeholders. Several options are available to designers to improve product circularity at different lifecycle stages. Incorporating circularity means adopting an extended lifecycle perspective – designing for durability, longevity or multiple uses or lives, while delivering the same or greater value to customers.

*Repair*: A campaign led by the non-governmental organization (NGO) the European Environmental Bureau (EEB) has influenced policy in the EU related to the repair of consumer electronics, home appliances and other products.<sup>57</sup> Citizen-led repair activities are also on the move. Repair cafés – community-led workshops focused on the repair of products by volunteers – now number nearly 3,000 worldwide and were continuing to grow consistently pre Covid-19.<sup>58</sup>

The “Right to Repair” movement has spread from the US across the Atlantic to Europe.<sup>59</sup> EU environment ministers have proposed various

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<sup>55</sup> Nabil Nasr et al., *Redefining Value. The Manufacturing Revolution. Remanufacturing, Refurbishment, Repair and Direct Reuse in the Circular Economy*, Paris, UNEP International Resource Panel, 2018, <https://www.resourcepanel.org/node/712>.

<sup>56</sup> Smallpiece Trust, *Design for Production. Seminar Notes*, Leamington Spa, 1989.

<sup>57</sup> EEB website: *Right to Repair*, <https://eeb.org/tag/right-to-repair>.

<sup>58</sup> Repair Café website: *About Repair Café*, <https://repaircafe.org/en/about>.

<sup>59</sup> Roger Harrabin, “EU Brings in ‘Right to Repair’ Rules for Appliances”, in *BBC News*, 1 October 2019, <https://www.bbc.co.uk/news/business-49884827>.

measures to induce manufacturers to make products that last longer and are easier to repair than in the days of “built-in obsolescence”. The right to repair a core component of the European Commission’s CEAP 2.0.

*Remanufacturing:* This practice is a key element in global CE transition, offering huge potential economic opportunities and environmental benefits. In 2011, the US led the world’s remanufacturing efforts – followed by the EU, in which Germany took 70 per cent of the market. Today, China is the fastest-growing market in the sector, with a value projected to be 290 billion US dollars by 2020. However, remanufacturing accounts for only 2 per cent of production in the US and just 1.9 per cent in Europe, leaving ample opportunity for further development.<sup>60</sup>

*Systemic change:* At local level, a CE can be operationalized where waste (or value) from one industrial process becomes an input into another process (industrial symbiosis – IS). IS means a designed process whereby one firm’s waste becomes a raw material for another. It has already been implemented in Kalundborg, Denmark; in Yokohama, Japan; and in Ulsan, South Korea – and is being piloted in eco-industrial parks in China.<sup>61</sup> Future “closed loop” systems will need to factor in the location of waste exchanges and materials banks in order to facilitate the process. Creating and optimizing resource “loops” along value and supply chains could help to meet the material needs of growing populations through drastically lower rates of per capita primary-resource use.

European front-runner countries have incorporated IS in their Smart Specialisation Strategies. For example, in Finland’s southern Päijät-Häme region, CE and IS have been embedded in the Regional Development Strategy and the RIS3 Strategy in the Regional Land Use Strategy.<sup>62</sup> In Italy, the National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA) has developed IS in three regions – Sicily, Lazio and Emilia-Romagna – and established the country’s first national IS network, “SUN – Symbiosis User Network”. This network

<sup>60</sup> Nabil Nasr et al., *Redefining Value. The Manufacturing Revolution*, cit.

<sup>61</sup> Ichin Cheng, “Why Asia Matters: Circular Economy in Japan, China and Taiwan”, cit.

<sup>62</sup> Venelina Varbova and Ruslan Zhechkov, *Uptake of Industrial Symbiosis in European Regions. A Policy Learning Platform Event*, Helsinki, 22-23 May 2019 [follow up brief], <https://www.interregeurope.eu/industrialsymbiosis/conclusions>.

aims to promote and share knowledge among stakeholders, and identify new opportunities to implement the CE through IS.<sup>63</sup>

In addition, the traditional lifecycles of products need to be reassessed in order to take account of the CE as product circularity focuses on extending the *value* of products, components and materials across multiple lifecycles. There is therefore a need for a new understanding of *product lifetime*. For example, products, materials and components may go through various loops as they are returned for repair, reuse, refurbishment, remanufacturing or recycling in economic and social systems.<sup>64</sup>

## 5. THE STATE OF PLAY OF CE INTERNATIONAL INITIATIVES

### 5.1 *International trade and finance*

While current CE policies have been mostly developed at the national and regional levels, there is increasing awareness that a transition towards a CE has broad linkages with international trade. This, for instance, takes place through global value chains as well as trade in second-hand goods, end-of-life products, secondary materials or non-hazardous waste –and in trade in related services.<sup>65</sup>

There is increasing awareness of the opportunities and challenges related to international trade resulting from a global transition towards CE. The Organisation for Economic Co-operation and Development (OECD) policy guidance on resource efficiency emphasizes the need to better address trade-related obstacles to resource efficiency in supply chains, such as export restrictions on secondary materials, secondary goods and used products.<sup>66</sup> Moreover, shared approaches and measure-

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<sup>63</sup> Italian Ministry for the Environment and Ministry of Economic Development, *Towards a Model of Circular Economy for Italy*, cit.

<sup>64</sup> Hans-Christian Eberl and Martin Charter (eds), *Products and Circular Economy. Policy Recommendations Derived from Research & Innovation Projects*, Luxembourg, Publications Office of the European Union, 2020, <https://doi.org/10.2777/15587>.

<sup>65</sup> Shunta Yamaguchi, “International Trade and the Transition to a More Resource Efficient and Circular Economy. A Concept Paper”, in *OECD Trade and Environment Working Papers*, No. 2018/03 (October 2018), <https://doi.org/10.1787/18166881>.

<sup>66</sup> Ibid.

ment standards can also have a strong positive effect. Dialogue on regulation and practical cooperation between countries can help too –for example, if it covers the waste hierarchy, waste management and the use and standardization of secondary raw materials.<sup>67</sup>

The World Trade Organization (WTO) and free-trade agreements provide useful platforms from which to further explore CE issues within the context of trade and the environment. This process might be undertaken, in particular, through a number of WTO committees – including those covering Trade and Environment (CTE): Rules; Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) measures; and Agriculture and Committee on Development. In addition, the next WTO Ministerial Conference may provide an opportunity to deepen dialogue around CE-related issues.<sup>68</sup>

As mentioned earlier, the transition to a CE at a global level needs a common definition and globally agreed standards that help to promote more circular business models, goods, technologies and services. This is also essential to enable the flow of funding into the sector.

The financial sector has a key role to play in facilitating a shift to a CE. It can, for example, provide financial resources for circular investments; offer insurance products suitable for circular practices, such as leasing and sharing; and develop rating systems and information-disclosure requirements that can help to improve transparency around CE-related business risks. In early 2017, the European Commission and the European Investment Bank (EIB) undertook a joint initiative called the Circular Economy Finance Support Platform (CEFSP) in order to promote coordination and knowledge exchange among key stakeholders and to implement actions needed to enhance investments in the CE. The CEFSP has produced recommendations to improve the “bankability” of CE projects, coordinate funding activities and share good practice. It has worked with the EIB to provide financial assistance and explore syner-

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<sup>67</sup> European Commission, *Leading the Way to a Global Circular Economy: State of Play and Outlook*, cit.

<sup>68</sup> Shunta Yamaguchi, “International Trade and the Transition to a More Resource Efficient and Circular Economy”, cit.



gies with the EU's action plan on financing sustainable growth.

The EIB also set up the Joint Initiative on Circular Economy (JICE).<sup>69</sup> JICE is a partnership between the EU's largest national CE promotional banks and institutions. The Bank aims to invest at least 10 billion euro in the CE by 2023 in order to support projects that prevent and eliminate waste, increase resource efficiency and promote circular business models. JICE is working on harmonizing CE definition; on sharing knowledge about CE activities; on CE advisory facilities; and on creating a new, dedicated CE financing platform.<sup>70</sup> The Asian Development Bank (ADB) and Africa Bank have also developed CE initiatives of their own. However, these initiatives have seemingly had a limited role in advancing global cooperation among financial institutions.

Managing the global CE transition demands a deep understanding of trends and issues related to global trade and sustainable consumption and production (SCP) patterns. Unfortunately, financial institutions suffer from several knowledge gaps –including on:

- developing definitions, taxonomy and tools to measure the circularity of projects;
- identifying the risks related to linear business models and reviewing credit-risk assessment methods to account for those risks;
- strengthening risk-sharing financial instruments, advisory support and creating a pool of experts available for financial institutions in order to assess the technological risk of innovative circular technologies; and
- clearly identifying financial instruments that are appropriate for financing CE projects, and increasing awareness and knowledge of the CE within the financial sector.<sup>71</sup>

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<sup>69</sup> Arnold Verbeek views on “Financing the Circular Economy and Closing the Investment Gap”, in *Chatham House Circular Economy Conference*, 1 April 2020, <https://www.chathamhouse.org/file/59604>.

<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

## 5.2 Other multilateral initiatives

Several multilateral initiatives aim to promote global CE cooperation: *The Partnership for Action on Green Economy (PAGE)*<sup>72</sup> – PAGE was launched in 2013 in order to support those countries that wish to adopt sustainable economic policies and embrace greener and more inclusive growth objectives. The partnership brings together five UN agencies.<sup>73</sup> Their combined mandates, expertise and networks can offer support to countries embarking on models of inclusive green economy, ensuring coherence and avoiding duplication.

*The 10-Year Framework of Programmes on Sustainable Consumption and Production (10YFP)* – Also known as the “One Planet Network”, the UN’s 10YFP was adopted in 2012 at the World Summit on Sustainable Development (WSSD). It marks a global commitment to accelerate the shift towards SCP, in both developed and developing countries. It is a multi-stakeholder partnership that is organized into six programmes: Public Procurement, Buildings and Construction, Tourism, Food Systems, Consumer Information, and Lifestyles and Education. The 10YFP implicitly includes activities related to CE.

*The Platform for Accelerating the Circular Economy (PACE)* – PACE was launched in 2017 as a public–private collaboration mechanism and project accelerator for the CE. The World Economic Forum (WEF) hosts and facilitates the platform. It aims to develop blended financing models in order to help create and adjust enabling policy frameworks to address specific barriers to advancing CE, and to bring in public–private collaborations in order to scale its impact.<sup>74</sup> The Global Leadership Group

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<sup>72</sup> Partners of PAGE include 10YFP, Green Economy Coalition, Global Green Growth Institute, Green Growth Knowledge Platform, SWITCH Africa Green, SWITCH Asia, UN Environment Finance Initiative, UN Environment Inquiry, UN-REDD Programme, UNDP-UNEP Poverty-Environment Initiative. PAGE implicitly includes activities on CE but not explicitly. See PAGE website: *About PAGE*, <https://www.un-page.org/node/3>.

<sup>73</sup> UN Environment Programme (UNEP); International Labour Organization (ILO); UN Development Programme (UNDP); UN Industrial Development Organization (UNISO); and UN Institute for Training and Research (UNITR).

<sup>74</sup> Sitra website: *The Platform for Accelerating the Circular Economy (PACE)*, <https://www.sitra.fi/?p=103503>.

of PACE currently includes over 40 CEOs, government ministers and heads of international organizations committed to leading a portfolio of CE projects and activities. Projects are focused on a number of areas: plastics, electronics, food, bioeconomy, business models and market transformation.<sup>75</sup>

*The World Circular Economy Forum (WCEF)* – The WCEF is an annual global conference on CE that helps to facilitate network building and knowledge exchange. It was established in 2017 by the Finnish Government and its innovation agency, Sitra. First held in Finland in that founding year, the WCEF then met in Japan in 2018 and in Finland, again, in 2019. Plans were drawn up for it to be hosted in Toronto, Canada in 2020, but this has now been put back to 2021; it will mark the first time that the international forum has taken place in North America.<sup>76</sup>

*European Circular Economy Missions (CEMs)*<sup>77</sup> – The European Commission has organized a series of high-level political and business meetings in third countries in order to communicate and promote the CE. From 2016 to 2019, these CEMs took place in Chile, China (2016); South Africa, Colombia (2017); Japan and Indonesia, India (2018); and Mexico, Singapore, Malaysia, Senegal (2019). Other CEMs planned for 2020–21 focus on sub-Saharan Africa (Nigeria, Ethiopia, Ghana, Kenya and Rwanda); Asia (South Korea, Vietnam, China, India and Japan); North America (Canada); and South America (Brazil and Costa Rica).<sup>78</sup>

*The African Alliance on Circular Economy (AACE)* – In 2017. The Alliance was founded by three countries Rwanda, Nigeria and South Africa along with UNEP and the World Economic Forum. AACE creates an alliance of African countries represented at the Ministerial level who share best practices, undertake collaborative projects and advocate circular economy programmes and practice.

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<sup>75</sup> World Economic Forum website: *Circular Economy and Material Value Chains*, <https://www.weforum.org/projects/circular-economy>.

<sup>76</sup> Canada Government website: *Circular Economy*, cit.

<sup>77</sup> European Commission website: *Circular Economy Missions to Third Countries*, [https://ec.europa.eu/environment/international\\_issues/missions\\_en.htm](https://ec.europa.eu/environment/international_issues/missions_en.htm).

<sup>78</sup> European Commission, *Leading the Way to a Global Circular Economy: State of Play and Outlook*, cit.

*The Africa–Europe Alliance for Sustainable Investment and Jobs (AEASIJ)*

– The European Commission launched AEASIJ in September 2018 in order to highlight the EU’s interest in building a strong partnership and cooperation with Africa. This is aimed at enhancing opportunities for sustainable growth and creating local employment through new business models and mutually beneficial trade relations.<sup>79</sup>

*The European Circular Economy Stakeholder Platform (ECESP)* – ECESP is a joint initiative by the European Commission and the European Economic and Social Committee (EESC) that was established in 2017. It brings together European stakeholders from member states in order to promote the exchange of ideas, policies and best practice related to CE.<sup>80</sup> An annual conference is organized in Brussels.

*Business-driven CE networks* – Several business-driven CE networks have been established, including WBCSD “Factor 10” and the Ellen MacArthur Foundation (EMF) CE100.

*The WBCSD “Factor 10”* – This initiative started at the WEF in 2018, with over 30 leading companies across 16 sectors joining forces to implement CE through the World Business Council for Sustainable Development (WBCSD). The aim of the WEF is to scale up CE from sustainability departments to all business functions and value chains, with a focus on practical actions at a company level. The “Factor 10” initiative aims to capture economic and sustainability benefits by implementing scalable solutions to resource-use challenges. Three priority areas are highlighted: (1) developing transformative cross-value chain solutions that unlock circular opportunities for business; (2) generating CE knowledge in order to help businesses to understand the “landscape”, (3) best practice and leading examples; and (3) amplifying the business voice globally.<sup>81</sup>

*The Ellen MacArthur Foundation Circular Economy 100 (CE100)* – The CE100 Network was established in 2013 and provides a platform for busi-

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<sup>79</sup> European Commission website: *Circular Economy Missions to Third Countries*, cit.

<sup>80</sup> Website of the European Circular Economy Stakeholder Platform: *About the Platform*, <https://circulareconomy.europa.eu/platform/en/about-platform>.

<sup>81</sup> WBCSD, *30 Leading Companies with a Combined Revenue of USD \$1.3 Trillion Join Forces to Implement the Circular Economy*, 23 January 2018, <https://www.wbcd.org/Programs/Circular-Economy/Factor-10/News/launching-Factor10>.

ness communities to learn, share knowledge and put ideas into practice. Its membership includes a diverse range of global companies including Apple, BASF, Cisco, Coca-Cola, Dell, HP, IBM, Ikea, ING Bank, Kingfisher, Marks & Spencer, Michelin, Microsoft, Orange, Steelcase, Tetrapak, Veolia and Walmart.<sup>82</sup>

*Individual business initiatives* – There has also been a marked increase in business engagement with CE, as companies increasingly see their profitability and long-term success as being dependent on CE-related issues. A growing range of companies have been adopting innovative CE approaches – these include H&M Foundation’s Global Change Award to call for ideas to make the fashion industry circular.

## 6. CE INITIATIVES WITHIN THE G20 FRAMEWORK

The G20 also regularly engages with key stakeholders who are important for CE policies in its engagement groups – each suffixed “20”, as they fall under the G20 umbrella. These stakeholders include NGOs from the following areas: business (B20), civil society (C20), labour (L20), think tanks (T20), youth (Y20), science (S20), women (W20) and urban (U20). All these groups hold major events during a G20 presidency, and the outcomes contribute to the deliberations of G20 leaders. The current G7 (the smaller group comprising Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) and G20 processes that are of particular interest for advancing the global transition to a CE include the G7 Alliance on Resource Efficiency (2015), the G7 Action Plan to Combat Marine Litter (2015) and the G20 Resource Efficiency (RE) Dialogue (2017).

The last-named process (the G20 RE Dialogue) first took place under the German G20 presidency in 2017. It focuses on closer cooperation on the efficient and sustainable use of natural resources. A key outcome of the G20 RE Dialogue was the G20 RE Roadmap on Energy Transitions and Global Environment for Sustainable Growth in June 2019.<sup>83</sup>

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<sup>82</sup> Ellen MacArthur Foundation website: *Members*, <https://www.ellenmacarthur-foundation.org/our-work/activities/ce100>.

<sup>83</sup> G20 Resource Efficiency Dialogue, *Roadmap for the G20 Resource Efficiency*

The G20 RE Roadmap aims to share actions and good practice, strengthen and mainstream resource-efficiency policies, improve the measurement of resource efficiency, encourage innovation and create opportunities, encourage multi-stakeholder engagement and cooperate with other international initiatives. Tackling marine litter has become a major global concern, and a series of initiatives was launched by the G7/G20 between 2017 and 2019. These include the Marine Litter Action Plan (2017), the Future of the Seas and Oceans working group (2017), the Innovation Challenge to Address Marine Plastic Litter (2018) and the Implementation Framework for Action on Marine Plastics Litter (2019).<sup>84</sup> In 2019, the G20 leaders also endorsed the “Osaka Blue Ocean Vision” – a commitment to reduce additional pollution from marine plastic litter to zero by 2050.<sup>85</sup>

## CONCLUSIONS AND RECOMMENDATIONS

The G20 should seek the maximum possible integration of CE initiatives with other major policy areas.

In a post-pandemic economic environment, it is vital that CE be “mainstreamed” into broader policy priorities – e.g. economic recovery and social resilience in a climate-constrained and increasingly digital and automated world. The G20 can play a crucial role in highlighting the impact of Covid-19 on CE, and in identifying the global-governance instruments best suited to address health problems in close connection with economic and financial measures.

Clearer links between CE and the UN’s 10YFP on SCP should be established. There should be a more explicit discussion over how to create a synergy between CE policies and SCP. Also, there needs to be greater clarity over the goals and mission of the proposed European Commis-

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*Dialogue*, Tokyo, 9-10 October 2019, [https://g20re.org/pdf/Roadmap\\_for\\_the\\_G20\\_Resource\\_Efficiency\\_Dialogue.pdf](https://g20re.org/pdf/Roadmap_for_the_G20_Resource_Efficiency_Dialogue.pdf).

<sup>84</sup> European Commission, *Leading the Way to a Global Circular Economy: State of Play and Outlook*, cit.

<sup>85</sup> European Commission website: *Multilateral Relations – G7/G8 And G20 - Public Events*, [https://ec.europa.eu/environment/international\\_issues/relations\\_g20\\_events\\_en.htm](https://ec.europa.eu/environment/international_issues/relations_g20_events_en.htm).

sion Global CE Forum in order to avoid a duplication of efforts with the World CE Forum led by the Finnish Government and Sitra.

The G20 should establish a framework to manage CE within a product policy that helps to illustrate the potential use of demand-side and supply-side policy tools. To avoid long-term problems, there needs to be a recognition of trade-offs –for example, between implementing CE policy approaches and the impact on energy and water consumption. The Group of Twenty should collect examples of best practice in CE design – e.g. design for preventative maintenance, repair, refurbishment, remanufacturing and (materials) recycling. The G20 should consider valuing research and innovation assets so as to reflect and define the advanced technologies (advanced materials, photonics, nanotechnologies, artificial intelligence, etc.) needed to encompass and respond to the emerging needs, and to maximize the impacts on society and businesses.

The Group of Twenty should consider the development of a “top-runner” programme to drive CE within firms in individual countries, building on the Japanese approach on energy. It should develop CE leadership awards for governments, businesses and civil society organizations (CSOs) – possibly working with the WEF and other policy stakeholders identified earlier in the paper (e.g. the B20, the C20 and so on).

G20 governments should demonstrate leadership in cooperative action in support of the CE under the Italian G20 presidency to speed up a global CE transition. The G20 should mainstream CE into the Resource Efficiency Working Group (CEREWG) and expand the G20 Climate Sustainability Working Group (CSWG) to explicitly cover CE issues.<sup>86</sup> An expert working group should be established to develop new perspectives based on sound international collaboration on CE.

*Define, standardize and measure circularity* – A recent European Commission paper on product policy and CE has highlighted a lack of shared

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<sup>86</sup> Within G20, the Energy Sustainability Working Group (ESWG) was established in 2013 to cover the energy-related issues. In 2017, there was recognition that energy policy and climate change issues were closely linked and the CSWG was established under the Sustainability Working Group (SWG). In 2018, under the Argentine presidency, CSWG was separated from ESWG and became one of the Working Groups in the Sherpa process.

definitions and indicator sets that could allow comparison between the circularity performance of products and services within and across sectors. A more harmonized approach would help to improve and standardize key CE performance data across economic sectors. This would facilitate comparability and the exchangeability of data within and between those economic sectors.<sup>87</sup>

The proposed G20 CEREWG should work with the ISO and International Electrotechnical Commission (IEC) in order to develop a universally agreed definition of CE and establish key circularity indicators for products and processes based on that definition. CE standards also need to be developed and harmonized through the ISO and other international and national standards bodies in order to cover areas such as performance measurement, reporting and accounting.<sup>88</sup> The ISO established TC323 in 2019 as a technical committee to take forward the standardization proposals related to CE.

Monitoring frameworks to measure progress in the circular transition should also be established. In addition to “hard” indicators about resource productivity, material footprints, waste generation or recycling rates, progress could also be measured using indicators at an international level.<sup>89</sup>

*Establish synergy with decarbonization* – As mentioned above, increased clarity is needed over the links between CE activities and climate change. One of the key areas for cooperation within the G20 lies in exploring strategies for the decarbonization of global industry through CE, taking account of both supply-side and demand-side perspectives. Key supply-side technologies include energy efficiency (especially at the system level), electrification, carbon capture and chemical feedstock. Crucial demand-side approaches include material-efficient

<sup>87</sup> Hans-Christian Eberl and Martin Charter (eds), *Products and Circular Economy*, cit.

<sup>88</sup> Yong Geng, Joseph Sarkis and Raimund Bleischwitz, “How to Globalize the Circular Economy”, in *Nature*, No. 565 (2019), p. 153-155, <https://doi.org/10.1038/d41586-019-00017-z>.

<sup>89</sup> Luc Alaerts et al., “Towards a More Direct Policy Feedback in Circular Economy Monitoring via a Societal Needs Perspective”, in *Resources, Conservation and Recycling*, Vol. 149 (October 2019), p. 363-371, <https://doi.org/10.1016/j.resconrec.2019.06.004>.



design (ecodesign); reductions in material waste; the substitution of low-carbon for high-carbon materials; and other CE interventions such as improving product longevity, reusability, refurbishment, remanufacturing and recyclability.<sup>90</sup> This approach applies well, for example, to the mining, energy and transportation sectors, in which electrification, the growth of EVs (electric vehicles) and the development of various battery and other storage technologies provide numerous opportunities for undertaking CE initiatives.

*Prioritize key impact sectors* – Each country and economy have different opportunities and challenges related to CE and “closing loops”. The G20 should particularly focus on resource-intensive and high-impact sectors such as agriculture, water and food production; construction; textiles, clothing and fashion; ICT; e-waste; and critical raw materials.

*Accelerate innovation and technology deployment through CE pilots* – Technological acceleration is already creating a fundamental shift in the manufacturing landscape as a result of significant advances in sensing, digitization, computation, storage, networking and software.<sup>91</sup> The digital transformation of the production system and the enabling technologies of so-called “industry 4.0” (the fourth industrial revolution) already offer solutions to make more sustainable and circular productions possible and efficient in areas such as wireless predictive maintenance, operational efficiency and advanced manufacturing.

Strategic, well-designed CE policies can accelerate innovation and provide incentives for technology deployment. The G20 should promote CE pilot projects and accelerator networks. Such coordinated commitments would signal to both business and investment communities that future CE pathways will depend on international coordination and openness to trade in CE goods and services. They would also strengthen the position of international financial institutions seeking to enhance the synergies in their investment plans between the CE and wider sustaina-

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<sup>90</sup> Jeffrey Rissman et al., “Technologies and Policies to Decarbonize Global Industry: Review and Assessment of Mitigation Drivers Through 2070”, in *Applied Energy*, Vol. 266 (15 may 2020), p. 114848, <https://doi.org/10.1016/j.apenergy.2020.114848>.

<sup>91</sup> Thomas L. Friedman, *Thank You for Being Late. An Optimist's Guide to Thriving in the Age of Accelerations*, New York, Farrar, Straus and Giroux, 2016.

ble-development programmes.<sup>92</sup>

*Provide economic instruments and incentives to mainstream CE* – The G20 should evaluate how existing economic instruments could incentivize the mainstreaming of CE at a global level.

The OECD's "Policy Guidance on Resource Efficiency" identifies a set of instruments to guide national systems towards the circularity of economic processes. These economic instruments include:

- taxes on virgin materials or products, or waste disposal and incineration;
- "deposit refund" schemes;
- taxation based on recycled-product content;
- public support for the creation of industrial symbiosis (IS) processes; and
- certification and labelling rules to strengthen the image of the product and the company, making traceability of the production process more verifiable.<sup>93</sup>

In particular, it is important to deploy a variety of economic instruments and policy tools in the international trade and agreement arena, such as taxation on carbon emissions (carbon tax), on landfill disposal (landfill tax) and on pollution in general (pollution tax) in order to encourage the transition to less-impactful technologies, promoting reuse, recovery and recycling.<sup>94</sup>

*Promote CE governance in developing countries* – Developing countries are becoming increasingly important centres for the production of goods and will be the future centres of consumption in the global economy. An increasing share of the global "consuming class" now lives in emerging and developing countries, with a vast concentration in India and China.

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<sup>92</sup> Felix Preston, Johanna Lehne and Laura Wellesley, "An Inclusive Circular Economy: Priorities for Developing Countries", cit.

<sup>93</sup> OECD, *Policy Guidance on Resource Efficiency*, Paris, OECD, 2016, <https://dx.doi.org/10.1787/9789264257344-en>.

<sup>94</sup> UN Environment Inquiry and Italian Ministry of Environment, *Financing the Future. Report of the Italian National Dialogue on Sustainable Finance*, December 2016, <https://unepinquiry.org/?p=2531>.

Cooperative approaches will be needed to develop common rules and standards for the governance of global CE value chains.

Discussions are happening on the ways in which international governance frameworks, such as the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (the “Basel Convention”), could be strengthened in order to manage the significant environmental and health impacts associated with global flows in e-waste.<sup>95</sup> Particular attention should be paid to the ways in which CE governance rules can be applied in developing countries.

*Achieve the SDGs through CE actions* – Progressing CE is essential for achieving individual and interdependent SDGs (see Appendix C). CE practices are of particular relevance to solving the global waste crisis, which disproportionately affects the populations of low- and middle-income countries – where at least 2 billion people still do not have access to solid-waste collection. Looking forward, the G20 should integrate CE into the achievement of the SDGs and the pursuit of new models for sustainable, green and resilient growth.

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<sup>95</sup> Felix Preston, Johanna Lehne and Laura Wellesley, “An Inclusive Circular Economy: Priorities for Developing Countries”, cit.

### Appendix A | Three “Rs” to 12 “Rs”

	12 “R’s	Definition of each R
Initial stage (in use by many companies today)	Reduce	Action to reduce the use of resources in the beginning
	Reuse	A product, component or material can be used again without requiring any reprocessing or treatment
	Recycle/ Reclaiming	The action of processing a used product, component or material for use in a future product, component or material
Accelerating stage (in use by advanced companies today)	Repair	Returning a faulty or broken product, component or material back to a usable state
	Refurbish/ Recondition	Aesthetic improvement of a product, component or material, which might involve making it look like new, with limited functionality improvements
	Repurpose (including upcycle and downcycle)	<ul style="list-style-type: none"> <li>- Using a product, its components or materials in a role that they were not originally designed to perform</li> <li>- Downcycling: process of converting waste into new materials, components or products of lesser quality and reduced functionality compared with its original intended purpose</li> <li>- Upcycling: process of converting otherwise waste into new materials, components or products of better quality, improved functionality and/or a higher environmental value</li> </ul>
	Re-design/ Eco-design	Significant changes in existing products, processes or organizational structures, redesigning them towardseco design or green design
	Re-manufacturing	Returning a used product to at least its original performance with a warranty that is equivalent to or better than that of the original manufactured product
Advanced stage (rare best practice today)	R&D	Investment in new materials, processes, technologies and general innovation
	Reverse-supply chain/Reverse logistics	<ul style="list-style-type: none"> <li>- Reverse logistics: the process of reclaiming products and materials from the end user</li> <li>- Reverse supply-chain management: the process to managing reverse logistics and the remanufacturing of products and materials for new products. In some cases, reverse supply chain involves different suppliers and crosses different industries</li> </ul>
	Re-skilled people	Retraining employees, designers, engineers, managers, policymakers, stakeholders and shareholders in order for them to understand the CE approach
	Reinvention of the industrial system into a green industrial system	Using CE principles to reinvent the industrial process and ways of treating materials and resources towards a green industrial revolution in order to achieve an ecological civilization

Source: Ichin Cheng, “Why Asia Matters: Circular Economy in Japan, China and Taiwan”, cit.

## Appendix B | Some other CE initiatives and activities by G20 members

G20 member	Topics	Activities
EU	Global CE outreach	See above
EU	Plastics, textiles, construction and materials	<ul style="list-style-type: none"> <li>- Identify possible actions by the G20 to reduce the environmental and social impact of the production, use and disposal of plastics, textiles and construction materials through a circular approach addressing, inter alia, product design and consumption</li> <li>- Lead efforts at the international level to reach a global agreement on plastics in line with the objectives of the European Plastics Strategy</li> </ul>
Canada	CE tech and Zero Plastic Waste international cooperation	Host World Circular Economy Forum 2021 CE policy initiatives are underway at all levels of government, including the Canada-Wide Action Plan on Zero Plastic Waste
Germany	Resource Efficient	German Resource Efficient Programme II: Programme for the sustainable use and conservation of natural resources
France	Roadmap	Roadmap for the CE – 50 measures for a 100% CE
Italy	Green public procurement (GPP) Plastics/Bioplastics	<p>Towards a CE model for Italy</p> <p>The public sector, with its large demand for goods and services, can, through processes of green public procurement, play a pivotal role in promoting resource efficiency, innovation and the green economy – and can do so in collaboration with the private sector</p>
Japan	International cooperation on resource-efficiency improvement in the Asia-Pacific and Africa regions	Promote activities under the 'Regional 3R Forum in Asia and the Pacific' and the 'African Clean Cities Platform (ACCP)', in collaboration with related international organizations and countries, providing good practice on sound waste management, the 3 'R's and CE policy and technologies
UK	Sustainable Production	Share information and best practice on resource efficiency and waste prevention at an international level with G20 partners. This includes ecodesign of products; improved consumer information; and increasing usage of secondary materials, including industrial by-products
USA	Developing and incentivizing markets for secondary materials Food loss and waste	<p>At a minimum, this work would cover approaches to ensure that the supply of material is abundant, clean and reliable, as well as strengthening the demand for processed secondary materials – domestically and internationally</p> <p>Advance cooperation on measuring and reducing food loss and waste.</p>
China		<ul style="list-style-type: none"> <li>- China revised its Circular Economy Promotion Law in 2018</li> <li>- 10 zero-waste city demonstration projects established in 2019</li> </ul>

Source: European Commission, *A New Circular Economy Action Plan*, cit.; G20 Resource Efficiency Dialogue, *Roadmap for the G20 Resource Efficiency Dialogue*, cit.; author's own research; and Canada Government website: *Circular Economy*, cit.

**Appendix C | Circular economy in the 2030 Agenda Framework:  
contributions and gaps**

	Direct positive contributions through circular economy	Gaps in addressing social dimensions in the circular economy	Requirements to enable circular economy transition
SDG 1 (No poverty)		X	
SDG 2 (Zero hunger)		X	
SDG 3 (Good health & wellbeing)	X		
SDG 4 (Quality education)			X
SDG 5 (Gender equality)		X	
SDG 6 (Clean water and sanitation)	X		
SDG 7 (Affordable and clean energy)	X		
SDG 8 (Decent work and economic growth)	X		
SDG 9 (Industry, innovation and infrastructure)	X		
SDG 10 (Reduced inequalities)		X	
SDG 11 (Sustainable cities and communities)	X		
SDG 12 (Sustainable consumption and production)	X		
SDG 13 (Climate change)	X		
SDG 14 (Life below water)	X		
SDG 15 (Life on land)	X		
SDG 16 (Peace, justice and strong institutions)			X
SDG 17 (Partnerships for the goals)			X

Source: Patrick Schröder, “Promoting a Just Transition to an Inclusive Circular Economy”, in *Chatham House Research Papers*, April 2020, p. 9, <https://www.chathamhouse.org/node/41013>.

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## Appendix: Chapter 2, Tables 2-8

**Table 2 | WTO reform proposals on dispute settlement**

Country	Proposals / Position statement
<p>United States</p> <p>Statement by US at the meeting of the WTO DSB</p> <p>25 February 2019</p>	<p>1) The issue of 90 days: The Appellate Body must circulate its reports within 90 days of an appeal.</p> <p>2) Transitional rules for outgoing Appellate Body members: A person who has ceased to be an Appellate Body member may not continue deciding appeals as if their term had been extended by the Dispute Settlement Body (DSB).</p> <p>3) The meaning of municipal law as an issue of fact: The Appellate Body may not make findings on issues of fact, including but not limited to those relating to domestic law.</p> <p>4) Findings unnecessary for the resolution of the dispute: The Appellate Body may not give advisory opinions on issues that will not assist the DSB in making a recommendation to bring a WTO-inconsistent measure into compliance with WTO rules.</p> <p>5) The issue of precedent: The Appellate Body may not assert that its reports serve as precedent or provide authoritative interpretations.</p> <p>6) Further: The Appellate Body may not change members' substantive rights or obligations as set out in the text of the WTO agreements. "Rather than seeking to make revisions to the text of the Dispute Settlement Understanding to permit what is now prohibited, the United States believes it is necessary for Members to engage in a deeper discussion of the concerns raised, to consider why the Appellate Body has felt free to depart from what WTO Members agreed to, and to discuss how best to ensure that the system adheres to WTO rules as written."</p>
<p>European Union, China, Canada, India, Norway, New Zealand, Switzerland, Australia, South Korea, Iceland, Singapore, Mexico and Costa Rica</p>	<p>1) The issue of 90 days:</p> <ul style="list-style-type: none"> <li>- Amend the 90-day rule in Article 17.5 by providing an enhanced consultation and transparency obligation for the Appellate Body.</li> <li>- Possibility for the parties to agree to the exceeding of the 90-day rule.</li> </ul> <p>If there is no agreement of the parties on the exceeding of this timeframe there could be a mechanism pursuant to which the procedure or working arrangements for the particular appeal could be adapted to ensure the meeting of the 90-day timeframe (This could also include</p>

<p>10 December 2018</p>	<p>the publication of the report in the language of the appeal only). - It should however be clear that those changes do not affect the existing rules on the validity or the adoption of late reports.</p> <p>2) Transitional rules for outgoing Appellate Body members: It is proposed that a transitional rule for outgoing Appellate Body members is adopted by the WTO membership itself through an amendment of the Dispute Settlement Understanding (DSU). The DSU would provide that an outgoing Appellate Body member shall complete the disposition of a pending appeal in which a hearing has already taken place during that member's term.</p> <p>3) The meaning of municipal law as an issue of fact: It is proposed to clarify, for greater certainty, that issues of law covered in the panel report and legal interpretations developed by the panel, in the meaning of Article 17.6 of the DSU, while they include the legal characterization of the measures at issue under the WTO rules, and the panel's objective assessment according to Article 11 of the DSU, they do not include the meaning itself of the municipal measures.</p> <p>4) Findings unnecessary for the resolution of the dispute: It is proposed to amend Article 17.12 of the DSU to provide that the Appellate Body shall address each of the issues raised on appeal by the parties to the dispute to the extent this is necessary for the resolution of the dispute.</p> <p>5) The issue of precedent: It is proposed that annual meetings are held between the Appellate Body and WTO members (in the DSB) at which members could express their views in a manner unrelated to the adoption of particular reports (as laid down currently in Article 17.14 of the DSU). This would provide an additional "channel of communication" whereby concerns with regard to some Appellate Body approaches, systemic issues or trends in the jurisprudence could be voiced. Adequate transparency and ground rules for such meetings would need to be put in place, in order to avoid undue pressure on Appellate Body members.</p>
<p>Further proposal by European Union, China, India and Montenegro</p> <p>11 December 2018</p>	<p>1) The issue of 90 days: - Increasing the number of Appellate Body members from 7 to 9. This would improve the efficiency and internal organization of the Appellate Body while also improving the geographical balance on the Appellate Body after numerous accessions to the WTO since 1995. - Providing that membership of the Appellate Body is the exclusive occupation of Appellate Body members (currently, pursuant to the DSB decision WT/DSB/1, it is a part-time job). This would be accompanied by appropriate changes in the employment conditions. This would not preclude Appellate Body members from academic or scien-</p>

	<p>tific activities, consistent with the nature of their functions.</p> <ul style="list-style-type: none"> <li>- Expansion of the resources of the Appellate Body Secretariat, providing administrative and legal support to the Appellate Body.</li> </ul> <p>2) Independence of Appellate Body members: It is proposed to provide for one single but longer (6–8 years) term for Appellate Body members. The objective is to enhance the independence of the Appellate Body and its members, which is needed in view of the experience of recent years and also in view of the other amendments proposed in document WT/GC/W/752/Rev.2.</p> <p>3) Transitional rules for outgoing Appellate Body members: In order to ensure an orderly transition between the outgoing and new Appellate Body members, the outgoing Appellate Body members should continue discharging their duties until their places have been filled but not longer than for a period of two years following the expiry of the term of office.</p> <p>4) The meaning of municipal law as an issue of fact: /</p> <p>5) Findings unnecessary for the resolution of the dispute: /</p> <p>6) The issue of precedent: /</p> <p>7) Further: The launch of the Appellate Body selection process: It is clarified that the selection process to replace outgoing Appellate Body members shall be automatically launched no later than X [e.g. 6] months before the expiry of their term of office.</p>
<p>Japan, Australia and Chile</p> <p>25 April 2019</p>	<p>1) The issue of 90 days: - Members confirm that the prompt settlement of disputes is essential to the effective functioning of the WTO and the maintenance of the proper balance between the rights and obligations of members, as stated in Article 3.3 of the DSU. - Members confirm that the Appellate Body shall strictly observe the 90-day deadlines for appellate review. - Members also recognize the difficulty in some cases – in particular, those involving complicated measures and/or legal claims – and confirm that the members involved would need to resolve the resulting procedural consequences in such cases.</p> <p>2) Transitional rules for outgoing Appellate Body members: /</p> <p>3) The meaning of municipal law as an issue of fact: Members confirm that the Appellate Body shall not review panel's fact-finding, such as the meaning of municipal law, as an issue of law.</p>

	<p>4) Findings unnecessary for the resolution of the dispute:</p> <ul style="list-style-type: none"><li>- Members confirm that when the Appellate Body addresses the issues raised by the parties to the dispute per paragraph 12 of Article 17 of the DSU, the scope of the appellate review shall be limited to issues of law covered in a panel report and legal interpretations developed by the panel in strict compliance with paragraph 6 of Article 17 of the DSU.</li><li>- Members affirm that they should refrain from filing appeals to the Appellate Body beyond the remit of the Appellate Body.</li></ul> <p>5) The issue of precedent:</p> <ul style="list-style-type: none"><li>- Members confirm that an interpretation by the Appellate Body of any WTO provision does not constitute a precedent for posterior interpretations.</li><li>- Members confirm that panels may adopt an interpretation of a WTO provision that is different from the one developed by the Appellate Body.</li><li>- Members reaffirm the important role of the dispute-settlement system in providing security and predictability, as stated in paragraph 2 of Article 3 of the DSU.</li></ul> <p>6) Further: Rights and obligations of members and dialogue between the DSB and AB:</p> <ul style="list-style-type: none"><li>- Members confirm that recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements, in accordance with paragraph 2 of Article 3 and paragraph 2 of Article 19 of the DSU.</li><li>- Members also confirm that panels and the Appellate Body should refrain from making a finding or recommendation on any of the issues of law and legal interpretation of relevant provisions of the WTO Agreement to the extent that the finding or recommendation adds to or diminishes the rights and obligations provided in the covered agreements.</li><li>- Members confirm that panels and the Appellate Body shall interpret, in accordance with paragraph 6(ii) of Article 17 of the Anti-dumping Agreement, any provision of that Agreement that admits of more than one permissible interpretation, so as not to add to or diminish the rights and obligations provided in the covered agreements.</li><li>- In order to ensure the implementation of the decision afterwards, the DSB, in consultation with the Appellate Body, will establish a regular dialogue channel between the DSB and the Appellate Body.</li></ul> <p>Members affirm that they will also consider how to ensure the implementation of the outcomes of the regular dialogue between the DSB and the Appellate Body.</p>
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<p>Thailand</p> <p>25 April 2019</p>	<p>1) The issue of 90 days:</p> <ul style="list-style-type: none"> <li>- Article 17.5 of the DSU provides that “in no case shall Appellate Body proceedings exceed 90 days”. Thus, Article 17.5 requires that appellate review shall be completed strictly within 90 days.</li> <li>- In this regard, members exhort the Appellate Body to observe this rule strictly and, to the extent possible, where necessary, to expedite appellate proceedings in order to meet the DSU-mandated timeframe. The Appellate Body shall generally strive to complete appeals in the order in which they were initiated.</li> <li>- It is recognized that there may be cases of unusual complexity, or periods of numerous appeals, in which the 90-day deadline may excessively constrain the Appellate Body’s ability to produce a report of the quality that the parties deserve.</li> <li>- In cases in which the Appellate Body considers that it would be difficult to meet the 90-day deadline, the Appellate Body should immediately communicate with the parties to the dispute and consult on how the proceedings could be expedited. These may include, depending on the circumstances of each case, limiting the length of parties’ submissions, limiting the scope of issues on appeal raised by the parties and circulating the Appellate Body report before translation of the report has been completed. These consultations shall be without prejudice to the role of the Appellate Body as an objective and impartial adjudicator of the dispute. The result of the consultations shall be notified to the DSB.</li> <li>- In situations in which the Appellate Body consults with parties to a dispute regarding the 90-day deadline, the parties shall make good-faith efforts to facilitate the appeal process. In doing so, the parties shall take into account the interests of the parties to other pending or upcoming appeals.</li> <li>- Regardless of whether or not the Appellate Body issues the report within the deadline, the Appellate Body report shall be deemed to be properly issued and shall be adopted by the DSB in accordance with the rules contained in Article 17.14 of the DSU.</li> </ul> <p>2) Transitional rules for outgoing Appellate Body members:</p> <ul style="list-style-type: none"> <li>- Appellate Body members are appointed by the DSB, pursuant to Articles 17.1 and 17.2 of the DSU. A practical concern arises when an outgoing Appellate Body member’s mandate ends while that member is performing his or her duties in an ongoing appeal. The importance of this situation lies in addressing this concern in a manner that ensures that the Appellate Body can discharge its duties properly in a timely manner, including by circulating its report in any given dispute with as little delay as possible.</li> <li>- An Appellate Body member whose term expires during an appeal to which he/she has been assigned shall complete his/her work only upon approval by the DSB. At the request of the Chairperson of the Appellate Body, the DSB shall grant the approval automatically in appeals in which the oral hearing takes place at least 30 days before the completion of the term of the outgoing Appellate Body member.</li> </ul>
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	<p>- The Appellate Body is requested to remove the current Rule 15 from the Working Procedures for appellate review.</p> <p>3) The meaning of municipal law as an issue of fact:</p> <ul style="list-style-type: none"> <li>- Article 17.6 of the DSU clearly limits the scope of the Appellate Body's review to "issues of law covered in the panel report and legal interpretations developed by the panel".</li> <li>- Under public international law, the meaning of municipal law is normally considered to be a question of fact. The DSU does not address this issue. Hence, issues sometimes arise when a panel's findings are viewed as involving "mixed" questions of fact and law.</li> <li>- In these circumstances, panels are encouraged to characterize their findings as factual or as legal, as appropriate, bearing in mind that the meaning of municipal law of a member is not a question of law. Where issues concerning the proper meaning of municipal law arise on appeal, the Appellate Body should afford due consideration to the panel's characterization.</li> </ul> <p>4) Findings unnecessary for the resolution of the dispute:</p> <ul style="list-style-type: none"> <li>- Under Article 17.12 of the DSU, the Appellate Body is required to "address each of the issues raised" in the appeal. In addition, Article 3.7 of the DSU provides that the aim of the dispute-settlement mechanism is to secure a positive solution of the dispute. In addressing each of the issues raised on appeal, the Appellate Body shall consider carefully, in the light of the findings of the panel and its own judgement, the extent to which findings on each issue raised are necessary to secure a positive solution to the dispute. The Appellate Body shall also consider carefully the precise nature of the findings to be made on each issue raised, in the light of Article 3.7.</li> <li>- The Appellate Body shall explore this issue with the parties upon initiation of appeal proceedings and during the oral hearing, with a view to avoiding findings that are not necessary to achieve the overriding purpose of securing a positive resolution to a dispute. It is recognized, however, that the parties may disagree on what findings are necessary to achieve this purpose and that the decision finally lies with the Appellate Body as the objective and impartial adjudicator of the dispute.</li> <li>- In its reports, the Appellate Body shall explicitly indicate why it considered that issuing particular findings requested by the parties was necessary for the resolution of the appeal before it, and why it considered that making other findings requested by the parties was not necessary for the resolution of the appeal.</li> </ul> <p>5) The issue of precedent:</p> <ul style="list-style-type: none"> <li>- Under Article 3.2 of the DSU, the role of panels and the Appellate Body is to preserve the rights and obligations of members under the covered agreements and to clarify the existing provisions of those agreements in accordance with the customary rules of interpretation of public international law. Panels and the Appellate Body, in their</li> </ul>
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	<p>reports, cannot add to or diminish the rights and obligations of WTO members under the covered agreements.</p> <p>- Similarly, the findings of panels and the Appellate Body are not authoritative interpretations of general applications of the covered agreements. Under Article IX: 2 of the Marrakesh Agreement, the exclusive authority to adopt such interpretations is granted to the Ministerial Conference and the General Council. In these circumstances, adopted panel and Appellate Body reports, as such, do not have any binding effect on panels or the Appellate Body in subsequent disputes.</p> <p>- It is, nevertheless, recognized that it is useful for parties in panel and Appellate Body proceedings to refer to prior panel and Appellate Body reports in developing their arguments. In considering these arguments, panels (in making their assessment under Article 11 of the DSU) and the Appellate Body should carefully consider the extent to which prior reports are relevant to the issues before them. Panels and the Appellate Body should explain in their reports the extent to which they considered the prior reports to be relevant to the dispute at hand.</p> <p>6) Further: Dialogue between members and the adjudicative bodies of the WTO: Desiring to ensure the effective and smooth functioning of the WTO dispute-settlement system in a manner that duly preserves the rights and obligations of members under the covered agreements, members recognize the value of having regular dialogue between members and the adjudicative bodies of the WTO. To this end, the DSB shall hold annual meetings with members of the Appellate Body. The meetings, the function of which is recognized as not affecting the legitimacy of an Appellate Body report, shall be open to all members and any members of the Appellate Body. All Appellate Body members should, to the extent possible, be present at the meetings. Furthermore, the meetings shall be without prejudice to the right of members to express their views on an Appellate Body report as provided under Article 17.14 of the DSU, and shall be conducted in a manner that ensures the integrity and impartiality of the appellate review.</p>
<p>Brazil, Paraguay and Uruguay</p> <p>25 April 2019</p>	<p>1) The issue of 90 days:</p> <p>- The deadlines established under Article 17.5 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) are binding and accord no discretion to the Appellate Body to issue reports outside the 90-day deadline set out therein.</p> <p>- At the request of the parties to a dispute, the DSB may decide to deem a report issued beyond the 90-day deadline set out in Article 17.5 to be an Appellate Body report circulated pursuant to Article 17.5 of the DSU.</p>

	<p>2) Transitional rules for outgoing Appellate Body members: Only the Ministerial Conference or the DSB may authorize a person who ceases to be a member of the Appellate Body to complete the disposition of any appeal to which that person was assigned while a member of the Appellate Body.</p> <p>3) The meaning of municipal law as an issue of fact: Descriptions or factual findings contained in the factual section of a panel report, issued to the parties pursuant to Article 15.1 of the DSU and possibly modified after the interim review stage, are not susceptible to appellate review.</p> <p>4) Findings unnecessary for the resolution of the dispute: - Findings by a panel and the Appellate Body are restricted to those necessary to assist the DSB, in the context of a specific dispute, in making the recommendations or in giving the rulings provided for in the covered agreements, including recommendations pursuant to Articles 19.1 and 26 of the DSU. - Article 3.2 of the DSU is not meant to encourage panels or the Appellate Body to clarify existing provisions of the covered agreements outside the context of resolving a particular dispute, nor to provide opinions beyond the findings that are necessary to assist the DSB in making the recommendations or in giving the rulings in the context of a particular dispute. - To address an issue pursuant to Article 17.12, the Appellate Body may consider and dispose of the issue to the extent necessary to assist the DSB in making the recommendations or in giving the rulings provided for in the covered agreements. Such action does not necessarily require addressing the merits of particular claims (e.g. by reasons of judicial economy).</p> <p>5) The issue of precedent: - Pursuant to Article IX of the WTO Agreement, the Ministerial Conference and the General Council have the exclusive authority to adopt interpretations of the WTO Agreement and the Multilateral Trade Agreements. - In deciding to adopt panel or Appellate Body reports, the DSB does not intend that such adoption constitute a general and prospective endorsement, by the WTO membership, of any interpretations of provisions of the covered agreements contained in the reports. Such interpretations, therefore, do not become definitive interpretations of the relevant provisions of the covered agreements by virtue of the adoption of panel or Appellate Body reports by the DSB. - Panels and the Appellate Body are thus not legally bound by the reasoning and findings of previous panel and Appellate Body reports. - In recognition that such reports create legitimate expectations among WTO members, they should be taken into account where they are relevant to any dispute – especially if adjudicators find the reasoning in such reports sufficiently persuasive to rely on it in conduct-</p>
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	<p>ing their own assessment of the matter in a dispute.</p> <p>6) Further: Filling of vacancies on the Appellate Body:</p> <ul style="list-style-type: none"> <li>- WTO members sitting on the DSB have a collective duty to ensure that vacancies in the Appellate Body shall be filled as they arise, as provided for in Article 17.2 of the DSU.</li> <li>- To assist members in discharging that duty, the selection procedure to fill a vacancy that will arise as a result of the expiry of the mandate of an Appellate Body member shall be launched by the Chair of the DSB 180 days before the expiry of that member's mandate. If a vacancy arises before the regular expiry of an Appellate Body member's mandate or as a result of any other situation, the Chair of the DSB shall immediately launch the selection procedure with a view to filling that vacancy as soon as possible.</li> </ul>
<p>African Group</p> <p>26 June 2019</p>	<p>1) The issue of 90 days:</p> <ul style="list-style-type: none"> <li>- The duration of ninety (90) days for the examination of cases submitted to the Appellate Body and the presentation of reports should be maintained. However, in exceptional circumstances, the Appellate Body may exceed the ninety (90) day time limit but not more than one hundred and twenty (120) days for the examination of cases referred to the Appellate Body, and for the submission of expected reports. Days not worked (weekends and public holidays) should not be counted. This provision will amend paragraph 5 of Article 17 of the DSU.</li> <li>- The volume of documentation of parties' submissions should not exceed thirty (30) pages.</li> </ul> <p>2) Transitional rules for outgoing Appellate Body members:</p> <ul style="list-style-type: none"> <li>- The Appellate Body selection process shall be launched automatically no later than three (3) months before expiry of the term of office.</li> <li>- Rule 15 should be maintained to allow outgoing Appellate Body members to discharge their duties until the position has been filled but not longer than a period of two (2) years following the expiry of the term of office.</li> </ul> <p>3) The meaning of municipal law as an issue of fact: /</p> <p>4) Findings unnecessary for the resolution of the dispute: Findings unnecessary and unrelated to the resolution of a dispute may affect the rights and obligations of members. The AB should limit itself to the issues raised by the parties to the dispute. Under no circumstances should it pronounce on issues not raised by any parties to the dispute.</p> <p>5) The issue of precedent: /</p>

	<p>6) Further: Term of office for AB and number of members:</p> <ul style="list-style-type: none"> <li>- The maximum term of office of members of the WTO Appellate Body shall be seven (7) years, non-renewable. This provision will amend paragraph 2 of Article 17 of the DSU.</li> <li>- Increase the number of the Appellate Body members from seven (7) to nine (9) members. In the composition of the Appellate Body, factors such as regional balance, gender representivity and multilingualism may be considered. This provision will amend paragraph 1 of Article 17 of the DSU.</li> </ul>
<p>Taiwan</p> <p>8 April 2019</p>	<p>1) The issue of 90 days: Members re-confirm that the timeframes set out in Article 17.5 of the DSU are mandatory. These timeframes reflect members' strong desire for the prompt settlement of disputes, as also indicated in Articles 3.3 and 21.1 of the DSU. Reading these timeframe provisions together with Article 17.6 of the DSU should also give the effect that the appellate review be limited to issues of law which are necessary for the resolution of the dispute. Nevertheless, in consideration of practical needs, members agree that these timeframes could be extended on the agreement of the disputing parties.</p> <p>2) Transitional rules for outgoing Appellate Body members: Members re-confirm that the rules as set out in Article 17.2 of the DSU, relating to the term of office and the procedure for appointment and reappointment of Appellate Body members, should be strictly followed. A case in which a person who ceases to be an Appellate Body member continues his or her disposition of an appeal can only be allowed by the DSB, or should be based on transitional rules agreed by the whole WTO membership.</p> <p>3) Findings unnecessary for the resolution of the dispute: Members clarify that Articles 3.3, 3.4, 17.5 and 17.12, being read together, should mean that the Appellate Body should review issues of law being raised to the extent that it achieves a prompt and satisfactory settlement of the dispute.</p> <p>4) The meaning of municipal law as an issue of fact: Members re-confirm that under Article 17.6 of the DSU, the appellate review should be limited to issues of law. For greater certainty, the "issues of law" here do not include the panel findings with regard to the meaning of the municipal measures of a member. Members agree that the Appellate Body should refuse to review any appeals raised under Article 11 of the DSU on the panel's factual findings unless the appellant establishes a prima facie case that the panel committed an egregious error that calls into question the good faith of that panel.</p>

	<p>5) The issue of precedent: Members confirm that, under the DSU, panel and Appellate Body reports do not have binding precedential values. Findings of a panel and the Appellate Body should be based on the covered agreements and the evidence presented in each individual dispute. Nevertheless, for the purpose of providing security and predictability to the multilateral trading system as noted in Article 3.2 of the DSU, and to protect members' legitimate legal expectations, the reasoning and interpretations made in prior disputes by panels and the Appellate Body may be taken into account by an adjudicator, after proper and independent deliberation, in addressing relevant issues.</p> <p>6) Further: Interaction mechanism: For the purpose of facilitating communications between the Appellate Body and the WTO members, the Secretariat should periodically publish a report to highlight and summarize the views and concerns expressed by members under Article 17.14 of the DSU on Appellate Body reports – in particular, those relating to issues covered in these guidelines or other issues of systemic significance (e.g. exceeding the 90-day deadline). The Appellate Body shall endeavour to respond to those views and concerns by adapting its practices accordingly, and to indicate which steps it has taken to that effect in its annual report or, if it deems proper, in a dedicated document, which may be published at a higher frequency.</p>
<p>Honduras</p> <p>1 February 2019</p> <p>See also: WT/GC/W/758</p>	<p>1) The issue of 90 days: - Members need to decide what time period they want to allocate to an appeal after the conclusion of the panel process. Members may explore how to streamline the appellate process. The right of appeal extends the period of the dispute-settlement process, and hence needs to be limited and subject to certain conditions. - Better cooperation between disputing parties and the Appellate Body, and incorporating more stringent adherence to conditions of appeal, may reduce unnecessary delays. - Members may have to decide on the nature of the time period allocated to an appeal, whether such a deadline is mandatory and the consequences of its non-respect.</p> <p>2) Transitional rules for outgoing Appellate Body members: /</p> <p>3) The meaning of municipal law as an issue of fact: /</p> <p>4) Findings unnecessary for the resolution of the dispute: /</p> <p>5) The issue of precedent: - Members could agree that a dispute-settlement report forms precedent only by unanimous consent.</p>

<p>Bolivia, Cuba, Ecuador, India, Malawi, Oman, South Africa, Tunisia, Uganda and Zimbabwe</p> <p>22 July 2019</p>	<ul style="list-style-type: none"> <li>- “Rule of reiteration”. If a certain WTO rule is interpreted the same way a number of times by the Appellate Body, it could automatically be considered to have set a precedent for how that rule should be interpreted.</li> <li>- Another iteration of this concept would allow members to adopt via unanimous consensus an interpretation of a WTO rule if it had been interpreted in the same way across multiple cases.</li> <li>- Or allow the Appellate Body to be instructed to endorse a certain interpretation of a rule made in a previous report, if there is unanimity among Appellate Body members on that interpretation.</li> <li>- A functioning, independent and effective dispute-settlement system is indispensable for preserving the rights and obligations of all WTO members and for ensuring that the rules are enforced in a fair and even-handed manner. Without such a system there would be no incentive to negotiate new rules or to undertake reforms. Therefore, resolution of the Appellate Body (AB) impasse needs to precede other reforms.</li> <li>- As per Articles 17.1 and 17.2 of the DSU, all WTO members have a collective duty to ensure the maintenance of a standing Appellate Body comprising seven members. It would be disingenuous to use the pretext of the Appellate Body’s alleged digression from the clear mandate of the DSU to justify wilful non-compliance with the same by the membership.</li> <li>- Attempts at addressing the crisis in the dispute-settlement system must preserve its essential features – namely, an independent, two-tier dispute-settlement system – automaticity in the launch of proceedings and decision-making by the Dispute Settlement Body (DSB) by negative consensus, where provided. Developing members’ concerns about affordability and equitable access to the use of the dispute-settlement system are also very important.</li> </ul>
<p>David Walker</p> <p>4th Report on convergence</p> <p>15 October 2019</p>	<p>1) The issue of 90 days:</p> <ul style="list-style-type: none"> <li>- Consistent with Article 17.5 of the DSU, the Appellate Body is obligated to issue its report no later than 90 days from the date on which a party to the dispute notifies its intention to appeal.</li> <li>- In cases of unusual complexity or periods of numerous appeals, the parties may agree with the Appellate Body to extend the timeframe for issuance of the Appellate Body report beyond 90 days. Any such agreement will be notified to the DSB by the parties and the Chair of the Appellate Body.</li> </ul> <p>2) Transitional rules for outgoing Appellate Body members:</p> <ul style="list-style-type: none"> <li>- Only WTO members may appoint members of the Appellate Body.</li> <li>- The Dispute Settlement Body (the “DSB”) has the explicit authority, and responsibility, to determine membership of the Appellate Body, and is obligated to fill vacancies as they arise.</li> <li>- To assist members in discharging this responsibility, the selection</li> </ul>

	<p>process to replace outgoing Appellate Body members shall be automatically launched 180 days before the expiry of their term in office. Such selection processes shall follow past practice.</p> <ul style="list-style-type: none"> <li>- If a vacancy arises before the regular expiry of an Appellate Body member's mandate, or as a result of any other situation, the Chair of the DSB shall immediately launch the selection process with a view to filling that vacancy as soon as possible.</li> <li>- Appellate Body members nearing the end of their terms may be assigned to a new division up until 60 days before the expiry of their term.</li> <li>- An Appellate Body member so assigned may complete an appeal process in which the oral hearing has been held prior to the normal expiry of their term.</li> </ul> <p>3) The meaning of municipal law as an issue of fact:</p> <ul style="list-style-type: none"> <li>- The "meaning of municipal law" is to be treated as a matter of fact, and therefore is not subject to appeal.</li> <li>- The DSU does not permit the Appellate Body to engage in a "de novo" review or to "complete the analysis" of the facts of a dispute.</li> <li>- Consistent with Article 17.6 of the DSU, it is incumbent upon members engaged in appellate proceedings to refrain from advancing extensive and unnecessary arguments in an attempt to have factual findings overturned on appeal, under DSU Article 11, in a de facto "de novo review".</li> </ul> <p>4) Findings unnecessary for the resolution of the dispute:</p> <ul style="list-style-type: none"> <li>- Issues that have not been raised by either party may not be ruled or decided upon by the Appellate Body.</li> <li>- Consistent with Article 3.4 of the DSU, the Appellate Body shall address issues raised by parties in accordance with DSU Article 17.6 only to the extent necessary to assist the DSB in making the recommendations or in giving the ruling provided for in the covered agreements in order to resolve the dispute.</li> </ul> <p>5) The issue of precedent:</p> <ul style="list-style-type: none"> <li>- Precedent is not created through WTO dispute-settlement proceedings.</li> <li>- Consistency and predictability in the interpretation of rights and obligations under the covered agreements is of significant value to members.</li> <li>- Panels and the Appellate Body should take previous panel/Appellate Body reports into account to the extent that they find them relevant in the dispute that they have before them.</li> </ul> <p>6) Further: "Overreach":</p> <ul style="list-style-type: none"> <li>- As provided in Articles 3.2 and 19.2 of the DSU, findings and recommendations of panels and the Appellate Body, and recommendations and rulings of the DSB, cannot add to or diminish the rights and obligations provided in the covered agreements.</li> </ul>
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	<p>- Panels and the Appellate Body shall interpret provisions of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 in accordance with Article 17.6(ii) of that agreement.</p> <p>7) Further: Dialogue between the DSB and AB:</p> <p>- The DSB, in consultation with the AB, will establish a mechanism for regular dialogue between WTO members and the AB whereby members can express their views on issues, including in relation to implementation of this decision, in a manner unrelated to the adoption of particular reports.</p> <p>- Such a mechanism will be in the form of an informal meeting, at least once a year, hosted by the Chair of the DSB.</p> <p>To safeguard the independence and impartiality of the AB, clear ground rules will be provided to ensure that at no point should there be any discussion of ongoing disputes or any member of the AB.</p>
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**Table 3 | WTO reform proposals on development /  
Special and Differential Treatment (SDT)**

<b>Country</b>	<b>Proposals / Position Statement</b>
<p>United States</p> <p>15 February 2019</p> <p>See also: WT/GC/W/757/ Rev.1</p>	<p>1) To facilitate the full implementation of future WTO agreements and to ensure that the maximum benefits of trade accrue to those members with the greatest difficulty integrating into the multilateral trading system, the following categories of members will not avail themselves of special and differential treatment (SDT) in current and future WTO negotiations:</p> <ul style="list-style-type: none"> <li>- a WTO member that is a Member of the Organization for Economic Cooperation and Development (OECD), or a WTO member that has begun the accession process to the OECD;</li> <li>- a WTO member that is a member of the Group of 20 (G20);</li> <li>- a WTO member that is classified as a "high income" country by the World Bank; or</li> <li>- a WTO member that accounts for no less than 0.5 percent of global merchandise trade (imports and exports).</li> </ul> <p>2) Nothing in this decision precludes reaching agreement that in sector-specific negotiations other members are also ineligible for special and differential treatment.</p>
<p>Bolivia, Cuba, Ecuador, India, Malawi, Oman, South Africa,</p>	<p>1) Special and Differential Treatment (SDT) is a treaty-embedded and non-negotiable right for all developing members. The available data indicates that the gap in the standards of living between developing and developed countries has not narrowed to any significant</p>

<p>Tunisia, Uganda and Zimbabwe</p> <p>22 July 2019</p> <p>See also: WT/GC/W/765/ Rev.2</p>	<p>extent since the establishment of the WTO. This necessitates the preservation and strengthening of the SDT provisions in both current and future WTO agreements, with priority to outstanding Least Developed Country (LDC) issues.</p> <p>2) The multilateral trading system must give policy space for developing members to fulfil their development goals, including industrialization. Developing members continue to confront many formidable challenges, which underscores the continued relevance of SDT provisions in their favour. The long-awaited outstanding “development” issues from the Doha Round continue to be paramount, and include:</p> <ul style="list-style-type: none"> <li>- Implementation issues – aimed at rebalancing the imbalanced rules from the Uruguay Round such as in the areas of agriculture, TRIMS (Trade Related Investment Measures), TRIPS (Trade Related Intellectual Property Rights), Subsidies Agreement, etc.</li> <li>- Special and Differential Treatment (SDT) – strengthening and making effective and operational the SDT provisions in WTO agreements, in accordance with paragraph 44 of the Doha Declaration.</li> <li>- Cotton – the imbalances in Agriculture Domestic Support due to Aggregate Measures of Support (AMS) beyond de minimis, leading to subsidized exports by some, show up clearly in the area of cotton, where cotton prices have been depressed. This has impacted negatively on rural livelihoods and employment across many developing countries including the C4 members. [The “cotton four” (C4) countries are Burkina Faso, Benin, Chad and Mali.]</li> <li>- Public Stockholding (PSH) – a permanent solution must be agreed upon and adopted. The General Council Decision of 27 November 2014 (WT/L/939) says that “If a permanent solution for the issue of PSH is not agreed and adopted by the 11th Ministerial Conference, the mechanism ... shall continue to be in place until a permanent solution is agreed and adopted”.</li> <li>- Special Safeguard Mechanism – Ministers in Nairobi (WT/MIN(15)/43) mandated Members to “pursue negotiations on an SSM for developing country members in dedicated sessions of the Committee on Agriculture in Special Session”.</li> <li>- Agriculture Domestic Supports – to rectify the imbalances in the existing rules due to some members having AMS entitlements whilst others do not. High per-farmer subsidies by OECD countries, with huge flexibility, continue to have serious implications on food insecurity and rural poverty in developing countries.</li> </ul> <p>3) In addition to the issues mentioned above, work should also continue on the following issues emphasizing the development components and in accordance with existing mandates:</p> <ul style="list-style-type: none"> <li>- Fisheries subsidies – in accordance with the Doha, Hong Kong and MC11 Ministerial Declarations. All of these emphasize the importance of SDT in the outcome of these negotiations because of the “importance of this sector to development priorities, poverty reduction, and livelihood and food security concerns”. SDG 14.6 also reinforces SDT.</li> </ul>
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	<p>- Discussions under the 1998 E-Commerce Work Programme in the relevant WTO bodies.</p> <p>4) Another issue that must be addressed in any reform process relates to the alleged theft of traditional knowledge that is held, preserved and developed by traditional communities/indigenous peoples. The rules of the multilateral trading system must also support developing countries in building their technological capacities, and their access to affordable medicines and medical technologies.</p> <p>5) The Sustainable Development Goals (SDGs) articulate important development challenges still confronting developing countries, including overcoming poverty and hunger. WTO rules must be supportive, rather than a constraint on these efforts.</p>
<p>Norway, Canada, Hong Kong, China, Iceland, Mexico, New Zealand, Singapore and Switzerland</p> <p>21 September 2018</p>	<p>1) The contribution of trade to sustainable development is at the heart of the multilateral trading system. SDT is an important tool for enabling development and greater participation in the multilateral trading system. It forms part of the context of negotiations across the range of policy areas in which the WTO is engaged.</p> <p>2) Aiming at consensus on a negotiated set of criteria for when a developing member should have access to SDT is neither realistic nor necessarily useful. The question should rather be how SDT could be designed to address the development challenges that members are facing. It is the negotiated result that matters, not the categorization of members. However, the special treatment of LDCs should be maintained.</p> <p>3) The tools already exist for a creative and effective approach to flexibilities that responds to the development needs of members. Such an approach would enable fuller participation and, at the same time, contribute to an appropriate balance of rights and obligations among WTO members.</p> <p>4) Development concerns have been addressed in many ways in the past. This should inspire us to explore how the development dimension, including SDT, can best be pursued in a pragmatic and creative manner in current and future negotiations. SDT enables developing members, and especially the LDCs, to secure a share in the growth in international trade commensurate with the needs of their economic development. What is important is the contribution in terms of binding commitments that each member is able to make within each area of current and future negotiations. Implementing our shared commitment to SDT in a more flexible and effective way can help to make the most of these contributions, facilitating the greater integration of developing members into international trade and the multilateral trading system.</p>

<p>China</p> <p>13 May 2019</p> <p>See also: WT/GC/W/765/ Rev.2</p>	<p>1) Issue and problem: Development issue is at the centre of WTO work. The WTO agreements have set forth special and differential treatment (SDT) provisions for developing members. However, most of these provisions are best-endeavour clauses in nature, and their implementation leaves much to be desired. Furthermore, some members are challenging the entitlement of developing members to SDT, disregarding the systemic gaps between developing and developed members. They even request that some developing members assume the same obligations as those of developed members.</p> <p>2) Objective and task: Development remains an important theme of the times. It is crucial for the WTO to safeguard the rights of developing members to SDT and to make SDT provisions more precise, effective and operational. This will be conducive to reducing the development deficit in trade rules and contributing to the achievement of the Sustainable Development Goals of the United Nations' 2030 Agenda.</p> <p>3) Action and proposal: China, together with some other WTO members, has submitted a joint proposal (WT/GC/W/765/Rev.2) on SDT, and calls for continued preservation of the rights of developing members to SDT. China further proposes the following:</p> <ul style="list-style-type: none"> <li>- Enhance the implementation and monitoring of existing SDT provisions – particularly, the implementation of duty-free and quota-free treatment and the preferential treatment to services and service suppliers of the LDCs.</li> <li>- Provide more targeted and concrete technical assistance to ensure the integration of developing members into the multilateral trading system and global value chains.</li> <li>- Advance the negotiations on SDT provisions in accordance with the Doha Ministerial Declaration.</li> <li>- Accord adequate and effective SDT treatment to developing members in future negotiations on trade and investment rules.</li> <li>- Encourage developing members to actively assume obligations commensurate with their level of development and economic capability.</li> </ul>
<p>European Union</p> <p>Commission Concept Paper; not WTO communication</p> <p>18 September 2018</p>	<p>1) Graduation: Members should be actively encouraged to “graduate” and opt out of SDT, whether horizontally or by agreement. In the interim, members should be encouraged to clarify in which areas they actually use existing flexibilities, and to present roadmaps detailing when they would expect to be able to assume all the obligations stemming from the WTO agreement. This could form an integral part of a member's Trade Policy Review (TPR) process.</p>

	<p>2) Special and Differential Treatment (SDT) in future agreements: While acknowledging the need for particularly flexible treatment of LDCs, flexibilities available to other members should move away from open-ended block exemptions towards a needs-driven and evidence-based approach that will ensure that SDT will be as targeted as possible. Various approaches can be used, which should satisfy the following principles:</p> <ul style="list-style-type: none"> <li>- The agreement in question will eventually be universally implemented, so that the core rights and obligations will apply to everyone and any exceptions will be time-bound.</li> <li>- Inbuilt flexibility in the form of additional commitments going beyond a core set of provisions should cater for differences among members.</li> <li>- The flexibilities available in any agreement should be proportional to the number of members participating and the ambition of the agreement.</li> </ul> <p>There are a number of tools that can be used to implement these proposals – for example, differentiation, graduation mechanisms, grace periods and assistance linked to implementation.</p> <p>3) Additional SDT in existing agreements: Though existing SDT provisions in current agreements should not be contested, when members request additional SDT this should be done only on the basis of a case-by-case analysis, on the basis of:</p> <ul style="list-style-type: none"> <li>- a clear identification of the development objective that is being affected by the rule in question;</li> <li>- an economic analysis of the impact of the rule and of the expected benefits of its relaxation;</li> <li>- an analysis of the impact of the requested flexibility on other WTO members; and</li> <li>- a specification of the time period for which flexibility is requested and of its scope of application (one member, a group of members or all developing-country members).</li> </ul> <p>Depending on the outcome of this analysis, various approaches can be used to consider additional flexibilities.</p>
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**Table 4 | WTO reform proposals per issue and country:  
Transparency and notifications**

Country	Proposals / Position Statement
<p>Argentina, Australia, Canada, Costa Rica, European Union, Japan, New Zealand, Taiwan and United States</p> <p>27 June 2019</p>	<p>1) The Working Group on Notification Obligations and Procedures (Working Group) shall meet before [x date] to develop recommendations on improving member compliance with notification obligations under the agreements and understandings listed .... The Working Group will also consult with the WTO Secretariat as appropriate, including the WTO Institute for Training and Technical Cooperation (ITTC) to assess the contribution of WTO trade-related technical assistance to improving notification compliance, as well as the Cen-</p>

	<p>tral Registry of Notifications. The Working Group will report to the Council for Trade in Goods on its findings before [x date], and provide updates at each subsequent meeting.</p> <p>2) Instruct the Working Group to work with the Secretariat to update the Technical Cooperation Handbook on Notification Requirements for each of the agreements and understandings listed ... and present it to the Council for Trade in Goods for its [x date] meeting.</p> <p>3) Instruct the Trade Policy Review Body to ensure that beginning in [20XX] all trade-policy reviews include a specific, standardized focus on the member's compliance with its notification obligations under the agreements and understandings listed ....</p> <p>4) A member that fails to provide a required notification within the deadline referenced in the relevant agreement or understanding listed ... is encouraged to submit to the relevant committee by six months after the relevant deadline and every six months thereafter an explanation for the delay, the anticipated timeframe for its notification and any elements of a partial notification that a member can produce to limit any delay in transparency.</p> <p>5) If a member fails to provide a required notification within the deadline referenced in the relevant agreement or understanding listed ..., the member may request the Secretariat to provide assistance in researching the matter and, in full consultation with the relevant member, and only with the approval of that member, provide a notification on its behalf.</p> <p>6) A developing-country member encountering difficulties in fulfilling its notification obligations is encouraged:</p> <ul style="list-style-type: none"> <li>- to request assistance and support for capacity building from the Secretariat, either in the form of WTO trade-related technical assistance or as ad hoc assistance for a particular notification; and</li> <li>- to submit to the relevant committee and to the Working Group by six months after the deadline provided under the relevant agreement or understanding listed ... and every six months thereafter information on those notifications that it has not submitted due to a lack of capacity, including information on the assistance and support for capacity building that the member requires in order to submit required notifications.</li> </ul> <p>7) With respect to the notification referred to as DS:1 in the Committee on Agriculture's Notification Requirements and Formats (G/AG/2), the deadline for the purposes of paragraphs 5 and 7(b) of this decision shall be two years following the notification deadline required under G/AG/2. This paragraph shall cease to operate once an update of G/AG/2 has been adopted. An update of G/AG/2 is encouraged within two years of this decision.</p> <p>8) Encourage members, at any time, to bring to the attention of the rel-</p>
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	<p>evant committee information that they consider has not been notified by another member in accordance with the agreements and understandings listed ....</p> <p>9) Beginning in 20XX, if a member fails to submit a required notification:</p> <ul style="list-style-type: none"> <li>- except as provided in subparagraphs (b) and (c), by one year from the deadline provided under the relevant agreement or understanding listed ...;</li> <li>- by three years from the deadline required under the Committee on Agriculture's Notification Requirements and Formats (G/AG/2) with respect to the notification referred to as DS:1; or</li> <li>- by one year of this decision being adopted with respect to an outstanding one-time notification, or required update, containing the most current information;</li> </ul> <p>the following administrative measures shall apply to that member:</p> <ul style="list-style-type: none"> <li>i. the member shall be designated as a member with notification delay;</li> <li>ii. representatives of the member will be called upon in WTO formal meetings after all other members have taken the floor, and before any observers;</li> <li>iii. when the member with notification delay takes the floor in the General Council it will be identified as such;</li> <li>iv. the Secretariat shall report annually to the Council for Trade in Goods on the status of the member's notifications; and</li> <li>v. representatives of the member cannot be nominated to preside over WTO bodies.</li> </ul> <p>10) If after one year of the administrative measures in paragraph 9, above, being applied, the member has failed to submit the relevant notification, the following administrative measures shall also be applied to the member, in addition to the measures in paragraph 9</p> <p>the member shall be subject to specific reporting at the General Council meetings;</p> <p>questions posed by the member to another member during a trade policy review need not be answered; and</p> <p>the member shall be assessed a charge by the Secretariat at the rate of [x][5] per cent of its normal assessed contribution to the WTO budget, to be effective in the following biennial budget cycle, that may be used for the purpose of providing members with technical assistance to fulfil notification obligations, including through the ITTC.</p> <p>11) The commencement of the administrative measures identified in paragraphs 9 and 10, above, shall be deferred a year, respectively, for a developing-country member that has submitted information on the assistance and support for capacity building that the member requires, as set out in paragraph 6, above, if the member still fails to provide the required notification.</p> <p>12) When the administrative measures identified in paragraphs 9 and</p>
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	<p>10, above, are applied to any member, the Director-General will notify the ministers of those members responsible for the WTO of the administrative measures being applied with respect to those members.</p> <p>13) Once any such member comes into compliance with its notification requirements, the administrative measures will cease to apply.</p>
<p>Bolivia, Cuba, Ecuador, India, Malawi, Oman, South Africa, Tunisia, Uganda and Zimbabwe</p> <p>22 July 2019</p> <p>See also: JOB/ GC/218</p>	<p>1) Developing countries face challenges in complying with all their notification obligations due to human-resource and institutional-capacity constraints. Any non-compliance is not wilful. Treaty obligations must be performed in good faith. Yet despite the best of intentions, the ability to fulfil all notification obligations inevitably depends on capacities that are commensurate with a member's level of development and the resources available. In the light of these difficulties, we do not agree to additional transparency obligations. Any work in this area must be in the provision of capacity building to developing countries. Developed members should also lead by example in submitting comprehensive, timely and accurate notifications.</p> <p>2) Some members have found innovative ways to undermine their WTO commitments, or not implement the spirit of those commitments. If the discussion on transparency goes beyond addressing capacity issues, the first step must be to tackle the undermining of WTO commitments through:</p> <ul style="list-style-type: none"> <li>- regular notification of entry-related measures affecting existing Mode 4 commitments of members;</li> <li>- Article 66.2 of the TRIPS Agreement – developed countries have a legal obligation in the area of technology transfer towards LDCs, more transparency would be supportive of LDCs' efforts to build a viable technological base;</li> <li>- the disclosure of origin of traditional knowledge and genetic resources in patent applications; and</li> <li>- transparency in tariffs – non-ad valorem tariffs should be notified in ad valorem terms or converted to ad valorem tariffs.</li> </ul> <p>3) Transparency must also permeate the entire functioning of the WTO, including:</p> <ul style="list-style-type: none"> <li>- Taking note of the resource constraints of small delegations and thus rationalizing meetings at the WTO so that there are no overlaps. In areas in which there are active negotiations for outcomes, these meetings should as far as possible take place in formal mode. They should always be open, inclusive and transparent, and take seriously the resource constraints of developing countries.</li> <li>- Ministerial Conferences (MCs) and the processes preceding them in Geneva. The basic principles and procedures for this member-driven organization need to be agreed upon. For instance, all meetings in the MC, which is the body for decision-making, should be open to all</li> </ul>



	members without restricting the decision-making process to smaller Green Rooms.
China  13 May 2019	<p>1) Issue and problem: At present, members' overall fulfilment of notification obligations still falls short of the requirements under various WTO agreements. Due to their limited capacity and other constraints, some members could not submit the notifications on time. Meanwhile, the quality of counter-notifications submitted by some members still needs further improvement.</p> <p>2) Objective and task: It is imperative to enhance the transparency of members' trade policies. Greater transparency will help to create an open, stable, predictable, equitable and transparent international trading environment, and raise members' confidence in the multilateral trading system.</p> <p>3) Action and proposal:  <ul style="list-style-type: none"> <li>- Developed members should lead by example in submitting comprehensive, timely and accurate notifications.</li> <li>- Members should improve the quality of their counter-notifications.</li> <li>- Members should increase exchange of their experiences on notifications.</li> <li>- The WTO Secretariat needs to update the Technical Cooperation Handbook on Notifications as soon as possible, and intensify training in this regard.</li> <li>- Developing members should also endeavour to improve their compliance with notification obligations. Technical assistance and capacity building should be provided to developing members – in particular, LDCs – if they are unable to fulfil notification obligations on time.</li> </ul> </p>

**Table 5 | WTO reform proposals on council and committee working procedures**

Country	Proposals / Position Statement
Albania, Australia, European Union, Hong Kong, Iceland, South Korea, Moldova, New Zealand, North Macedonia, Norway, Panama, Qatar, Singapore, Switzerland, Taiwan, Thailand,	<p>1) Meeting arrangements:  <ul style="list-style-type: none"> <li>- All documents to be considered at a formal meeting of a WTO body – including convening notices, which shall indicate the items proposed for the agenda – shall be made available to members at least 15 calendar days before the meeting. This shall not apply to proposed and annotated agendas, which may be circulated closer to the meeting, or room documents, which may be circulated at any time. The Secretariat shall remind members of the closing dates for proposing items for the agendas.</li> <li>- Convening notices indicating the items proposed for the agenda shall</li> </ul> </p>

<p>Turkey and Ukraine 21 October 2019</p>	<p>indicate which trade concerns are raised for the first time and which have been previously raised, as well as how many times. Convening notices shall be unrestricted<sup>1</sup> and made publicly available on the WTO website.</p> <ul style="list-style-type: none"> <li>- The minutes of a meeting of a WTO body shall normally be circulated within three weeks after the meeting and not later than 30 calendar days before the next regularly scheduled meeting of that body.</li> <li>- At the end of the calendar year, the Secretariat shall circulate an indicative schedule of meetings for the coming year for each WTO body.</li> <li>- To the extent that the meeting arrangements set out in paragraphs 1 to 4 are in contradiction with rules set by individual councils and committees, the present decision shall prevail. This includes where committees apply, <i>mutatis mutandis</i>, the Rules of Procedure for Meetings of the General Council.</li> </ul> <p>2) Consideration of trade concerns in WTO bodies:</p> <ul style="list-style-type: none"> <li>- Members requesting the inclusion of a trade concern in the agenda of a formal meeting for the first time should inform the respondent member(s) concerned and the Secretariat at least 20 calendar days prior to the meeting. They should provide the respondent member(s) with a substantive description of the concern so as to enable them to prepare a substantive reply. Respondent members shall endeavour to address the substance of the concerns raised at the first meeting in which the concern is included in the agenda.</li> <li>- Members raising a trade concern are encouraged to submit written questions or concerns to the respondent member(s). If a member receives written questions on a trade concern, that member should respond in writing within 30 calendar days of circulation of the written questions. Written questions and written replies on trade concerns shall be unrestricted, unless the member raising or responding to the trade concern requests otherwise.</li> <li>- The Secretariat will establish and manage a database on trade concerns in which all WTO documents pertaining to trade concerns are recorded, including written questions and replies, relevant minutes of meetings and relevant notifications. The database will contain a search facility to make all documents related to a particular trade concern easily accessible.</li> <li>- If concerns over the same measure are raised in different WTO bodies, the Chairperson assisted by the Secretariat shall, when the agenda item is taken up, give an overview of the relevant discussions that took place in other WTO bodies. This overview shall include information on which bodies have addressed trade concerns over the same measure and how often, as well as a factual summary of substance.</li> <li>- The members raising and responding to a trade concern are encouraged to consult with each other between formal meetings. As far as practicable and appropriate, they should report about the outcome of their consultations at the next formal meeting if the trade concern is maintained on the agenda.</li> </ul>
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	<p>- When a trade concern is repeatedly raised at a WTO body, members taking the floor under the agenda item are encouraged, in order to make the best use of time and to the extent possible, to refer back to their previous statements which are on record.</p> <p>3) Informal resolution of trade concerns:</p> <p>- If a trade concern has remained on the agenda for three or more consecutive meetings without resolution, the member raising or responding to a trade concern may request the Chairperson to invite them to participate, on a voluntary basis, in an informal meeting with the objective of finding a way forward. The Secretariat shall participate, unless one of the members raising or responding to a trade concern disagrees. The member raising or responding to a trade concern and the Chairperson may request the Secretariat to provide technical input. The Chairperson may invite other interested members to the informal meeting if the members raising and responding to a trade concern so agree.</p> <p>- Members are encouraged to ensure the participation of capital-based experts at the informal meeting as necessary and may request the Secretariat to facilitate their participation, including by means such as videoconferencing. If the members raising and responding to a trade concern agree, technical experts from organizations that have observer status in the body concerned may participate at the technical meeting and may provide technical input upon request.</p> <p>- The Chairperson shall orally report about the outcome of the informal meeting at the next formal meeting, unless the member raising or responding to a trade concern disagree. The oral report shall include a factual summary of views expressed and any way forward agreed by the members concerned.</p> <p>4) Assistance and review:</p> <p>- A developing-country member encountering difficulties in responding to a trade concern or in implementing these procedural guidelines is encouraged to request assistance from the WTO Secretariat.</p> <p>- In the light of the experience gained from the operation of the procedural guidelines, the General Council will, at an appropriate time, review and, if necessary, modify them.</p> <p>5) Scope and entry into force:</p> <p>- The procedural guidelines shall apply to the bodies set up pursuant to, and referred to by, Article IV of the Marrakesh Agreement Establishing the World Trade Organization, with the exception of the Ministerial Conference and the General Council – including when it convenes and acts as the Dispute Settlement Body and the Trade Policy Review Body. They shall also apply to the Committee of Participants on the Expansion of Trade in Information Technology Products, which was established pursuant to the provisions of the Ministerial</p>
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	<p>Declaration on Trade in Information Technology Products<sup>3</sup> and the Implementation of the Ministerial Declaration on Trade in Information Technology Products.</p> <p>- The present decision shall enter into force three months after the date of its adoption.</p>
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**Table 6 | WTO reform proposals on digital trade**

<b>Country</b>	<b>Proposals / Position Statement</b>
United States	1) Infrastructure for electronic trade: /
INF/ECOM/23	<p>2) Open trading environment/trade facilitation:</p> <ul style="list-style-type: none"> <li>- Cross-border electronic information transfer should not be restricted if it is for business purposes (unless the restrictions are for “legitimate public policy objective(s)” and are not a “disguised restriction on trade”.</li> <li>- Government data, when publicly available, should be presented in a usable form.</li> </ul> <p>3) Electronic payments, contracts and paperless trading:</p> <ul style="list-style-type: none"> <li>- Electronic signatures should be legally accepted. Parties should be allowed to negotiate the best authentication methods for their transaction, and should not be prevented from defending the legality of their transaction before the relevant authorities.</li> <li>- Members may require certain authentication standards for specific types of transactions.</li> </ul> <p>4) Customs duties:</p> <p>No customs duties should be imposed on electronic transmissions.</p> <p>5) Domestic regulations:</p> <p>Parties should “avoid unnecessary regulatory burden” and “facilitate input by interested persons in the development of its legal framework”.</p> <p>6) Intellectual property and source code:</p> <p>“No party shall require the transfer of, or access to, source code of software owned by a person of another Party” except in cases of legal investigations or enforcement action.</p> <p>7) Privacy and consumer protection:</p> <ul style="list-style-type: none"> <li>- Members should enact regulations for protection of personal information, Information regarding access to redress and how businesses comply with regulations should be publicly available.</li> <li>- “Any restrictions on cross-border flows of personal information [should be] necessary and proportionate to the risks presented”.</li> </ul>

	<p>8) Online security:  - Members should build their capacity to respond to cybersecurity threats and "strengthen existing collaboration mechanisms".  - "Risk-based approaches" should be implemented for cybersecurity threat responses.</p> <p>9) Data localization:  - "No Party shall require a covered person to use or locate computing facilities in that Party's territory as a condition for conducting business in that territory".  - No requirements regarding the locations of financial-services computing facilities.</p> <p>10) Developing countries and LDCs' interests: /</p> <p>11) Inclusion (MSMEs and women):  Interactive computer services should be promoted for e-commerce growth, and are important for small and medium-sized enterprises (SMEs). Open government data is especially important for SMEs.</p> <p>12) Digital products:  Digital products shall not be given less-favourable treatment (not applicable in cases of subsidies such as government-supported loans or insurance).</p> <p>13) Past agreements/frameworks: /</p>
<p>European Union  INF/ECOM/22</p>	<p>1) Infrastructure for electronic trade:  Open internet access should be maintained in members' territories.</p> <p>2) Open trading environment/trade facilitation: /</p> <p>3) Electronic payments, contracts and paperless trading:  - Electronic contracts should not be denied legality solely because they are in electronic form. Parties may negotiate the best authentication methods for their transaction, and should not be prevented from proving the legality of their authentication to the relevant authorities.  - Members may require specific certification standards for different types of transactions, provided standards are "objective, transparent, and nondiscriminatory".</p> <p>4) Customs duties: /</p> <p>5) Domestic regulations: /</p> <p>6) Intellectual property and source code:  Members shall not require the transfer of, or access to, the source code</p>

	<p>of software owned by a natural or juridical person of other Members. The above is “without prejudice to” cases of violation of competition law, intellectual-property-rights protection, and national-security interests.</p> <p>7) Privacy and consumer protection:</p> <ul style="list-style-type: none"> <li>- Measures should be taken to ensure that consumers have the opportunity for redress and that traders are providing true information.</li> <li>- Consumers should be protected against unsolicited commercial electronic messages by requiring consent of the recipient and the opportunity to opt out. Suppliers should be obligated to disclose “on whose behalf [unsolicited electronic messages] are sent”.</li> <li>- “Members recognize the protection of personal data and privacy is a fundamental right” and that relevant safeguards should be applied.</li> </ul> <p>8) Online security: /</p> <p>9) Data localization: Members should not require data to be processed at computing facilities in their territories. No requirement of data localization. No prohibition on storing or processing data in other members’ territories.</p> <p>10) Developing countries and LDCs’ interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks: /</p>
<p>Canada</p> <p>INF/ECOM/29, INF/ECOM/30</p>	<p>1) Infrastructure for electronic trade: Consumers should be able to “access and use services and applications” of their choice, “subject to reasonable network management”.</p> <p>2) Open trading environment/trade facilitation: /</p> <p>3) Electronic payments, contracts and paperless trading:</p> <ul style="list-style-type: none"> <li>- Electronic signatures should not be denied legal validity. Parties should not be prevented from negotiating the best authentication methods for their transaction, and should not be prevented from defending the legality of their transaction before the relevant authorities.</li> <li>- Parties may require specific certification or performance standards for certain types of transactions.</li> </ul> <p>4) Customs duties:</p> <ul style="list-style-type: none"> <li>- No imposition of custom duties for electronically transmitted digital products.</li> </ul>

	<p>- Members may have internal fees on digital products.</p> <p>5) Domestic regulations: /</p> <p>6) Intellectual property and source code: /</p> <p>7) Privacy and consumer protection: /</p> <p>8) Online security: /</p> <p>9) Data localization: /</p> <p>10) Developing countries and LDCs' interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks /</p>
<p>Japan</p> <p>INF/ECOM/20</p>	<p>1) Infrastructure for electronic trade: Consumers should have the ability to access information and services on the internet "subject to reasonable network management".</p> <p>2) Open trading environment/trade facilitation: - Open cross-border electronic transfer of information when it is for business purposes between members (exception: members may apply restrictions when needed for "a legitimate public policy objective"). - Members should increase public access to government data; any government data that is made public should be available in a usable form.</p> <p>3) Electronic payments, contracts and paperless trading: - Electronic signatures should be legally accepted unless domestic regulations specify otherwise. - Parties should be allowed to negotiate the best authentication methods for their transaction, and should not be prevented from proving the legality of their authentication methods to relevant authorities. - Electronic trade-administration documents should be made publicly available and legally acceptable.</p> <p>4) Customs duties: No customs duties should be imposed on electronic transmissions between members.</p> <p>5) Domestic regulations: - Members' regulations should be "transparent, objective, reasonable" and designed "to meet legitimate public policy objectives".</p>

	<p>- Measures should be made publicly available in a timely fashion.</p> <p>6) Intellectual property and source code:          - "No member shall require the transfer of, or access to, source code of software owned by a person of another Member".          - Members can require source-code modification for compliance "with laws and regulations which are not inconsistent with this Agreement" (exceptions to no disclosure of source code: patent or court requirements).          - Members should not require manufacturers or suppliers to disclose information or access to any technology or cryptography used in a product (except in cases of government-controlled networks and law-enforcement matters).</p> <p>7) Privacy and consumer protection:          - Members should take consumer-protection measures against "fraudulent and deceptive commercial activities".          - Members should create their own frameworks specifying privacy-protection measures. Information regarding how to seek redress and how to comply with legal regulations should be published.          - Members should cooperate amongst themselves to ensure that privacy-protection frameworks are compatible In the case of unsolicited commercial electronic messages, consumers must give consent to receive them or be given a way to opt out.</p> <p>8) Online security:          Members should build their capacity to respond to cybersecurity threats and collaborate with other members.</p> <p>9) Data localization:          "No member shall require a person of Members to use or locate computing facilities in that Member's territory as a condition for conducting business in that territory" except in cases in which "legitimate public policy objective(s)" are being met.</p> <p>10) Developing countries and LDCs' interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products:          No discrimination in treatment of digital products (not applicable in cases of broadcasting).</p> <p>13) Past agreements/frameworks:          Articles XXII and XXIII of GATT 1994 should apply to dispute settlement.</p>
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<p>New Zealand</p> <p>INF/ECOM/21</p>	<ol style="list-style-type: none"> <li>1) Infrastructure for electronic trade: /</li> <li>2) Open trading environment/trade facilitation: /</li> <li>3) Electronic payments, contracts and paperless trading: /</li> <li>4) Customs duties: /</li> <li>5) Domestic regulations: /</li> <li>6) Intellectual property and source code: /</li> <li>7) Privacy and consumer protection: <ul style="list-style-type: none"> <li>- Members should enact consumer-protection laws to avoid harm from “misleading and deceptive conduct” (including misrepresentations and false claims, false advertising, failure to or no intention to deliver products, unauthorized charging of consumers’ financial or telephone accounts).</li> <li>- Members’ national consumer-protection agencies should increase cooperation.</li> </ul> </li> <li>8) Online security: /</li> <li>9) Data localization: /</li> <li>10) Developing countries and LDCs’ interests: /</li> <li>11) Inclusion (MSMEs and women): /</li> <li>12) Digital products: /</li> <li>13) Past agreements/frameworks: /</li> </ol>
<p>Ukraine</p> <p>INF/ECOM/28</p>	<ol style="list-style-type: none"> <li>1) Infrastructure for electronic trade: Customers should have the ability to access information and services on the internet “subject to reasonable network management”.</li> <li>2) Open trading environment/trade facilitation: Government data that is publicly available should be searchable and usable.</li> <li>3) Electronic payments, contracts and paperless trading: <ul style="list-style-type: none"> <li>- Electronic signatures should not be denied legal validity.</li> <li>- Parties should not be prevented from determining the best authentication methods for their contract, or from defending the legality of their transaction before the relevant authorities.</li> <li>- Members may require certain authentication standards for specific</li> </ul> </li> </ol>

	<p>types of transaction.</p> <ul style="list-style-type: none"> <li>- Electronic trade-administration documents should be made publicly available and be legally accepted.</li> </ul> <p>4) Customs duties: No customs duties should be imposed on electronic transmissions (yet members may impose internal fees).</p> <p>5) Domestic regulations: Members should “avoid unnecessary regulatory burden on electronic transactions” and “facilitate input by interested persons in the development of its legal framework”.</p> <p>6) Intellectual property and source code: No requirements for access to source code as a condition for trade (except in the cases of achieving “a legitimate public policy objective”, enforcement of intellectual-property rights, security concerns or court requirements).</p> <p>7) Privacy and consumer protection:  <ul style="list-style-type: none"> <li>- Members should enact consumer-protection laws and increase international cooperation between relevant national authorities.</li> <li>- Members should create frameworks for personal data protection. Members should develop compatible mechanisms that allow for increased cooperation between jurisdictions.</li> <li>- Measures should be taken to allow consumers to opt out or give prior consent before receiving unsolicited commercial electronic messages.</li> </ul> </p> <p>8) Online security: Members should build their capacity to respond to cybersecurity threats and increase existing international cooperation.</p> <p>9) Data localization: No requirements for the location of computing facilities in a member’s territory (unless they are undertaken “to achieve a legitimate public policy objective”).</p> <p>10) Developing countries and LDCs’ interests: Future texts should include “appropriate and effective special and differential treatment for developing country members and least developed country members”.</p> <p>11) Inclusion (MSMEs and women): Increasing public availability to government data is important for SMEs</p> <p>12) Digital products: No discrimination in treatment of digital products.</p>
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	<p>13) Past agreements/frameworks: WCO cross-border Ecommerce Framework of Standards should serve as a basis.</p>
<p>Brazil  INF/ECOM/27</p>	<p>1) Infrastructure for electronic trade: Free and open internet for “all legitimate commercial and development purposes”.</p> <p>2) Open trading environment/trade facilitation: - Avoid “barriers that constitute a disguised restriction on digital trade”. - Competition should not be prevented by online platforms. - Online platforms should not give “arbitrary or unjustifiable” advantages to their own products. International cooperation for measuring digital-trade flows.</p> <p>3) Electronic payments, contracts, and paperless trading: - Electronic contracts, signatures and authentications should not be denied legality. - Parties involved in an electronic contract should be allowed to “mutually determine the appropriate electronic methods for their transaction”. - Members can enact specific “objective, transparent, and nondiscriminatory” standards for authentication. - Administrative documents should be available electronically to the public. - No prior authorization principle. - International cooperation to promote paperless trading.</p> <p>4) Customs duties: Members should not have to pay customs duties for electronic transmissions. Members should not be prevented from having taxes or fees if they are “imposed in a manner consistent with this Agreement and on a non-discriminatory basis”.</p> <p>5) Domestic regulations: - Clear frameworks to facilitate e-commerce development. Members may adopt exceptions to allowing cross-border electronic-information transfer provided that such exceptions “achieve a legitimate public policy objective” and are not “arbitrary or unjustifiable”. - Members will not be prevented from enacting measures for “protect[ing] public morals or public order”, safety, security, privacy, war or emergency purposes.</p> <p>6) Intellectual property and source code: /</p> <p>7) Privacy and consumer protection:</p>

	<ul style="list-style-type: none"> <li>- Consumers should not be sent marketing communications without consent.</li> <li>- Social-media platforms and digital apps should “inform consumers of the use of their personal information”.</li> <li>- Measures should be taken to prevent fraudulent commercial activities and give redress to consumers.</li> <li>- Data privacy requires international cooperation. Members should form frameworks for personal data protection, and publish information about them.</li> </ul> <p>8) Online security: International cooperation needed on matters of cybersecurity. Members should build cybersecurity response capacities.</p> <p>9) Data localization: /</p> <p>10) Developing countries and LDCs’ interests: /</p> <p>11) Inclusion (MSMEs and women): It is important for MSMEs to increase their digital-trade participation.</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks: /</p>
<p>China</p> <p>INF/ECOM/19, INF/ECOM/32</p>	<p>1) Infrastructure for electronic trade: /</p> <p>2) Open trading environment/trade facilitation: - Emphasis on transparency in e-commerce laws and regulations. - Members should undertake “joint study and cooperative training” to promote information exchange.</p> <p>3) Electronic payments, contracts and paperless trading: - Electronic payments, trade-administration documents, invoices, contracts and signatures should be legally treated in the same way as their paper counterparts. - Trade-administration documents should be made publicly available in electronic form.</p> <p>4) Customs duties: The customs-duties moratorium for electronic transmissions should continue.</p> <p>5) Domestic regulations: - Agreement should take “full consideration of Members’ right to regulate”. - Differing “industry development conditions, historical and cultural</p>

	<p>traditions, legal systems”, and e-commerce development paths must be understood and respected.</p> <p>6) Intellectual property and source code: /</p> <p>7) Privacy and consumer protection:</p> <ul style="list-style-type: none"> <li>- Personal information of e-commerce users should be protected by members using the measures that they deem necessary.</li> <li>- No unsolicited electronic commercial messages to non-consenting consumers.</li> <li>- Members should “publish information on the personal information protections they provide”, including how individuals may pursue redress and businesses can comply with requirements.</li> <li>- Online consumers should be protected similarly to other consumers.</li> <li>- Judicial procedures should be maintained to solve disputes between consumers and e-commerce providers.</li> <li>- Members should increase cooperation between national consumer-protection agencies.</li> </ul> <p>8) Online security:</p> <ul style="list-style-type: none"> <li>- Consumers using electronic commerce should be given protection like that of other consumers.</li> <li>- Members should increase cooperation and share best practices regarding cybersecurity.</li> </ul> <p>9) Data localization:</p> <p>The negotiations should not include the issues of data flow or data storage or treatment of digital products at this time, due to differing views of members.</p> <p>10) Developing countries and LDCs’ interests:</p> <ul style="list-style-type: none"> <li>- Negotiation objectives to assist developing and LDC members to “integrate into global value chains, bridge the digital divide” and help to make trade more inclusive.</li> <li>- An Electronic Commerce for Development programme should be created under the WTO framework to assist LDCs and developing members.</li> </ul> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products:</p> <p>The negotiations should not include the issues of data flow or data storage or treatment of digital products at this time, due to differing views of members.</p> <p>13) Past agreements/frameworks:</p> <ul style="list-style-type: none"> <li>- “[T]his negotiation should be complementary to the electronic commerce discussion in relevant subsidiary bodies of the WTO”, and these bodies “should be informed of negotiation progress”.</li> </ul>
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	<p>- The connection between current and past agreements should be clarified.</p>
<p>Taiwan INF/ECOM/24</p>	<p>1) Infrastructure for electronic trade: “[T]he internet should remain free and open for all legitimate commercial and development purposes”.</p> <p>2) Open trading environment/trade facilitation: /</p> <p>3) Electronic payments, contracts and paperless trading: /</p> <p>4) Customs duties: /</p> <p>5) Domestic regulations: Members may establish exceptions to the agreement of not restricting cross-border electronic-information transfer if it is not “arbitrary or unjustified discrimination” or if it is “necessary to achieve a legitimate public policy objective”. “[A] party may maintain a measure inconsistent with this agreement provided that such a measure is listed in its Schedule in the Annex of this Agreement”.</p> <p>6) Intellectual property and source code: /</p> <p>7) Privacy and consumer protection: /</p> <p>8) Online security: /</p> <p>9) Data localization: /</p> <p>10) Developing countries and LDCs’ interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks: /</p>
<p>Hong Kong INF/ECOM/26</p>	<p>1) Infrastructure for electronic trade: /</p> <p>2) Open trading environment/trade facilitation: Members should “open up government data and facilitate public access”, using machine-readable formats and updating information in a timely manner.</p> <p>3) Electronic payments, contracts and paperless trading:</p>

	<ul style="list-style-type: none"><li>- Electronic signatures should be given legal validity.</li><li>- Encourage electronic authentication. Parties shall be able to “mutually determine the appropriate authentication methods” for their transaction and be allowed to defend it before judicial authorities.</li><li>- Members may require their own specific authentication standards.</li><li>- Electronic trade-administration documents should be legally accepted.</li></ul> <p>4) Customs duties: No customs duties shall be imposed on electronic transmissions; however, countries are free to impose their own internal fees if those are “consistent with the rules of the WTO”.</p> <p>5) Domestic regulations: Members should establish a legal framework for electronic transactions.</p> <p>6) Intellectual property and source code: /</p> <p>7) Privacy and consumer protection: - Members should establish consumer-protection laws to protect against “fraudulent and deceptive commercial practices”. - National consumer-protection agencies should cooperate at the international level. - Members should create legal frameworks to protect users’ personal information. - Redress and compliance information for individuals and businesses should be published. - Regarding unsolicited commercial electronic messages: consumers should be given the option of opting out of messages, or consumer consent must be required before sending messages.</p> <p>8) Online security: /</p> <p>9) Data localization: /</p> <p>10) Developing countries and LDCs’ interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks: Members’ legal frameworks should be “consistent with the principles of the UNCITRAL [United Nations Commission on International Trade Law] Model Law on Electronic Commerce 1996 or the United Nations Convention on the Use of Electronic Communications in International Contracts”.</p>
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<p>South Korea</p> <p>INF/ECOM/31</p>	<p>1) Infrastructure for electronic trade: /</p> <p>2) Open trading environment/trade facilitation: Parties should ensure consistency, transparency and efficiency in their customs procedures, and be open about providing information regarding their procedures.</p> <p>3) Electronic payments, contracts and paperless trading: - Electronic signatures should not be denied legal validity. - Parties should not be prevented from negotiating the best authentication methods for their transaction, or from defending their transaction before the relevant authorities. - Members may require their own specific authentication standards for certain types of transaction. - Trade-administration documents should be made electronically available and legally equivalent to the paper versions.</p> <p>4) Customs duties: - No customs duties should be placed on electronic transmissions "including content transmitted electronically". - Customs administration should be "predictable, consistent, transparent, and efficient".</p> <p>5) Domestic regulations: - Parties may enact measures that impede the cross-border transfer of information if they are implemented to "achieve a legitimate public policy objective". - Parties may implement any measure deemed necessary for its security interests.</p> <p>6) Intellectual property and source code: - Parties should not require access to, or transfer of, source code or software as a condition of selling the software in their territory. - Parties should allow users of other parties "access to and use of interactive computer services on fair terms".</p> <p>7) Privacy and consumer protection: - Parties should create measures for consumer protection that are "equivalent to those provided for consumers engaged in other forms of transaction". - An Online Dispute Resolution scheme should be established by each party. - National consumer-protection agencies should cooperate at the international level. - Parties "should publish information on the personal information protections that [they] provide", including how individuals can get redress and business-compliance guidelines. - Parties should establish regulations on unsolicited commercial electronic messages.</p>
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	<p>8) Online security:  - Parties should increase capabilities of bodies in charge of computer security.  - Parties should collaborate to identify the “dissemination of malicious code that affects ... electronic networks”.</p> <p>9) Data localization:  Parties shall not “require a covered person to use or locate computing facilities in that Party’s territory as a condition for conducting business in that territory”, unless such measures are needed for “legitimate public policy objectives”.</p> <p>10) Developing countries and LDCs’ interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks: /</p>
<p>Singapore</p> <p>INF/ECOM/25</p>	<p>1) Infrastructure for electronic trade: /</p> <p>2) Open trading environment/trade facilitation:  - “[M]embers shall allow the cross-border transfer of information by electronic means” for business purposes.  - Measures that do not allow cross-border electronic-information transfer may be enacted if they are for a “legitimate policy objective”.</p> <p>3) Electronic payments, contracts and paperless trading:  - Trade-administration documents should be legally accepted in electronic form except in cases with a “legal requirement to the contrary”.  - International cooperation “to enhance acceptance of electronic versions” is needed.  - Electronic signatures should be legally accepted. Parties may decide on the best authentication methods for their transactions; however, members may call for specific authentication standards for certain transaction types.  - Members should allow parties to bring the case of their transaction and authentication “before judicial or administrative authorities”.  - E-invoicing systems and electronic transferable records should be recognized and encouraged.</p> <p>4) Customs duties:  - No customs duties shall be placed on electronic transmissions between members.  - Members can place internal fees or charges on electronic content if such measures are “consistent with WTO agreements”.</p>

	<p>5) Domestic regulations:</p> <ul style="list-style-type: none"> <li>- Regulatory measures should not be burdensome.</li> <li>- Members should “facilitate input by interested persons in the development of its legal framework”.</li> </ul> <p>6) Intellectual property and source code:</p> <ul style="list-style-type: none"> <li>- Access to source code should not be required “as a condition for the import, distribution, sale or use of such software”; however, this does not apply to “software used for critical infrastructure”.</li> <li>- Members may call for modification of source code “to comply with laws or regulations that are not inconsistent with this Agreement”.</li> </ul> <p>7) Privacy and consumer protection:</p> <ul style="list-style-type: none"> <li>- Measures should be adopted to ensure that consumers can opt out of receiving spam messages, and that their consent must be obtained. “Members shall provide recourse” against non-complying suppliers.</li> <li>- Members should provide legal frameworks for protecting the personal information of e-commerce users.</li> <li>- Information regarding redress and compliance for individuals and businesses shall be published.</li> <li>- Members should recognize the differing legal frameworks of other members regarding personal-information protection.</li> </ul> <p>8) Online security:</p> <ul style="list-style-type: none"> <li>- Members should provide consumer protection through laws against “fraudulent and deceptive commercial activities”.</li> <li>- International cooperation between national consumer-protection agencies is crucial.</li> </ul> <p>9) Data localization:</p> <p>“Members shall not require the use or location of computing facilities in [their] territory as a condition for conducting business in that territory”, except in the case of meeting “a legitimate public policy objective”.</p> <p>10) Developing countries and LDCs’ interests: /</p> <p>11) Inclusion (MSMEs and women): /</p> <p>12) Digital products: /</p> <p>13) Past agreements/frameworks:</p> <p>Members’ legal frameworks should be “consistent with the principles of the UNCITRAL Model Law on Electronic Commerce 1996 or the United Nations Convention of the Use of Electronic Communications in International Contracts, 2005”.</p>
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Source: Katya Garcia-Israel and Julien Grollier, *Electronic Commerce Joint Statement: Issues in the Negotiations Phase*, Geneva, CUTS International, October 2019, <http://bit.ly/2XJgsYk>.

**Table 7 | WTO reform proposals on fisheries subsidies**

Country	Proposals / Position Statement
<p>Argentina, Australia, the United States and Uruguay</p> <p>11 July 2019</p> <p>See also: TN/RL/ GEN/203</p>	<p>1) Baseline subsidy notification and additional information: As a first step, and consistent with Article 25.3 of the SCM Agreement [the Agreement on Subsidies and Countervailing Measures] and Subsidy Committee practice, all members would establish a baseline for a subsidy cap by submitting an up-to-date fisheries-subsidies notification (i.e. covering the most recent two years). Critically, the value of any subsidies given must be provided if available – even if only a reasonable estimate. Government agencies’ expenditures for fisheries management and enforcement would not be included in members’ caps.</p> <p>2) Member-specific subsidy caps/default cap: Taking into consideration this information, members would establish individual member limits (or “caps”) on such subsidies that would be reflected in a schedule to the agreement. In order to take into account the specific circumstances of members, a three-tier approach that is representative of members’ respective contributions to global marine-capture production could be pursued, based on the following parameters: - In order to determine the tier into which a member falls for the purposes of subsequently negotiating and establishing subsidy commitments, tiered commitment levels would be based on a three-year average of UN Food and Agriculture Organization [FAO] marine-capture production for the most recent representative period for which data are available, 2015–2017. Tier 1: Members that account for 0.7 percent or more of global marine-capture production would be required to negotiate with other members, on a request-offer basis, individual “subsidy caps” in monetary terms to be reflected in a schedule to the agreement. However, Tier 1 members that have historically low or no subsidies may wish to accept the “Default Subsidy Cap” value of 50 million US dollars annually. Members in Tier 1 that opt for the Default Cap would not be required to reduce their subsidy programmes over time. Tier 2: Members that account for more than 0.05 percent of global marine-capture production (but less than 0.7 percent, per above) would also have the option to negotiate a cap based on the recent subsidy information provided, or to accept the same “Default Subsidy Cap” value of 50 million US dollars annually. Tier 3: Members that account for less than 0.05 percent of global marine-capture production would not be required to schedule a cap.</p> <p>3) Reduction commitments: In order to ensure a fair and balanced outcome that fulfils the ministerial mandate, any member in Tier 1 that does not choose the Default Cap would also be required to reduce its subsidy cap over a negotiated period of time at a rate commensurate with its overall level of</p>

	<p>subsidization, meaning that those members with the largest subsidy caps would also be expected to undertake the largest subsidy cuts. In addition, members are encouraged to prioritize reductions in any harmful subsidies over time, while retaining flexibility to maintain subsidies that encourage sustainability of the fisheries sector. During the request-offer negotiations, consideration would be given to the nature of a member's fisheries-subsidy programmes, and to situations in which a member has historically notified relatively small fisheries-subsidy programmes. Additional consideration should be given to incentivizing Tier 2 members that voluntarily reduce their cap (e.g. with priority technical assistance).</p> <p>4) Transparency: Tier 1 and 2 members would need to maintain up-to-date fisheries-subsidy notifications in order to continue to benefit from their cap. Tier 3 members would also need to maintain up-to-date fisheries subsidy notifications in order to maintain their exempt status.</p> <p>5) Review mechanism: The agreement would include a review mechanism, so that members' caps (and tier levels) can be reviewed and, as appropriate, revised, over time. For example, members would monitor marine-capture production data to identify any changes in individual members' global shares of marine-capture production that would shift a member from one tier to another. In addition, members could agree on a procedure for members in Tier 1 or Tier 2 seeking adjustments to their cap on the basis of changed circumstances to notify such adjustments to [the Committee] for positive consideration, and which could be finalized and adopted within a short period of time (for example, 60 days) if no objection is raised. Finally, five years after entry into force of the agreement, members would also undertake a review of the overall operation of the cap-based approach as part of a built-in review of the new fisheries disciplines as a whole, and negotiate any further reductions or adjustments as necessary. Subsequent reviews would occur every five years.</p> <p>6) To implement the approach outlined above, the Rules Negotiating Group (RNG) would establish a clear process and associated time-frame for negotiating subsidy caps in order to include these caps in a schedule as part of the final agreement: Spring 2019: For the purpose of RNG negotiations, members notify existing fisheries-subsidy programmes consistent with Article 25.3 of the SCM Agreement (notwithstanding the SCM Agreement notification deadline of 30 June). Summer 2019: Members falling in Tier 1 and Tier 2, should they opt to do so, engage in request-offer negotiations regarding subsidy cap and reduction commitments, as appropriate. Members in Tier 1 and Tier 2 wishing to use the Default Cap would notify their intent to do so to the WTO Secretariat.</p>
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<p>Argentina, Australia, New Zealand, the United States and Uruguay</p> <p>7 October 2019</p>	<p>Autumn 2019: Members negotiate and finalize subsidy cap and reduction schedules.</p> <ul style="list-style-type: none"> <li>- A prohibition on subsidies to <b>vessels that are not flying the flag of the subsidizing WTO member</b> could have far-reaching beneficial impacts. The majority of companies employing Flags Of Convenience (FOCs) are located in countries that collectively also have the largest distant-water fleets fishing across the globe; removing subsidies to the estimated 15 percent of fishing vessels flying an FOC or listed as “flag unknown” would remove artificial distortions and potentially harmful incentives currently affecting the fishing economy.</li> <li>- Banning subsidies to vessels not flying the subsidizing WTO member’s flag would also place responsibility for fishing activity firmly back in the jurisdiction of the subsidizing member, and enable WTO members to contribute to the enforcement, legal and prosecutorial tools available to counter illegal fishing activity.</li> <li>- A prohibition on subsidies to vessels not flying the subsidizing WTO member’s flag would complement other prohibitions – particularly, the proposal to prohibit subsidies contingent upon fishing in areas beyond national jurisdiction (RD/TN/RL/91/Rev.1).</li> </ul>
<p>China</p> <p>3 June 2019</p>	<p>1) Members’ positions regarding subsidies that may contribute to overcapacity and overfishing are still far apart. Compared with other approaches, a cap-based approach could be a relatively practical way forward because it accommodates the constraints as well as flexibilities of the disciplines and strikes a balance between the need for sustainable fisheries and the need for policy space for sustainable social and economic development.</p> <p>2) Considering the multi-faceted role that fisheries play in environment, trade, food security, livelihood and poverty reduction, and the diversity and differences of members’ fisheries situations, reasonable policy space should be provided for in making any prohibitive disciplines. As such, a cap-based approach that responds to the diversified fisheries situations is needed.</p> <p>3) Elements for the cap-based approach:</p> <ul style="list-style-type: none"> <li>- <b>Base for capping:</b> For the purpose of this approach, all fisheries subsidies and certain fisheries-support measures are to be included in the base for capping, including non-specific fuel subsidies for the fisheries sector and fisheries service and management programmes, without prejudice as to whether or not such programmes constitute subsidies under the SCM Agreement.</li> <li>- <b>Three approaches for capping and reduction:</b> Considering the diversity and differences of members’ fisheries situations, members may choose one of the following approaches to achieve capping and reduction for their fisheries subsidies: <ul style="list-style-type: none"> <li>i. a subsidy cap equal to X percent of the amount of the average base</li> </ul> </li> </ul>

	<p>for capping provided by a member during the base period; or</p> <p>ii. a subsidy cap equal to Y percent of the average landed value of a member's total wild marine capture during the base period; or</p> <p>iii. a subsidy cap equal to Z percent of the amount of global average base for capping per fisherman multiplied by the number of fishermen of a member during the base period.</p> <p>Capping and reduction commitments are to be expressed in aggregate monetary terms and be incorporated into members' WTO schedules, to be phased within an implementation period.</p> <p>- <b>Compliance with capping and reduction commitments:</b> A member shall be considered to be in compliance with its capping and reduction commitments in any year upon entry into force of this instrument, in which its total fisheries subsidies, including non-specific fuel subsidies for the fisheries sector, do not exceed the corresponding commitment level specified in that member's schedule.</p> <p>- <b>"Green Box" measures:</b> In order to encourage members to design their fisheries-subsidies policies in line with Sustainable Development Goals, the following four categories of programme shall not be subject to members' capping and reduction commitments in any year upon entry into force of this instrument, without prejudice as to whether or not such programmes constitute subsidies under the SCM Agreement:</p> <p>i. government service and management programmes;</p> <p>ii. programmes to protect fisheries resources or rebuild stocks;</p> <p>iii. programmes to reduce fishing efforts or fishing capacity; and</p> <p>iv. programs that are reputably presumed not to contribute to overcapacity or overfishing.</p> <p>- <b>Review mechanism:</b> Members shall notify all relevant information pertaining to their base for capping and approach for capping. Members shall notify all information pertaining to their Green Box measures.</p> <p>4) Transparency: Members shall notify all relevant information pertaining to their base for capping and approach for capping. Members shall notify all information pertaining to their Green Box measures.</p> <p>5) Special and Differential Treatment (SDT): Appropriate and effective special and differential treatment shall be accorded to developing-country members and least-developed-country members. Least-developed-country members shall be exempted from capping and reductions.</p>
<p>India</p> <p>5 March 2020</p>	<p>1) Unreported and unregulated fishing:</p> <p>- The prohibition under Article [Z] in respect of unreported and unregulated fishing shall not apply to subsidies granted/maintained by developing countries, including Least Developed Countries (LDCs),</p>

	<p>for fishing and fishing-related activities at sea by vessels other than large-scale industrial fishing vessels within their territorial sea.</p> <p>- The prohibition under Article [Z] in respect of unreported and unregulated fishing shall not apply to subsidies granted/maintained by developing countries, including LDCs, for fishing and fishing-related activities at sea by vessels other than large-scale industrial fishing vessels in their Exclusive Economic Zone [EEZ] and the area of competence of Regional Fisheries Management Organization/Arrangement [RFMO/A] for a period of seven years from the date of entry into force of this instrument.</p> <p>2) Overfished stocks:</p> <p>- The prohibition under Article [Z] in respect of overfished stocks shall not apply to subsidies granted/maintained by developing countries, including LDCs, for fishing and fishing-related activities at sea in their territorial sea.</p> <p>- In respect of fishing and fishing-related activities at sea within their EEZ, the developing countries, including LDCs, shall be entitled to a transition period of two years to withdraw or modify any subsidy for fish stocks that have been declared as overfished by the national authorities based on the best scientific evidence available to such members.</p> <p>3) Overfishing and overcapacity:</p> <p>- The prohibition under Article [Z] in respect of overfishing and overcapacity shall not apply to subsidies granted/maintained by LDCs for fishing and fishing-related activities at sea.</p> <p>- The prohibition under Article [Z] in respect of overfishing and overcapacity shall not apply to subsidies granted/maintained by developing countries for fishing and fishing-related activities at sea within their territorial sea.</p> <p>- The prohibition under Article [Z] in respect of overfishing and overcapacity shall apply to subsidies granted/maintained by a developing country for fishing and fishing-related activities at sea in their Exclusive Economic Zone [EEZ] and the area of competence of Regional Fisheries Management Organization/Arrangement [RFMO/A] if all the following criteria are met:</p> <ol style="list-style-type: none"> <li>their Gross National Income (GNI) per capita crosses 5,000 US dollars (based on constant 2010) for three consecutive years;</li> <li>their individual share exceeds 2 percent of the annual global marine-capture fish production as per most recent published FAO data;</li> <li>they engage in distant-water fishing;</li> <li>the contribution from agriculture, forestry and fishing to their national Gross Domestic Product (GDP) is less than 10 percent for three consecutive years.</li> </ol> <p>4) Technical assistance and capacity building:</p> <p>The developed-country members, and the developing-country mem-</p>
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	bers declaring themselves in a position to do so, shall provide targeted technical assistance and capacity-building assistance to developing-country members and LDCs for the purpose of the implementation of the disciplines.
Bolivia, Cuba, Ecuador, India, Malawi, Oman, South Africa, Tunisia, Uganda and Zimbabwe	Fisheries Subsidies – in accordance with the Doha, Hong Kong and MC11 Ministerial Declarations. All of these emphasize the importance of SDT in the outcome of these negotiations because of the “importance of this sector to development priorities, poverty reduction, and livelihood and food security concerns”. SDG 14.6 also reinforces SDT.
22 July 2019 Philippines	1) In cases of subsidy programmes/measures involving disputed waters, the members in the dispute shall refrain from invoking the provisions of the WTO Dispute Settlement Understanding (DSU) and the specific dispute-settlement provisions under this agreement.
21 October 2019	2) The members shall engage in bilateral consultations with a view to reaching an agreement between/among them. Once a settlement is reached, the members of the dispute shall jointly notify the WTO.  3) Notwithstanding the provisions of the above paragraphs 1 and 2, the complaining member may invoke the provisions of the DSU if no bilateral or plurilateral settlement is reached after a reasonable period of time has elapsed but in no case exceeding (x) months from the initiation of the bilateral or plurilateral consultations.

**Table 8 | WTO reform proposals on subsidies, state-owned enterprises and forced technology transfer**

Country	Proposals / Position Statement
Joint Statement, Trilateral Meeting: US, EU, Japan  14 January 2020	Industrial subsidies:  1) The current list of prohibited subsidies provided for in Article 3.1 of the Agreement on Subsidies and Countervailing Measures (ASCM) is insufficient to tackle market- and trade-distorting subsidization existing in certain jurisdictions. Therefore, new types of unconditionally prohibited subsidies need to be added to the ASCM. These are: a. unlimited guarantees; b. subsidies to an insolvent or ailing enterprise in the absence of a credible restructuring plan; c. subsidies to enterprises unable to obtain long-term financing or investment from independent commercial sources operating in sectors or industries in overcapacity; and



	<p>d. certain direct forgiveness of debt.</p> <p>2) Certain other types of subsidies have such a harmful effect as to justify a reversal of the burden of proof, so that the subsidizing member must demonstrate that there are no serious negative trade or capacity effects and that there is effective transparency about the subsidy in question. Subsidies having been discussed in this category include, but are not limited to: excessively large subsidies; subsidies that prop up uncompetitive firms and prevent their exit from the market; subsidies creating massive manufacturing capacity, without private commercial participation; and subsidies that lower input prices domestically in comparison to prices of the same goods when destined for export. If such subsidy is found to exist and the absence of serious negative effect cannot be demonstrated, the subsidizing member must withdraw the subsidy in question immediately.</p> <p>3) The current rules of the ASCM identify in Article 6.3 instances of serious prejudice to the interests of another member. However, these instances do not refer to situations in which the subsidy in question distorts capacity. An additional type of serious prejudice linked to capacity should be therefore added to Article 6.3 ASCM. Further, work will continue on a provision defining the threat of serious prejudice.</p> <p>4) The current rules of the ASCM do not provide for any incentive for WTO members to properly notify their subsidies. Therefore, the state-of-play of subsidies notifications is dismal. Hence, a new strong incentive to notify subsidies properly should be added to Article 25 ASCM, rendering prohibited any non-notified subsidies that were counter-notified by another member, unless the subsidizing member provides the required information in writing within set timeframes.</p> <p>5) The current rules of the ASCM are insufficiently prescriptive when it comes to the determination of the proper benchmark for subsidies consisting of the provision of goods or services or purchase of goods by a government in situations in which the domestic market of the subsidizing member is distorted. Therefore, the ASCM should be amended to describe the circumstances in which domestic prices can be rejected and how a proper benchmark can be established, including the use of prices outside the market of the subsidizing member.</p> <p>6) The ministers observed that many subsidies are granted through state enterprises, and discussed the importance of ensuring that these subsidizing entities are captured by the term “public body”. The ministers agreed that the interpretation of “public body” by the WTO Appellate Body in several reports undermines the effectiveness of WTO subsidy rules. To determine that an entity is a public body, it is not necessary to find that the entity “possesses, exercises or is vested with governmental authority”. The ministers agreed to continue working on a definition of “public body” on this basis.</p>
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	<p>Technology transfer:</p> <ul style="list-style-type: none"> <li>- On forced technology transfers, the ministers reaffirmed that technology transfer between firms in different countries is an important part of global trade and investment. Technology transfer that is fair, voluntary and based on market principles can be mutually beneficial for growth and development. They also reaffirmed that when one country engages in forced technology transfer, it deprives other countries of the opportunity to benefit from the fair, voluntary and market-based flow of technology and innovation. These unfair practices are inconsistent with an international trading system based on market principles, and undermine growth and development.</li> <li>- The ministers discussed possible elements of core disciplines that aim to prevent forced technology-transfer practices of third countries; the need to reach out to, and build consensus with, other WTO members on the need to address forced technology-transfer issues; and their commitment to effective means to stop harmful forced technology-transfer policies and practices, including through export controls, investment review for national-security purposes, their respective enforcement tools and the development of new rules.</li> </ul> <p>State-owned enterprises:</p>
<p>European Union</p> <p>Commission Concept Paper</p> <p>27 June 2019</p>	<p>1) Improve transparency and subsidy notifications:</p> <ul style="list-style-type: none"> <li>- The lack of comprehensive information on subsidies provided by members is one of the biggest shortcomings in the application of the current system. Although the SCM Agreement already requires members to notify their subsidies, the level of compliance is poor and has deteriorated in recent years – to the extent that, as of end of March 2018, over half of the membership (90 members) had not made any notification. Yet, without transparency in subsidies, members cannot review each others' actions and face significant obstacles in seeking enforcement of the rules. This greatly weakens the value of the substantive disciplines.</li> <li>- The rule-making in this area should focus on creating incentives for WTO members to fully comply with their notification obligations. The EU has already identified ways to improve transparency and subsidy notifications – for example, the creation of a general rebuttable presumption according to which if a subsidy is not notified or is counter-notified, it would be presumed to be a subsidy or even be presumed to be a subsidy causing serious prejudice.</li> </ul> <p>2) Better capture of SOEs:</p> <ul style="list-style-type: none"> <li>- State-owned enterprises (SOEs) are, in a number of countries, an instrument through which the state decisively governs and influences the economy – often with market-distortive effects. However, the growth and influence of SOEs in recent years is not yet matched by equivalent disciplines to capture any market-distorting behaviour under the current rules.</li> </ul>

	<p>- Subsidies granted to SOEs are already captured by the SCM Agreement, in the same way as any other subsidy granted by the state. With regard to instances in which SOEs themselves grant subsidies, the SCM Agreement captures them through the concept of a “public body”. However, this has been interpreted in a rather narrow manner, which allows a considerable number of SOEs to escape the application of the SCM Agreement. The EU therefore should propose a clarification of what constitutes a public body, on the basis of a case-by-case analysis to determine whether a state-owned or a state-controlled enterprise performs a government function or furthers a government policy, as well as how to assess whether a member exercises meaningful control over the enterprise in question.</p> <p>- In addition, the EU should propose rules capturing other market-distorting support provided by SOEs when used as vehicles to pursue government economic policies rather than focusing on their own economic performance – including, inter alia, transparency with regard to the level and degree of state control in SOEs.</p> <p>3) Capture more effectively the most trade-distortive types of subsidies:</p> <p>- The SCM Agreement provides for two categories of prohibited subsidies – namely, subsidies contingent upon export performance and subsidies contingent upon the use of domestic over imported goods. All other subsidies are actionable: they are permissible, unless the complaining country shows that the subsidy had an adverse effect on its trade interests. However, the latter is quite often a challenging exercise – and therefore a number of egregious types of subsidies that heavily distort international trade, such as those contributing to the overcapacity plaguing several sectors of the economy, cannot be captured sufficiently under the current rules.</p> <p>- The rule-making in this area should aim at subjecting the most harmful types of subsidies that are in principle permissible under the current rules to stricter rules. This could be achieved, for example, by expanding the list of prohibited subsidies or by creating a rebuttable presumption of serious prejudice similar to the lapsed Article 6(1) of the SCM Agreement. Types of subsidies that could be subject to such stricter rules include, for example, unlimited guarantees, subsidies given to an insolvent or ailing enterprise with no credible restructuring plan or dual pricing.</p> <p>State-owned enterprises:</p>
<p>China</p> <p>13 May 2019</p>	<p>1) Issue and problem:</p> <p>State-owned-enterprises (SOEs) engaged in commercial competition are equal players in the market as are other types of enterprises. However, some members have come to set differentiated rules on the basis of ownership of enterprises. For example, they indiscriminately label all SOEs as “public bodies” within the meaning of the Agreement [on] Subsidies and Countervailing Measures, set forth additional trans-</p>

	<p>parency requirements and disciplines for SOEs, and discriminate against SOEs in foreign-investment security reviews. Such practices are detrimental to creating an institutional framework for fair competition and, if left unchecked, would give rise to more discriminatory rules in the future.</p> <p>2) Objective and task: It is imperative to respect the diversity of development models among members and promote fair competition in the fields of trade and investment. Such efforts would strengthen the inclusiveness of the multilateral trading system.</p> <p>3) Action and proposal: Actions shall be taken in the WTO to uphold the principle of fair competition, so as to ensure that enterprises of different ownerships operate in an environment of fair competition. China proposes the following:</p> <ul style="list-style-type: none"> <li>- During discussions on subsidy disciplines, no special or discriminatory disciplines should be instituted on SOEs in the name of WTO reform.</li> <li>- Foreign-investment security reviews shall be conducted in an impartial manner and follow such principles as transparency and due process. Non-discriminatory treatment shall be given to like investment by enterprises with different ownership structures.</li> </ul>
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This book collects contributions from international leading experts on how the Italian Presidency of the G20 in 2021 could advance a renewed global governance agenda. The Covid-19 pandemic has impacted every nation in the world, highlighting how globally interconnected we are. To mitigate the health, social and economic effects of the Covid-19 crisis, the world needs effective global responses. However, multilateral cooperation has been facing dramatic headwinds before and after the Covid-19 pandemic. The G20 could play a key role in revitalizing multilateral cooperation, by pushing for new ways and means to deal with global challenges. In this context, the authors explore four key areas which would require fresh global coordination: global trade, digitalization, demographic patterns and circular economy.



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