



## G7 PANEL ON ECONOMIC RESILIENCE

### Key Policy Recommendations

*The Cornwall Consensus sets an ambitious agenda to build forward better from the pandemic. These recommendations outline the big interventions the G7 should take to begin meeting its collective challenges, with which a broader constituency of open economies and societies may wish to associate. They look across what we judge to be the four central themes to economic resilience of health, trade, climate, and digital. For each, we consider the action required to build resilience over time in keeping with the Consensus priorities: in solidarity of approach, in risk management, in security of supply, in good governance, and in inclusion across and within our countries. They represent the Panel's key judgments and recommendations at this phase of our work, on which we are seeking guidance from the G7 Leaders' Summit in Cornwall, ahead of our full report and conclusions in the Autumn of 2021.*

### 1. Improve Equity in Global Health Responses

The principal determinant of our economic recovery remains the success of a global effort to defeat COVID-19 – we are only as healthy as our neighbours. The task before us is urgent and nearly without precedent. The pandemic has seen remarkable leaps in innovation but, despite some enlightened behaviour (e.g. firms producing not-for-profit vaccines), these have not been shared widely or quickly enough. To date, much of our collective response to the global pandemic has fallen short of meeting the urgency of the moment. Weak health and care systems, and the absence of national 'playbooks' have prevented informed and rational responses across many countries. Trade restrictions enforced at the outset of the pandemic persist, and measures such as vaccine nationalism, challenges related to the transfer of technology and know-how, and unequal purchasing powers between countries have seen severe access inequities in the global health response.

**We must see greater equity and solidarity in global health responses, with multilateralism at its heart, supported by more enlightened behaviour in critical areas like vaccine availability, distribution, access, trade practices for critical goods, and financing pandemic preparedness. We call upon the G7 to agree to a comprehensive and ambitious health package with a focus on equitable access to vaccines and medicine, building diverse and co-dependent production capacity, while strengthening health systems. This should include:**



- Developing a G7 contingency plan for collective responses to future pandemics, including transparency requirements and standard clauses for public private partnerships to avoid unequal purchasing powers between countries, which give rise to access inequities;
- Coordinating better to enable the scaling up of emergency production of vaccines and therapeutic medicines in future, so that intellectual property protections and licensing rules foster innovation while not undermining our ability to safeguard global health;
- Making health a permanent topic for future G7 cycles, addressing challenges such as non-communicable diseases, antimicrobial resistance and mental health, as well as opportunities such as digital health provision;
- Strengthening the WHO as the central global governance forum, reviewing and improving the performance of COVAX, and boosting the COVID-19 Tools Accelerator (ACT) – where appropriate expanding it to other diseases;
- Increasing aid for health in bilateral development assistance, and incentives for investment in health and health innovation; and
- Establishing joint co-dependent programmes for the research, development and production of, and equitable access to, critical health products including pharmaceuticals, vaccines, diagnosis and treatments.

## **2. Accelerate Investment in Protecting the Climate and Biodiversity**

Climate change, biodiversity collapse and the exploitation of the global commons are the greatest intergenerational threats to global economic resilience. Even if the Paris climate commitments are met by the middle of this century, existing climate change impacts will affect economic resilience worldwide with huge distributional effects, both within and across countries. Developing countries will suffer its effects sooner and more severely than high-income nations. The Paris Agreement provides the destination but without a more effective and equitable roadmap for mitigation and adaptation, we will not reach it. This should be as ambitious as possible, avoid asymmetries of approach and account for the trade-offs between decarbonisation and the transitional cost of industries like critical minerals (e.g. which might incur high polluting costs for the country of extraction or production, but fulfill a wider public good to green technology). Huge leaps in innovation are required to reach our net-zero goals, and infrastructure investment to reduce emissions and mitigate climate impacts still lags far behind. The OECD estimates that US\$7 trillion



investment per year is needed every year until 2030. High income economies, including the G7, should shoulder more of that investment burden given their emissions historically.

**We must accelerate investment towards climate change mitigation and adaptation, including: an open and inclusive system for innovation to dramatically accelerate emission reductions and improve market circularity, and appropriate incentives and standards to achieve common goals. In parallel, mechanisms consistent with WTO rules are needed to ensure a level playing field in global trade (elaborated further below in recommendation 7), so as not to undermine our collective economic resilience. A new joint research model would allow us to reap scale economies and share the results of innovation among participants. We call upon the G7 to lead by example in agreeing on additional joint efforts to mitigation and adaptation, including:**

- Establishing a 'CERN (European Organization for Nuclear Research) for climate technology', to pool investment into specific innovation leaps, or 'missions', required to meet net-zero goals, including innovations to remove CO<sub>2</sub>, and zero carbon solutions for 'hard-to-decarbonise' industries like shipping, aviation, steel and cement;
- Developing a common framework for green and transition bonds, in particular for sectors critical to the net-zero challenge, that sets robust standards and protects these new financial instruments from the dangers of greenwashing;
- Reaffirming a fair, ambitious and widely shared approach to decarbonisation, working across relevant global institutions including the WTO, and by meeting their commitment to phase out inefficient fossil fuel subsidies;
- Accelerating action in standards bodies like the International Organization for Standardization (ISO) to improve market circularity in sectors critical to the green transition where recycle and reuse rates are below 10%; and
- Championing a trade mechanism that prevents carbon leakage and helps ensure a global level playing field, while being WTO compatible (as discussed further below in recommendation 7), so as not to undermine our collective economic resilience.



### 3. Improve the Resilience of Supply Chains Essential for Global Public Goods

While most global supply chains showed remarkable resilience and dynamism during the pandemic, the crisis highlighted a gap in our collective risk identification mechanisms and the resilience of sectors critical to public goods like health, security and the environment. Many countries are considering their national approaches to address these challenges, some of which existed before the pandemic, but more should be done collectively to support this. True resilience arises from reliable, diverse and co-dependent global supply. In line with our shared principles of openness and competition, action should prioritise areas where a clear convergence of criticality (e.g. to a public good like security or health) and vulnerability (e.g. market concentration) exists.

**The G7, working with other open economies and relevant international organisations like the OECD, should lead the establishment of a “Critical Supply Forum” (“CSF”) to: identify emergent risks; build common vulnerability indicators and methodologies; share best practice; and provide a policy coordination forum for national governments in times of crisis to ensure trade measures support the necessary flow of critical goods and services. This Forum’s initial focus should be on three critical sectors – health, critical minerals and semiconductors – and include action in the following areas:**

- Coordinating a ‘G7+ Rapid Response Mechanism for Essential Goods in Crises’ to facilitate early, political-level coordination during future crises;
- Facilitating forecasting exercises and crisis simulations on supply chain disruption and, where appropriate, share the outputs of nationally run public-private supply chain ‘stress-tests’ across critical sectors. The Forum could suggest national supply chain risk mitigations for its members to consider;
- Incubating an information sharing platform – a ‘Critical Minerals and Metals Information System’ (‘CriMMIS’) – to reduce price volatility in a key global market to the net-zero transition by mapping stocks and flows, improving collective knowledge of volumes, and providing a policy coordination. Like the Agricultural Market Information System (‘AMIS’), in time CriMMIS could ultimately sit at the G20; and
- Developing high standards to promote market circularity in critical sectors like rare earths, caucusing at the ISO and other international standards bodies.



#### 4. Close the Digital Governance Gap

Innovation and digitisation have long since overtaken effective governance at the national and global level, and while those advancements have seen significant improvements to our citizens' lives, the pace and divergence of approaches has created systemic resilience risks. These risks include monopolistic behaviour, particularly in digital companies, but also as a key vector for cyber security harms to our people, firms and critical infrastructure. The G7 has more in common than the issues which divide it, but it has historically failed to lead the open and inclusive approach needed to tackle the big digital questions of our age.

**The G7 should close the governance gap between its members and lead global cooperation on three big digital issues central to both global economic resilience and the wellbeing of its own citizens – in data governance, in global technology standards and norms, and in cyber security cooperation. This should include action in the following areas:**

- Improving technology and data governance at the national and international level, including strengthened cooperation on norms, technical standards and regulations; and reforming regulatory policy to achieve agile and future focussed approaches to regulation. The G7 may wish to reflect on stronger institutional options to respond to these challenges, such as those suggesting the creation of a 'Data and Technology Board' akin to the Financial Stability Board, which could be instrumental in avoiding a global race to the bottom in data rights arbitration;
- Improving cybersecurity to: reduce major threats to supply chains and critical national infrastructure, for example by championing a common framework to interoperate safely with crypto technologies and assets; and better coordinating responses to cyber attacks on G7 members; and
- Using antitrust and competition policy more effectively and collectively to reduce harmful monopolies, where feasible and necessary, and using tax policy to ensure digital firms pay their fair share of taxes.



## 5. Tackle Market Fragilities Critical to the Net Zero and Technological Revolution

Critical minerals and semiconductors are essential to the global net-zero and technological revolution required by 2050. While these markets differ in nature, they share the characteristic of market concentration in a region of heightened geopolitical tension. While each G7 nation will have its own national risk mitigations, the sheer scale of intervention and investment required means no country can succeed alone in addressing these global market fragilities, on which we all depend. The world needs a more open, diversified and resilient market in both of these systemically important areas, which the G7 should lead action to support.

**G7 Leaders should establish a standing G7+ Working Group to explore collective levers, like investment, to diversify the critical minerals and semiconductor markets, built around high common environmental, social and governance standards. This G7+ Working Group, including other major players like Taiwan, South Korea, India and Australia, could take action including:**

- Developing proposals to increase the visibility of semiconductor and critical mineral supply chains – identifying system end and live supply and demand side vulnerabilities;
- Discussing joint efforts to unlock public and private investment in the diversification of supply, whilst also supporting new market entrants;
- Establishing rules of engagement for governments to reduce risks and shocks to these supply chains; and
- Aligning diversification strategies to climate and broader environmental goals, to ensure new markets are competitive and fair to new producers.

## 6. Champion an Investment-Focused Recovery to Build Trust in Open Global Markets

Public trust in open global markets rests on achieving a stronger and more sustained recovery than in 2008, driven by investment. As Lord Nicholas Stern's report to the G7 highlights, it is vital that investment levels are restored to pre-pandemic levels, and increased still further. Investment growth has been declining since 2008 in both advanced, emerging market and developing economies, and the investment rebound following the 2020 collapse is expected to be much weaker in 2021 than in 2010. Many of the investments now required have been shown to promote equality of



opportunity, and drive productivity growth through their innovation potential, offering wider economic and social benefits for our citizens. While the majority of this investment will be private, public investment will have a key role to play, particularly in sustainable infrastructure. For governments, financing this investment should go hand-in-hand with addressing corporate “offshoring” of profits – estimated to cost governments around the world over US\$245 billion annually, as companies shift US\$1.38 trillion out of their home countries and into tax havens. This not only deprives governments of revenue to invest in public goods; it also fuels inequality.

**This G7 should champion a more inclusive and investment-led recovery than what followed in 2008, financing it through, among other measures, minimum global standards on corporate and digital taxation. This should include action in the following areas:**

- Leading efforts to develop a minimum global standard on the corporate taxation of multinationals, and digital, redoubling support for rapid progress on these issues at the OECD;
- Endorsing Lord Nicholas Stern’s recommendation of setting a collective G7 goal, including with the proceeds of multinational taxation, to raise annual investment by 2% of GDP above pre-pandemic levels for this decade and beyond, and improve the quality of investment to support a strong recovery and transformation of growth. For the G7, Lord Stern estimates this would amount to an additional investment of around US\$1 trillion per year from now until 2030. That investment, if well executed, would have high returns in terms of productivity, new opportunities and the environment; and
- Developing further the “S” part of the “environmental, social and corporate governance (ESG)” agenda, to support responsible business conduct, inclusiveness and positive community impact. The G7 could champion a G7+ public-private group to develop the framework, including measures, metrics, transparency and accountability, contributing to common principles for the alignment of ESG internationally.

## **7. Drive Root-and-Branch Reform of the Multilateral Trading System**

In recent decades the multilateral trading system, with the WTO at its centre, has encouraged open and rules-based trade, contributing to the spread of economic growth, jobs, and wealth across the globe. But the WTO rulebook remains stuck in 20th Century assumptions – that market-oriented governance would automatically



spread across the world and prevent market distortions; that trade liberalisation would deliver broadly shared prosperity to all. In particular, the rulebook lags behind in key areas, and has failed to prevent the spread of protectionism, including unfair subsidies, oligopolistic market structures, overcapacities, and export restrictions. Meanwhile a variety of bilateral trade agreements, while liberalizing trade, have led to a complex trading landscape of competing rules and standards. Certain developing countries have delivered considerable income gains and poverty reductions for their populations, while deviating from the spirit if not letter of the rulebook. In developed economies, the gains from liberalization have accrued disproportionately to the top, while leaving many communities and regions behind. Many in our countries increasingly blame international trade for their hardships, creating an opening for populist appeals that threaten the stability of our democracies and economies.

**The G7 should develop a joint vision for, and work with members to initiate, root-and-branch reform of the WTO to support open and rules-based trade. This should contribute to the resolution of the multiple intertwined crises of our time – pandemics, income and wealth inequality, and the climate crisis – thereby also earning the trust of our citizens. This should include action in the following areas:**

- Accelerating plurilateral initiatives within the WTO where a deepening of the rulebook has been blocked by multilateral consensus requirements;
- Making climate an integral part of the modernization agenda by: advancing negotiations on plurilateral agreements to phase out tariffs on environmental goods; revising existing agreements to encourage decarbonization and supply chain resilience, including revising rules on incentives and subsidies;
- Presenting a road map for dispute settlement reform, in particular whether and how the appellate function of the WTO can be built back better;
- Strengthening the connection between trade and health by reinvigorating negotiations to deepen and expand the WTO Agreement on Trade in Pharmaceutical Products, while ensuring that the Agreement on Trade-Related Intellectual Property Rights is not used to abuse market power over life-saving drugs; and
- Deepening efforts to address market distortions caused by unfair subsidies and uncompetitive behaviour of state-owned-enterprises, by advancing the efforts of the Trilateral Initiative, turning it into a G7 endeavour.





## 8. Support Stronger Labour Standards and More Inclusive Labour Participation

The COVID-19 pandemic highlighted again that inequality in our societies makes us less able to withstand anticipated shocks, and reminds us of the need to redouble efforts to ensure this recovery is more inclusive and just than what followed the Global Financial Crash in 2008. Public trust in an open global model rests on its ability to ensure all sections of society benefit, and are able to participate.

**G7 nations should take concerted action across the public and private sectors to promote fair and just labour standards in global supply chains; prioritise health, safety and dignity in the workplace; invest in workers; and increase and diversify workforce participation in both G7, advanced and developing countries. This should include action in the following areas:**

- Committing to embed a broader range of economic indicators and measurements of economic success, with particular emphasis on labour market and health outcomes for women and minority groups (e.g. labour force participation and employment rates, wages, job quality), in order to aid a more inclusive recovery from COVID-19;
- Reaffirming national commitments to implementing International Labour Organization labour standards and ensuring their compliance;
- Recognising the vital role of labour organisation and collective rights for workers, which are critical to enhancing equity and resilience in our societies;
- Developing common principles and standards in line with the 'just transition to greener economies' that secure workers' rights and livelihoods, improve participation and promote social inclusion in the workforce; and
- Committing to increase the role of Business 7, Civil 7, Labour 7 and Women 7 in the preparation for future G7 Summits.