



**B7 BUSINESS
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Introduction

We, the undersigned business federations of the G7 nations, are issuing this declaration at the conclusion of the 2018 B7 Summit, held in Québec City, Canada, on April 5 and 6, 2018. We urge our governments to adopt the recommendations in this declaration, which provide a path to widespread prosperity through inclusive, responsible and collaborative economic growth.

Since the last B7 Summit we have seen unprecedented positive valuations in global stock markets, the conclusion of negotiations on trade agreements, widespread increases in incomes, and tremendous advances in technology and business models across many sectors. We have also seen volatile commodity prices, uncertainty gripping businesses, income inequality, and rising fears about global security and the potential for technology to displace jobs.

Rising protectionism, coupled with a backlash against trade in many regions creates a challenging business environment. It damages competitiveness and creates uncertainty, which in turn breeds sluggishness in global trade. In contrast, open and free markets stimulate increased global prosperity. Freer trade has helped more than a billion people escape poverty since 1990. Small business is a key tool to accelerating growth and ensuring that growth is inclusive.

The role of open markets and global trade in these gains must be protected.

As international business federation leaders, we recognize and accept that the role of business has expanded beyond that of an economic agent to include social and environmental change. Our role and responsibility is to work within our societies and with our governments to create opportunities, ensure the benefits of business and economic growth are widely felt by our populations, and work to make sure that business is conducted in a manner that protects our environments for generations to come.

To that end, we have identified three priorities that build on the B7 recommendations of past years to help move our collective agenda forward:

- inclusive growth;
- climate change and resource efficiency; and
- scaling up small business.

These three priorities are the backbone of the B7's work in 2018 and of our recommendations. They were not developed in a vacuum. Instead, they reflect the broader context of issues that remain significant for G7 business federations.

Trust in our institutions

Our societies can only function effectively if everyone — business owners, investors, workers, customers and the broader public — feel they are playing by the same rules and that those rules are applied equitably and decisions are made transparently.

It is important for governments and business representatives to reaffirm their commitment to transparently respect and sustain established rules and laws and the institutions that govern them. They must also support those, including the media, who help communicate those rules and laws. At the same

time, we must also create new strategies, rules and laws to address emerging issues, such as cybercrime, privacy infringements and the use of technology.

Inclusive Growth

The growth of international economies through trade has contributed to a more prosperous middle class throughout the world, improved the livelihoods of workers and helped lift communities out of poverty.

The continued growth of the global economy will require more people participating and sharing in the economic prosperity created, as well as ensuring international institutions can adapt to address people's concerns. For this reason, the B7 emphasizes the importance of inclusive growth and urges G7 leaders to commit political will to opening markets and supporting broad participation within them.

Defining inclusive growth

The B7 seeks to work with their governments to achieve inclusive growth by ensuring economic opportunities are spread across sectors and include all elements of our labour forces. This commitment particularly extends to youth, gender, race and alternative abilities. In our mature societies, inclusivity also implies economic opportunities for active aging. Inclusive growth — a concept that encompasses economic growth based on equity, equality of opportunity and the right to protection during market and employment transitions — is essential for any successful growth strategy and no economy can be truly inclusive without the full participation of women across all roles in our governments, businesses and NGOs

Excessive inequality and uneven distribution of wealth¹ leads to a cycle of underperformance, lack of opportunity and even greater inequality in how wealth is shared. Accordingly, our economic policies need to stimulate productivity and growth through international trade, by opening opportunities for the private sector to support the entrance of diverse sectors and populations, by stimulating innovation, promoting investment, strengthening education and creating opportunities for lifelong learning. New inclusive growth policies will represent a sustainable approach that will strengthen our economies and improve their resiliency by leading unrepresented and often underpaid segments of the population into productive roles that can result in new and better employment and entrepreneurship opportunities.

Increased productivity has been the cornerstone of economic success of the G7 countries over the past 100 years and has led to a higher level of prosperity in each country. It will create new jobs and encourage wage growth, thereby strengthening the global economy. These economic gains will stimulate the global standard of living.

Recommendations

1. Make a commitment to global trade and investment

Domestic and foreign investment, coupled with freer trade and the ability to access the global marketplace are essential drivers of productivity.

We echo the recommendations from the 2016 and 2017 B7 Summits and call on governments to take a firm stance against protectionism and unilateral trade actions that risk undermining the results achieved to date in trade and global economic growth. Governments must also drive forward the conclusion and

¹ World Economic Forum, *The Inclusive Growth and Development Report 2017*, January 2017.

utilization of bilateral and regional free trade agreements to increase trade and investment, including re-establishing a suitable framework for transatlantic trade and investment negotiations.

As the World Trade Organization (WTO) remains the backbone of the global trading system, we encourage G7 countries to restate their support for the WTO, including its dispute-settlement mechanism. It is vital for all countries to operate according to the rules of the international system — and for the G7 to lead by example, including by addressing trade-distorting measures in the standing committees to the dispute settlement mechanisms. G7 countries will also need to focus on reforming the WTO system as part of these efforts.

Recognizing the importance of the WTO's negotiating function, we welcome the Joint Statement on Electronic Commerce, Domestic Regulation of Services, Investment Facilitation and an informal work program for Micro, Small and Medium-sized Enterprises (MSMEs) issued at WTO MC11 and encourage the G7 to accelerate work in those areas. When a common work program is persistently blocked, plurilateral initiatives, operating under the umbrella of the WTO, should be regarded as a legitimate option for opening the way to multilateral agreement at a later stage.

We also reiterate our call on the G7 to identify proposals for the adoption of a work plan for reforms aimed at improving the efficiency and effectiveness of the WTO.

The G7 should also address issues regarding global excess capacity in steel and aluminum to ensure similar issues do not emerge in other sectors. We welcome the work of the Global Forum on Steel Excess Capacity and urge all G7 members to work together to tackle the root causes of excess steel capacity. The B7 also calls on the G7 countries to accelerate the work on new guidelines to ensure a level playing field for emerging economies in officially-supported export finance.

Governments must foster a strong investment climate in their respective countries. This includes eliminating barriers to investment, and improving regulatory and taxation systems to ensure fair treatment of businesses and investors. Governments also must eliminate trade-distorting practices, including dumping, discriminatory non-tariff barriers, forced technology transfers, data localization, subsidies and other practices that hinder the creation of a level playing field, and by strengthening existing international rules. G7 governments must also defend the importance of intellectual property rights globally. In this regard, G7 countries must cooperate on investment screening to stop technology diversion, which can raise national security concerns.² Additionally, the G7 should ensure stronger oversight and transparency into the practices of state-owned enterprises.

Eliminating these practices will increase opportunities and allow business to draw on a more diverse group of people. Investment, productivity and trade expand the ability of businesses to innovate and solve more and tougher global issues.

2. Strengthen global economic governance

A growing belief that globalization benefits only a small minority has fuelled the rise of protectionism, and poses a risk to our collective economic welfare.

² <http://www.meti.go.jp/press/2017/03/20180311001/20180311001-1.pdf>

We call on the G7 to work with developed and emerging economies, as well as business and civil society, to foster inclusive growth as a way to broaden the benefits of business investment and trade. Achieving this goal will require better engagement between international institutions. As a next step, a global conference, with active participation from business, government, and other interested stakeholders within the G7, should be organized next year to develop an enabling and holistic international policy framework foster more inclusive growth.

Supporting global economic institutions also means ensuring a consistent application of tax rules. We call on countries to commit to a level playing field for all companies doing business within their jurisdiction with respect to taxation.

3. Embrace the power of the digital age

The digital age presents tremendous opportunities for citizens, governments and business. We encourage governments to adopt an appropriate combination of measures to promote business investment in research and development to deliver innovation, specifically for small and medium-sized businesses, which currently do not invest, or do not invest enough, limiting their growth potential. Additionally, governments should encourage investments in broadband infrastructure (like 5th generation wireless systems – “5G”) to ensure that the benefits of new digital platforms and advanced technologies are widely shared. This strategy must include supporting the principle of technological neutrality and the use of market-oriented mechanisms. Countries should avoid constraining regulations, instead implementing infrastructure policies that facilitate deployment of new technologies.

The full utilization of digital technology can facilitate a successful transition to “Industry 4.0” and “Society 5.0.” This transformation requires avoiding protectionist regulations that restrict the free flow of data across borders (or prevents open and free access to internet services), including preventing unjustified data localization or forced transfer of (or access to) the source code of software. While recognizing the potential of data collection across companies and sectors, the G7 should also ensure high standards of security and privacy protection for personal data through a principle- and outcome-based approach that allows adaptability in how companies implement necessary protections, as well as interoperability of such standards across jurisdictions.

Effective deployment of digital technologies requires an appropriately skilled workforce. G7 nations can ensure that primary and secondary education include the key skills for the digital economy, including literacy, numeracy, teamwork and digital literacy. Additionally, we need greater coordination between business and educators on the specific technical skills required for particular jobs.

In cases where technology affects individuals already in the workforce, governments can support workers through flexible funding for retraining. Governments should work with business to ensure retraining programs meet the demand for skills required for the economies of today and tomorrow.

State-sponsored industrial and economic cyber-enabled theft of IP and trade secrets has been escalating in recent years. Cloud, IoT, and 5G are turning-point technologies that enable new opportunities for business, and for strengthening cyber-resilience. The right mix of security measures, such as security-by-design in the Cloud, IoT and 5G architecture, IoT certification and strong encryption are some examples of measures that will contribute to cyber-resilience.

Maintaining strong cybersecurity is key to strengthening confidence in the move to a more digital economy. We call on G7 countries to improve international cybersecurity, including through the cybersecurity baseline framework led by the Organisation for Economic Co-operation and Development (OECD) and by working with the private sector. At the same time, as the source of much of the digital economy's innovation, G7 markets need to demonstrate leadership in developing frameworks to foster trust in cybersecurity in both the public and private sectors.

The emergence of artificial intelligence (AI) also presents the potential to drive improvements in citizens' quality of life. Similarly, while AI will disrupt many traditional jobs, it also represents significant opportunity.

We ask the G7 to advocate OECD-led work to analyze the potential applications, benefits and challenges of AI. Given the far-reaching implications of, and growing investment in, AI technology, we urge G7 governments to work with business to develop policies and create a supportive business environment for further investment and innovation. Sustained, meaningful business engagement and a robust evidence base must be in place before regulating AI.

Governments should also collaborate with business to prepare for the growth of blockchain or other technologies that offer greater security and reduce transaction and friction costs between businesses.

G7 countries should also pursue greater digitalization of government, including user-oriented digital services that reduce the administrative burden on businesses, including the deployment of "once-only" data input applications. Greater government digitalization will also support improved data openness for citizens and businesses.

To foster greater collaboration between the private and public sectors, governments must encourage the use of supercomputers available in universities and in military contexts by civil society in order to facilitate data experimentation for the common good. Similarly, we must develop cooperation platforms for data sharing. For instance, the use of real-life data in health can improve care in a range of areas, from diagnosis and treatment to emergency care, prevention and the development of drugs and medical devices.

4. Find sustainable solutions to health-related issues

Our economies will grow and people will prosper only if they are healthy. However, rising treatment costs and lost productivity resulting from health-related issues in G7 countries are preventing our economies from reaching their full potential. In 2016, G7 nations spent an average of 11.4% of their GDP on health, up from 9.7% in 2006.³ The loss of revenue associated with mental health disorders alone can reach nearly 3% of GDP in G7 nations, according to OECD data.⁴

As our populations age, putting greater strain on society's resources, governments and businesses must work together to find sustainable solutions to the key questions of healthcare and treatment. A more inclusive economy can play an important role in addressing this challenge, helping to enhance our economic prosperity, which will in turn help to improve health outcomes. While the private sector can

³ Organisation for Economic Co-operation and Development, *Health Expenditure and Financing* (<http://stats.oecd.org/Index.aspx?DataSetCode=SHA>). Consulted March 12, 2018.

⁴ Organisation for Economic Co-operation and Development, *Mental Health and Work* (<http://www.oecd.org/health/mental-health-and-work.htm>). Consulted February 19, 2018.

play a leading role in delivering better awareness, prevention, diagnosis and treatment, governments and business must work together to grow the economy, invest in health and extend productive life expectancy in our societies.

Underscoring the recommendations of our 2016 B7 Communiqué, we expect our governments to play a leading role in building sustainable healthcare systems founded on universal access to health services. Simultaneously, we must turn our attention to international health crisis preparedness and to shoring up the resilience of our economies in the face of health and demographic challenges.

5. Invest in infrastructure

Infrastructure is a vital tool for trade. Current global infrastructure deficits, coupled with unjustified obstacles to market access to public procurement, are major barriers to freer trade and competitiveness, causing lost opportunities for both businesses and citizens. Strategic infrastructure spending, construction and use will enhance productivity and increase trade.

In this regard, we underline the importance of ensuring:

- governments' infrastructure strategies reflect the principles of openness, transparency and fiscal soundness;
- stability, safety and resiliency, including in the face of cybersecurity challenges;
- social and environmental sustainability;
- local development;
- reciprocity and an end to discriminatory practices in public procurement; and
- economic and financial soundness of quality infrastructure.

6. Our people are our most important resource

Inclusive growth means that all citizens can share the benefits that come with rising prosperity. However, this goal will be achieved only if all groups can participate fully in the workforce. Indeed, none of our societies is so rich that they can afford to waste the potential of any of our citizens. Today, women, Indigenous peoples, older workers, youth, immigrants, persons with alternative abilities, as well as impoverished and under-educated people face obstacles to making their full contribution and benefitting fully from economic growth. This failure to be truly inclusive creates unfairness and prevents both our societies as a whole and far too many of our citizens from achieving their full potential.

We call upon the governments of the G7 to work with their private sectors to ensure that the opportunity to create and to benefit from economic growth is open to every group in our societies. Making inclusive growth a reality will require that any legal and social impediments to full participation are eliminated and that all citizens are equipped with the education and training needed to achieve their full potential in the twenty-first century. Business has a responsibility to lead by example and to work closely with government and other stakeholders to achieve this goal.

Climate Change and Resource Efficiency

The efficient use of energy, materials and soils is crucial to protecting the environment, addressing health and climate change and ensuring sustainable economic growth.

Since the founding of the G7 Resource Efficiency Alliance in 2015, resource efficiency has become a fixture at G7 gatherings — and a priority for the B7 — because of the crucial role business plays as a key driver of innovation and global value chains.

Industry is positioned to identify opportunities and risks associated with resource use. Accordingly, informed decision-making on policies, regulations and programs to promote resource efficiency must include consultation with the private sector. Our recommendations to G7 governments focus on supporting the business investments and innovations that are essential for sustainable economic growth.

Recommendations

1. Partner with the private sector on innovative solutions for resource and energy efficiency

Governments from the G7 and beyond have rightly identified public and private research, development and innovation (RDI) strategies as essential for resource efficiency, and we commend them for their efforts. Through programs like Global Environment Facility, Mission Innovation and the pledge to provide \$100 billion annually in climate change funding under the Paris Agreement, many governments and international institutions are mobilizing billions of dollars for new technologies and processes to reduce humanity's environmental impacts while investing in economic growth.

To create a more RDI-friendly environment that enables innovation, G7 governments should explore best practices of direct and indirect RDI aid and adjust their policy mixes accordingly.

Energy innovation in particular will be essential to achieving global environmental and economic goals. The B7 calls on both government and business to enhance innovation across all energy sources, including:

- energy efficiency;
- renewable energy;
- natural gas;
- nuclear power;
- advanced fossil fuel technologies (such as carbon capture, use and storage);
- energy storage; and
- hydrogen.

B7 members recognize the private sector's role in mobilizing and deploying capital to support innovation and pledge to work closely with G7 governments on policy and regulatory initiatives that will maximize the value of public funds and the deployment of private capital.

2. Encourage the development of market-based mechanisms, in accordance with national/regional circumstances, for reducing greenhouse gas emissions

The B7 recognizes that, for those countries that choose to use them, properly constructed market-based mechanisms can be a cost-effective approach to reducing greenhouse gas emissions. Market-based approaches can include emissions trading, and other approaches that encourage action on climate change while granting businesses the flexibility to choose their own approach to emissions reductions.

For those G7 nations that choose to use market-based mechanisms, governments should design their regimes to reflect their unique national circumstances. Market-based mechanisms should complement other policies and tools (such as international standards, voluntary agreements or other regulatory instruments), and must be careful to avoid distorting the marketplace.

3. Enhance trade and international cooperation on resource efficiency

Because resources cross borders many times throughout the lifecycle of most goods, international exchanges and cooperation are crucial tools for promoting resource efficiency. Multilateral and plurilateral initiatives to reduce tariffs and non-tariff barriers and to enhance transparency facilitate the global spread of modern, affordable and efficient technology, leading to a more efficient trading system and environmentally sustainable economies.

Policy convergence and regulatory harmonization can ease the burden for economic actors operating in the extremely fragmented regulatory environment of global markets. While paying due attention to the political and economic circumstances in many countries, where possible G7 nations should align their national and regional resource efficiency policies with those with other jurisdictions to avoid imposing unnecessary duplication of reporting efforts on business, without diminishing transparency and accountability. These policies should encourage recognition of resource efficiency values in public procurement and public-private infrastructure, create better incentives for investment in improving resource efficiency across global and national supply chains, and remove regulatory barriers toward cross-industry collaboration to better utilize resources.

In addition to domestic action, there are several international fora where G7 nations could effectively collaborate:

- The Paris Agreement is an international framework that seeks to coordinate global action on effective climate action.
- The B7 supports governments' continued participation in the WTO's work to liberalize trade. To foster a truly level playing field, governments should also consider removing or strengthening international rules on market-distorting subsidies.
- The G7 Resource Efficiency Dialogue and the Bologna Roadmap could help eliminate barriers to a more sustainable production and lifecycle management of finite resources. One suggested area for immediate action is a G7-wide review of definitions, valuation, accounting and reporting regulations and standards where convergence would provide incentive for more investment and innovation in resource-efficient extraction, manufacturing and transportation. Continuing the dialogue with business on the imperatives and innovations in resource efficiency

started by the G7 in Bologna and expanded on by the G20, is a necessary condition for science-based policies.

G7 nations could also adopt common terminologies and concepts, improve dissemination of information, and encourage the development of international standards for proportionate and consistent market regulation.

4. Ensure domestic policy and regulatory frameworks support private sector investment

Private sector investment is key to extracting or harvesting natural resources, as well as to deploying equipment, machinery or processes that reduce the environmental impacts of their production or use. Resources will not be developed without a supportive policy and regulatory environment. Governments and the private sector must work together to ensure policy objectives are met in the most efficient manner possible to limit unnecessary regulatory delays, inefficient processes and unnecessary capital investment. Regulatory regimes should be clear, consistent and predictable.

In addition, G7 governments should recognize that small and medium-sized enterprises (SMEs) may face particular challenges in investing in more efficient technologies and practices. Governments can develop programs to fill gaps in information or capital faced by SMEs, such as training and loan programs.

5. Involve the private sector in the domestic and international policy-development process

Successful regional, national and international policy must be based on sound economic principles. Governments need to ensure a clear, transparent process to engage with the private sector on policies related to resource efficiency.

The B7 asks that governments implement transparent and open consultation with the private sector and other stakeholders on domestic policies.

For those countries participating in the Paris Agreement, the private sector is willing to assist governments as they review their nationally determined contributions in the coming years. This will require a process of consultation and exchange of information between government and business.

The B7 also calls on governments to continue promoting business participation in multilateral processes like the United Nations Framework Convention on Climate Change, the WTO and the OECD.

Scaling Up Small Business

The economic prospects of the G7 countries depend on the vitality and growth potential of SMEs, which account for 50% of their GDP and 56% of employment.⁵ The international economy benefits enormously when G7 governments provide additional tools that not only support but also scale up SMEs to grow into larger, sustainable, globally competitive enterprises.

Trade is of critical importance for SMEs. The number of new business start-ups shows signs of recovering from the pre-2007 recession period in most OECD countries.⁶ While the OECD reports that many new businesses fail in the first few years, it also found that entrepreneurs whose firms operate internationally believe their companies have improved prospects for sustained revenue growth and increased employment creation.⁷

There is also evidence that companies with a commitment to diverse and inclusive workforces — at all levels, and especially in the executive ranks — are financially outperforming industry peers.⁸

Our recommendations focus on public policy tools for enabling SMEs in the G7 to not only survive but to thrive, thus supporting our goals for inclusive growth.

Recommendations

1. Enact tax policies that reward entrepreneurship and stimulate ongoing investments

Taxation statutes for business should be benchmarked against the principles of fairness, simplification, modernization and reduced compliance costs, while recognising that start-up costs go far beyond the bricks-and-mortar investments of the first year. SME owners (or suitable representatives) should be engaged in an advisory body for government and there should be annual reporting on changes applied and progress made.

2. Ensure regulatory policies take into account the impacts on SMEs

While streamlined regulatory processes are important for businesses of all sizes, SMEs should have a single point of contact with governments to guide them through regulatory processes and achieving compliance. There should be seamless interconnectivity among various levels of governments. G7 regulatory policies must be sufficiently flexible to reflect, among other things, the realities of small businesses and to avoid placing disproportionate burdens on them.

⁵ G7 ICT and Industry Ministers' Declaration: *Making the Next Production Revolution Inclusive, Open and Secure*, September 2017.

⁶ Organisation for Economic Co-operation and Development, *Entrepreneurship at a Glance 2017*, September 2017.

⁷ Ibid.

⁸ McKinsey & Company, *Delivering Through Diversity*, January 2018.

3. Encourage SMEs to adopt digital technologies

The adoption of technological tools or cybersecurity measures that diminish the threat of a cyber attack can be prohibitively expensive for SMEs. To facilitate digital technology adoption, SMEs should be permitted to write off 100% of their business investments in advanced technologies, including cybersecurity software and equipment in the year those investments are made.

SMEs' participation in trade and global value chains, (GVCs) and their access to the digital economy through strengthened digital infrastructure outside industrial centres must be promoted. G7 governments need to increase awareness among SMEs of available digital technologies and infrastructure, and help them evaluate their digital maturity and bridge their digital gap to improve efficiency, productivity and growth.

Greater awareness and enhanced cybersecurity can be achieved by improving the protection of IT infrastructures through shared standards and supporting SMEs' investments in training and skills upgrading.

4. Adopt procurement policies to make government contracts more accessible for innovative SMEs

G7 governments should provide transparent and accessible tools in public procurement in order to allow for SMEs to access important public contracts. This policy would allow businesses that demonstrate innovation in meeting governments' needs to gain the endorsement of an important first customer, and create opportunities to gain access to international markets.

In the interest of SMEs in particular, G7 governments should also establish effective legal remedies below the thresholds of the Government Procurement Agreement (GPA) of the WTO and the EU directives on public procurement.

5. Improve and introduce new programs to connect SMEs to international business opportunities

G7 governments need to ensure their financial assistance programs to help SMEs explore international markets (e.g., full or partial expense reimbursement, tax credits) are effectively communicated and easy to access. Governments need to effectively communicate their "on the ground" human resources and supports in foreign countries via the channels most used by SMEs. G7 governments should cooperate to provide SMEs with information to help them identify international market opportunities.

6. Develop tools and incentives to help SMEs understand the benefits of workplace diversity

Workplace diversity at all levels of a business — and its competitive benefits — can be very difficult for SMEs to achieve. Most SMEs do not have the resources to explore the opportunities associated with workplace diversity let alone pursue them. G7 governments should make online resources available and easily accessible that highlight companies with diverse workforces and the benefits they enjoy as a result, including safe and equitable workplaces, and increased market share and productivity. These resources should include advice to SMEs on measures they could take to make their workplaces more inclusive.

7. Support the development and growth of female-owned SMEs

Promoting the growth of female-owned SMEs is a key opportunity for economic expansion. As an example, the U.S. Census Bureau reports that women own 21 percent of companies with one to four

employees, but fewer than 15 percent of companies with over 100 workers. The story in Canada is similar, where women own 17 percent of firms with under five employees, but just 7 percent of those with more than 100. These statistics represent an opportunity to increase both the number of SMEs and the growth of existing SMEs. G7 governments should support these businesses and their potential economic contribution. The key challenge for women is access to funding. While funding sources may be available, women are turned down more often than men when seeking capital for their businesses. G7 countries should ensure that women have the training, mentoring, role modeling and confidence to create, grow and scale their businesses. Attracting women into scalable small businesses can be a major driver of inclusive growth.

Conclusion

The countries of the G7 will need to overcome many important challenges in coming years. However, we remain optimistic about the future. The actions proposed in this declaration can form an important part of the strategies needed to create better and more prosperous lives in a more inclusive global economy. We wish the G7 governments success in their Summit and pledge ourselves to work with them to build growth and opportunity for all of our citizens.