



# Empower, Include, and Inspire: G20 Public Leadership to Advance Responsibility, Resilience and Sustainability for a Fair Global Economy

A Vision Brief for the German G20 Presidency in 2017

Views from *Vision 20 2017: V20 Workshop on “Opportunities and Risks of Globalization”*

**APRIL 30, 2017**

**The Vision 20 Working Group - 2017:**

Contact: [yves.tiberghien@ubc.ca](mailto:yves.tiberghien@ubc.ca)

**Alan Alexandroff**, Director, Global Summitry Project, Munk School of Global Aff., U. of Toronto

**Bertrand Badré**, CEO, Blue Orange Capital

**Amar Bhattacharya**, Senior Fellow, Global Economy and Development, Brookings Institution

**Colin Bradford**, Nonresident Senior Fellow, Global Economy and Development, Brookings Inst.

**Roger Burkhardt**, Former Chief Technology Officer, New York Stock Exchange

**Andrew F. Cooper**, Professor, Balsillie School of International Affairs and Department of Political Science, University of Waterloo

**Homi Kharas**, Senior Fellow, Deputy Director, Global Economy & Development, Brookings Inst.

**José Siaba Serrate**, Member, Argentine Council on Foreign Relations

**Brent Sutton**, Former Senior Partner, RBC Global Asset Management

**Yves Tiberghien**, V20 COORDINATOR, Director, Institute of Asian Research, the University of British Columbia

## **THE NARRATIVE: from a top-down globalization to a global economy that empowers citizens and works for a greater majority: Germany's G20 Presidency<sup>1</sup>**

Globalization and the ongoing technological revolution have delivered unprecedented prosperity and interconnectivity. Yet, when detached from a socially active public policy, these economic forces have led to: unequal benefits; social and regional dislocation; and political backlash. Buffeted by these unequal economic forces, global risks, and geopolitical shifts, globalization has become stigmatized as a problem not as a dynamic full of positive benefits. Avoiding a return to the dysfunctions of the 1930s is imperative: today's Leaders must positively and collectively react to stem the backlash against globalization. To do so, Leaders must act to reform it. Resilient globalization can be a more positive force by empowering citizens; supporting entrepreneurship; and extending benefits to a greater number of citizens in the G20 and beyond. Global tools must be used to support and diffuse local, regional, and national leadership and entrepreneurship from the many sectors of society.

The 2017 G20 Summit in Hamburg is a critical gathering for Leaders and demands that every Leader exercise great responsibility on behalf of his or her country and the world. Under the leadership of Chancellor Angela Merkel, the G20 collectively must take concrete steps to nudge globalization toward a more sustainable path – in economic, social and environmental terms. Collectively, G20 Leaders can then address world citizens directly and convey a sense of common responsibility, clarity, and leadership.

**Addressing the trust deficit:** A growing number of citizens in many countries now do not trust experts, leaders, or the international institutions that have been created to achieve greater prosperity for all. Citizens struggle to gain their bearings and make sense of the decline in their economic or political situations. It is essential for the G20 Leaders to: express an understanding of the frustrations and anger of their own citizens; address these perceived grievances with concrete and clear initiatives; and show results of their collective policy efforts.

---

<sup>1</sup> The Vision 20 partners (The Brookings Institution, Friedrich Ebert Stiftung Foundation, Heinrich Boell Foundation, Munk School of Global Affairs at the University of Toronto, and the University of British Columbia) held a major workshop at the Brookings Institution on February 27, 2017 with over 50 high level practitioners, policy experts, private sector leaders, union leaders, and academics and students from many countries (see program attached). The workshop was designed to discuss the current economic and political climate and to propose initiatives that could address the uncertainties, concerns and challenges in G20 countries. After the conference, a WG emerged to draft this short V20 vision brief.

## COMMUNICATION FOR A MORE DIRECT RELATIONSHIP WITH CITIZENS:

A new communication approach by Leaders is part of the solution, but the contents must also avoid technical discourse bubbling up from Ministerial meetings and Working Groups. Only then can citizens understand the proposed efforts of the G20 Leaders. And citizens in turn will be able to recognize that globalization holds out the possibility of greater prosperity for them and others.

**The V20 Working Group (WG) believes that Leaders at G20 Summits can strengthen their connection with their citizens by devoting more attention to the accessibility and clear content from summit meetings. Several innovations are possible:**

- **A new style of G20 Communiqué:** A brief announcement, written for all G20 citizens with a presentation of the declaration by the G20 Leaders.
- **A collective simple statement describing the global situation and what Leaders propose.** The WG believes that key ideas could be summarized and Leaders could speak in more direct ways than they have in past Communiqués. G20 Leaders understand that globalization requires fair and updated rules, a sense of fairness, and certainty, which can elicit trust. G20 Leaders can communicate in ways that will ultimately result in greater prosperity for the global economy and this in turn can lead to greater political stability.

# ACTION PLAN FOR CREATING PROGRESS AT THE G20 IN 2017

## **Preface to the Action Plan**

The WG notes that this is a time of great public uncertainty and it is the responsibility of G20 Leaders to affirm to their citizens and beyond that they are fully aware and acknowledge citizens' unease. Leaders should communicate their determination to significantly strengthen the capacities of G20 economies *to deliver better economic and social outcomes and address inequality, for the betterment of all its citizens.*

Societies and governments, legislative bodies, political parties and rule-making agencies need to develop fresh approaches and new strategies for shifting economic trajectories toward *better results for individual workers, working families, their local communities and people in all walks of life.*

These new approaches are not just the work of governments, but require the active engagement of society in generating alternative sustainable paths to a better future for all people – in economic, environmental, and social terms.

Most fundamentally, these new approaches need to be shaped by actors within each country. The G20 does not, and should not, substitute local and national initiatives and aspirations. In selected areas, however, coordinated approaches across countries can yield even better results. That is why the G20 sees its primary task as focusing on issues such as trade, financial stability, and international taxation. In some other areas, the G20 Leaders can shape a research and knowledge sharing agenda on important common problems facing G20 countries.

Among other things, we propose *strengthening delivery systems for better social outcomes* for consideration by social groups and deliberative bodies. We encourage vigorous scrutiny of these proposals by interested parties and impacted groups. Our hope is that these proposals may thereby be improved and, in turn, provide feasible, practical actions appropriate to each society.

**The WG believes the G20 in 2017 can provide critical recommendations on several interrelated core issues:**

### **1. Addressing Technological Disruption and the Impact on Work**

The new digital economy is offering tremendous opportunities, yet also is likely to make many jobs obsolete in a relatively short period of time. Economic adjustment and skill formation are lagging the pace at which economic structures are shifting. The speed and scale of implementation of software innovation and artificial intelligence will generate significantly greater labor market disruptions than the world has experienced since 2008.

These major economic undercurrents require significant accelerations in both private and public investment in what United States' President Donald Trump and German Chancellor Angela Merkel have identified as "training our workforce for the 21st century." They also require creative innovations in policies, programs and practices that address these threats to the economic security of the labor force.

For too long, training, health insurance, pension funds and unemployment compensation in many countries have been tied to employment alone. With greater mobility among jobs over a lifetime, with greater skills and technical capacity required for work in the 21<sup>st</sup> century, and with the greater economic uncertainty of the digital age, it is crucial to build both private and public social support programs around the citizen, significantly delinking such benefits from traditional employment. "Citizen accounts" under each person's control that would bundle a series of benefits and programs – health and life insurance, retirement funds, educational support funds, and additional support programs for workers in transition and in training, etc. – in order for the individual worker to manage their own financial security and professional development over the course of their career. *Le Compte Personnel d'Activité* (CPA) program in France already exists and provides one example of this proposal, which in other countries would have to be adapted to the local context.<sup>2</sup>

We propose that serious national efforts be undertaken to forge collective business, labor, government and stakeholder social partnerships to address the social impact of technological upgrading and digitalization. These new domestic social partnerships would enable the creation of compelling programs, policies and institutional arrangements, in order effectively scale-up private investment in skill development and create new portable financial arrangements to bundle financial support under the control of individual citizens. These national programs should be appropriate to a

---

<sup>2</sup> For background on this interesting innovation implemented in France, see: <http://www.gouvernement.fr/compte-personnel-activite-cpa>; and <http://www.europe1.fr/economie/a-quoi-pourrait-ressembler-le-compte-personnel-dactivite-2526853>

variety of national contexts, scalable, and market driven to have the significant social impact required.

Furthermore, to specifically address the emergence of even greater disruptive labor dislocation from digitalization and artificial intelligence, still broader and more comprehensive private and public sector approaches are needed. To develop these approaches, new social partnerships need to be formed which can move new ideas into practice to address the acute sense of economic insecurity that automation, digitalization and globalization generate among workers everywhere.

#### Proposed Actions:

- The G20 Leaders should highlight the importance of the potential impact of rapid software innovation and artificial intelligence on labor markets and urge strong national leadership in convening new social partnerships to generate comprehensive “whole of government” approaches to anticipating these fast, fierce and faceless changes. Forging market monitoring data watches, alert systems, and nimble policy and program responses to cope with sudden impacts are vital. New social partnerships of business, labor and stakeholders to mobilize greater private investment in skill development and training needs to be scaled-up significantly. And education leaders need to examine how to weave greater vocational training, technical skill development and advanced professional training in trades, construction and engineering into the national education systems. These measures should have relevance both for established economies (in need of reforming their training and welfare systems) and for large and small emerging economies (in the midst of building these systems).
- The G20 should mandate the International Labor Organization (ILO) and the Organization for Economic Co-operation and Development (OECD) to develop an international comparison of outcomes in response to education systems, social benefit systems, training programs and other key elements.
- Young people embrace connectivity and technology. Yet, current economic systems tend to place high obstacles on their transition from school to work as they attempt to make a positive contribution to society. The G20 needs a greater focus on accessibility and empowerment for youth (including portability of health insurance). Younger people need to be integrally involved in the new social partnerships to assure their specific, urgent, significant issues are adequately addressed, especially in countries where youth unemployment is over ten percent.

## **2. Triggering Responsible Corporate Practices and Taxation**

The G20 should continue to make great strides in the implementation of base erosion and profit shifting (BEPS) action plans. Broader business-society partnerships can enlarge and support the benefits gained from this process.

Many G20 countries have instituted proposals for standardizing corporate social and environmental reporting within their countries. The benefits from such reporting stem from comparability across companies. The G20 could encourage multipartite mechanisms to harmonize such standards to unleash a self-reinforcing system of rewards for stronger corporate social and environmental practices.<sup>3</sup>

Proposed Actions:

- Building upon the progress on implementation of the taxation measures contained in the BEPS action plans, the G20 could issue a clear and powerful statement acknowledging implementation progress and obstacles to a range of measures (e.g., collecting and storing beneficial ownership information in public registries) for G20 Leaders to act upon.
- The G20 should endorse the importance of sustainability reporting in their own countries, and encourage various standard setting bodies to work towards establishment of joint principles for such reporting and, where feasible, for upward harmonization of reporting. It should also encourage International Organization of Securities Commissions (IOSCO) to support the creation of an increasing number of sustainable stock exchanges around the world.

### **3. Encouraging and Incentivizing Bottom-Up Inclusive Regional Solutions**

The G20 should launch competitions (with funding incentives) to encourage the proliferation of regional and local cooperative initiatives for strengthening inclusion and resilience at local levels.

Corporate performance is now increasingly affected by dislocation and inequality. Often, regional regeneration lies in better partnership between corporations, schools, universities, technical colleges, local governments, and social actors. National governments need to encourage these partnerships.

Proposed Action:

- A challenge or competition should be initiated by the G20 to stimulate experimentation with new models in inclusive regional communities. Successful results need to be promoted.

### **4. Large-Scale Investment in Infrastructure**

G20 Commitment: The WG recommends **a globally coordinated effort toward mobilizing leveraged investment in sustainable infrastructure programs that remove bottlenecks to growth.**

As recognized in the Hangzhou G20 Communiqué: “We stress the importance of quality infrastructure investment, which aims to ensure economic efficiency in view of life-cycle cost, safety, resilience against natural disaster, job creation, capacity building, and transfer of expertise

---

<sup>3</sup> Taking an example from the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures led by Mark Carney and chaired by Michael Bloomberg.

and know-how on mutually agreed terms and conditions, while addressing social and environmental impacts and aligning with economic and development strategies.”

At the Summit, the G20 Leaders agreed that their comparative advantage was to work collectively to “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation” and “Promote Decent Work and Economic Growth.” These are the two major focal points of the G20 Action Plan on the 2030 Agenda.

Visible global leadership is needed to shape the incentives, mechanisms, coordination processes, regulations, and institutional reforms necessary to mobilize the trillions needed to meet the Action Plan’s goals, including for climate resilient, sustainable, low or no carbon infrastructure investment. The G20 should foster a holistic perspective on how we want our economies to be financed, particularly our infrastructure.

#### Proposed Actions:

The G20 can help optimize such benefits by advancing progress in the following areas:

- **Adopt an overall target:** We recommend that the G20 Leaders adopt a target of increasing Multilateral Development Banks (MDBs) resources devoted to such infrastructure investment by 2020, without sacrificing lending quality. Additionally, the G20 should show that it is firmly committed to mobilizing private money and engaging with appropriate private sector actors. The G20 needs to show that it is committed to developing the appropriate recognition.
- **Reorient investment frameworks.** G20 country (and sector) investment frameworks can ensure that the benefits of infrastructure investment are broadly based. The G20 needs to encourage involvement of small and medium-sized enterprises (SMEs), so that progress and aggregate demand create a virtuous cycle of sustainable production and consumption. Long-term national frameworks and strategies should facilitate the achievement of nationally-determined commitments to decarbonization.
- **Transform financing.** Where progress on improving infrastructure governance, reorienting national investment frameworks and addressing price distortions is evident, the G20 should help ensure that MDBs and other platforms and sustainable procurement programs provide the financing, guarantees, and capacity for scaling up infrastructure investment. The G20 can encourage MDBs to develop *sustainability criteria* for calculating rates of return that include longer-term social and environmental benefits. It can also maximize effectiveness by ensuring transparency with respect to all liabilities for public-private partnerships (PPPs) and regulation of responsible business conduct in line with international conventions and standards.
- **Coordination, bundling, and portfolio approach:** combining sources of finance with institutional support to reduce risk must be encouraged. Key opportunities lie in *bundling investment opportunities* across related activities to streamline operations and spread risk in a



portfolio approach. It is essential to increase coordination among the MDBs, and between these MDBs and private investment sources such as: institutional investors, private equity funds, and venture capital. These efforts are designed to *pool expertise and risk* to move “from billions to trillions” to meet the financial requirements for sustainable infrastructure and energy over the next two decades.

- **Transparency and Due Diligence:** As called for by the B20, C20 and T20 Climate and Energy Working Groups’ “Statement for a Sustainable Energy Transition,” for mobilizing additional private-sector capital at the required scale, the G20 should promote international disclosure and reporting standards for environmental and climate-related financial risk and build on the recommendations of the Taskforce on Climate-related Financial Disclosure to this end. The G20 governments should also consider environmental, social and governance (ESG) performance as bidding criteria for infrastructure projects.
- **Replicate best practices to facilitate scaling up:** the WG believes that to achieve these goals, all participants must work toward standardization of procedures for contracts, procurement, disbursement, reporting and implementation of investment projects and plans in environmentally and socially sustainable ways. Scalable, replicable platforms for streamlining procedures and processes for greater efficiency and timeliness would be vital to realizing the scale horizons involved in mobilizing investment in infrastructure from all sources. The MDB infrastructure Task Force should be requested to develop scalable procedures that include sustainable and social considerations by the next G20.
- **Accelerate technology cooperation.** The G20 can ensure that the Technology Facilitation Mechanism (TFM), which supports the 2030 Agenda, enhances technology cooperation and strengthens the capacity of developing countries to prepare and implement infrastructure technology projects.

## 5. Green Financing

The V20 working group is convinced that the gradual development and generalization of carbon pricing schemes and green financing mechanisms is essential to provide the right signals for private sector innovation in green energy.

### Proposed Actions:

- **Carbon pricing** mechanisms that are socially neutral and revenue neutral are encouraged based on local conditions.
- **Addressing price distortions.** To ensure that investment frameworks facilitate the use of best available technology and achieve desired efficiencies, the G20 can encourage further progress on the removal of fossil fuel subsidies (including through peer reviews) and carbon pricing as a strategy for an energy transition.

## **6. Protecting and Enlarging the Common Gains from Trade:**

The WG believes that the G20 Leaders could support a declaration committing Leaders to continued focus on trade liberalization but with a determination towards a better sharing of the benefits of trade to all. The G20 must remain constant in fighting protectionist policies. And, as a consequence, the G20 encourages the WTO and research supports such UNCTAD, the OECD and the E15 to prepare Reports for the G20 on the following: First, what constitutes WTO-compatible border adjustment taxes; the second what might be acceptable as WTO-compatible border tax measures for states to adopt targeting imports from countries that continue to produce and export goods in a high carbon emission manner and environment.

## **7. International Financial Reforms:**

The WG expresses concern about the growing risk of regulatory divergence in finance in 2017, which will lead to greater global risks. While it is useful to find ways to open some growth space for banks, it should be done in a coordinated manner.

The WG believes that the G20 and the Financial Stability Board (FSB) have made significant progress in appropriately regulating the financial sector, making the system more resilient and stable. The FSB continues to have an ambitious agenda and this work remains, it would seem, a global priority. Where appropriate, the WG believes the FSB could further develop measures to guard against regulatory pullback.

### Proposed Actions:

- G20 Leaders should recommit to preventing the resurgence of national competition, regulatory arbitrage, and an unhealthy race to a bottom.

## **CONCLUSION**

Current world challenges require concerted, serious, and purposeful efforts to improve ordinary citizens' lives. More than ever, leadership is essential to deal with pressing global problems associated with top-down driven processes of globalization. The G20 is a unique forum with the authority to act towards this goal. This is the moment, the WG believes, for G20 Leaders to rise to the challenge mobilizing the legitimacy and capacity of what remains the world's hub of global policy making in doing so. A failure to act in turn opens the way further to a populist revival that can turn anxieties into dangerous prescriptions.

## V20 – G20 Policy Vision on Trade

# Policy Direction for the G20 in 2017 - the challenges of continued globalization: how to support open and inclusive trade and resolve conflicts in the trade-climate change nexus

Alan S Alexandroff, Director, Global Summitry Project, Munk School of Global Affairs, University of Toronto  
Colin Bradford, Nonresident Senior Fellow, Global Economy and Development, Brookings Institution  
Yves Tiberghien, V20 Coordinator, Director, Institute of Asian Research, University of British Columbia

April 30, 2017

---

## Abstract

The V20 is an initiative that has encouraged G20 Leaders to use the annual summit to better connect with their citizens. The G20 is underpinned with ministerial and task force policy efforts. But the V20 urges leaders and their officials to strengthen their connection with citizens devoting far more attention to the accessibility and clear content from their meetings. In a time of great public uncertainty over the multilateral order and appeals to openness, the V20 believes that G20 Leaders must affirm to their citizens and beyond that they are fully aware of the concerns and unease expressed by many of their citizens. G20 Leaders need to communicate their determination to significantly strengthen the capacities of G20 economies to deliver better economic and social outcomes and address in improved ways the inequality within societies.

The V20 has selected a series of actions that it believes will improve the economic well-being of citizens. Among the actions identified, the V20 proposes several trade initiatives that it believes will aid in the effort to avoid trade protectionism that continues to stalk the global economy and to avoid trade policies that could undermine efforts to transition to lower carbon economies.

The V20 urges G20 Leaders to insist on the preparation of several trade reports. These reports would among other things assist G20 Leaders to: one fashion appropriate destination-based tax adjustment systems, and more generally a Border-Adjustment Tax (BAT) that are compatible with WTO requirements; and then a report(s) on the trade climate change nexus. G20 leaders need to prevent the trading system from advantaging countries that fail to adopt significant nationally determined contributions (NDCs) reducing carbon dioxide emissions.

---

## Challenge

The T20 Trade and Investment Taskforce (“TITF”) identified what it saw as the critical proposals for trade and investment at the Hamburg Summit. According to the TITF, such critical proposals included: (1) supporting the World Trade Organization; (2) being upfront about the mixed effects of trade and investment; (3) improving G20 measures to tackle protectionism; and (4) promoting investment facilitation.

In the recent nationalist anti-globalization upsurge that has affected a number of the G20 members, the V20 believes that it is critical to tackle protectionism that appears to be centered in the G20 members themselves, and to speak out and act to maintain an open and rules-based trading system encouraging prosperity that can be shared more broadly. In addition, the V20 thinks that it is vital encourage G20 efforts to meet their commitments to the 2030 Agenda, especially with respect to climate change and the national commitments to shift to a lower carbon emission economies. The rise of nationalist and anti-globalization sentiment has been strong and, as noted by the TITF:

Trade policy has emerged as one of the most contested policy fields during Germany’s G20 presidency. It is important to acknowledge that trade is central to the G20’s core mission as it contributes to economic recovery and growth and is therefore highly relevant for all G20 countries. It therefore needs to be high on the agenda of both the G20 Sherpa and Finance tracks.

As a result, the TITF suggests:

While it is imperative, in the short run, to prevent the trade system from slipping into a protectionist downward spiral, returning to business-as-usual will not be enough, and serious reforms of international trade policies as well as effective domestic adjustment policies are needed.

The TITF set the following for the G20 Leaders' Summit in 2017:

Therefore, the minimum goal for the G20 in 2017 must be to find common support among all G20 countries for an open and rules-based trading system, while reiterating the need for a moratorium on protectionist measures.

Discussions among G20 countries about trade, according to the TITF, "need to be embedded in the framework provided by the 2030 Agenda and the G20 Action Plan on the 2030 Agenda for Sustainable Development." In examination of the agenda for the final T20 of the German presidency entitled, "Global Solutions - G20: The Think 20 Summit Berlin 29-30 May 2017", organizers urged that the role of the WTO be reinforced and raised the following concerns:

Which measures should the G20 adopt at the Hamburg summit to tackle protectionism in its various forms in G20 and non-G20 countries? How can the surveillance role of the WTO be strengthened to avoid the adoption of new protectionist measures and dismantle already existing measures?

The V20 acknowledges and adopts the TITF perspectives as well as that expressed by the Organizers in "Global Solutions" but believes that additional concrete actions can be identified. The concern all around is that G20 countries not adopt trade policy changes that raise protectionist barriers. Further the V20 is concerned that options not be adopted that set conditions that disadvantage countries that seek to achieve G20 goals including the Agenda 2030 and climate change commitments that have been made, or that are required, if the G20 countries are to substantially assist in moving to lower carbon-emitting economies.

The analysis presented points in two policy directions: one to deal more effectively with protectionist currents running through the global trade system, principally driven by the G20 countries; and to reflect domestic policies that avoid amplifying inequality within the G20 countries and encourage implementation of more effective adjustment policies.

---

## Proposals

### 1) Supporting the Role of the WTO: Examining the Border Adjustment Tax Systems

The V20 believes that G20 Leaders could support a declaration committing leaders to focus on trade liberalization but with a determination towards a better sharing of the benefits of trade to all. The G20 building on the work of trade policy research institutes and international organizations call on the WTO, UNCTAD and the OECD to prepare a report on various proposals for BAT with attention to those proposals that could be acceptable to the requirements of the WTO.

New BAT implementation, depending on the form it takes, may or may not 'pass WTO muster'. The Trump administration appears to be considering such a new trade and tax measure, and the House Majority Leader, Paul Ryan is known to support a BAT. As a rule, under a BAT, imported goods cannot be discriminated against (via extra taxes) relative to similar domestically produced goods, after the relevant tariffs (agreed through multilateral trade negotiations) are paid. But it is unclear whether the proposals currently being examined will be seen to be WTO-compatible. In a recent article, trade expert Douglas Irwin (2017, 55) suggested the following:

Such measures are standard practice for countries that have value-added taxes and wish to equalize the tax treatment between domestic and foreign goods, and they are consistent with WTO rules. Whether the particular border adjustment tax that Congress is considering now conforms to WTO rules remains an open question.

The V20 believes that such a report(s) could strengthen the role of the WTO and avoid likely protectionist and trade distorting policy measures.

### 2) Supporting the Role of the WTO: Identifying WTO-Compliant Carbon Emission Frameworks

In the Synthesis Report (Report) by the E15 Expert Group on Measures to Address Climate Change and the Trade System (E15 Expert Group) (Bacchus: 2016, 2), describes the relationship of trade and climate change: "The intersection between trade and climate change are complex and inevitable." Building on a series of reports the Synthesis Report sets out a series of options and categories with the most critical for this policy proposal identified as:

- Maximizing the contribution of trade and minimizing conflicts between regimes;
- Recognizing embedded carbon in trade;
- Enabling the formation of climate and coalitions; and
- Reaching a framework for emissions trading, carbon taxes, and border measures.

The E15 Expert Group, prior to this Synthesis Report, issued a series of valuable reports on the intersection of trade and climate change. As the E15 Synthesis Report Foreword (prepared by the co-conveners of the E15 Expert Group – ICSTD, the World Economic Forum and Climate Strategies) points out “... it is fair to say that experts and academics are bolder when it comes to recognizing the interlinkages than policy-makers or the intergovernmental organizations governing the issues, ...”

The V20 believes that it is time to call on the WTO, UNCTAD and the OECD, with the support of the E15 Expert Group to prepare a report, or reports that identify measures and frameworks that can minimize the friction between the two policy regimes but eliminate in the short term economic advantages for countries unwilling to sufficiently reduce carbon emissions in their production and trade processes.

The Synthesis Report includes some 24 policy options. Many deserve attention by Ministers, International Financial Institutions, including the WTO, and finally G20 Leaders. A significant number of these options reveal the tensions between the trade and climate change regimes. As the Synthesis Report suggests (Report: 2016, 6) “it is necessary to anticipate potential conflicts and to prevent legal collisions between WTO rules and national and international measures taken to address climate change.” Many of the options call for acknowledgement by one regime of the other’s actions. So, for instance an option is to have the WTO members recognize that a measure taken by a WTO member that is found to be in furtherance of a national climate “contribution” in a climate agreement will be respected in a WTO dispute settlement and considered in compliance with its WTO obligations.

Possibly a starting point for the research examination of the policy options urged could include:

- A determination by the WTO that 2 products are not “like” based on the amount of carbon used in making the products. As the Synthesis Report (Report: 2016, 7) makes clear: “In our view, the uniqueness of the existential global challenge of climate change fully justifies carving out some kind of a limited exception for distinctions between and among trade products on the basis of carbon use and carbon emissions.”
- Establishing an agreed common international standard for calculating the amount of carbon used in the making of traded products.
- Waivers from WTO obligations for trade restrictive “climate measures” that are based on the amount of carbon used in the making of a product and are undertaken to further compliance for NDC’s.
- An examination of the consequences of declaring that a carbon tax or similar tax based on the amount of carbon used in making the product is an indirect tax on a product and as a result, as the Synthesis Report suggests (Report: 2016, 8), “... therefore eligible for a “border tax adjustment” under Article II:2(a)of the GATT, ...”

The above policy initiatives appear designed to examine, in one manner or another embedded carbon in trade. The V20 believes that this is a valid starting point for inquiry into the nexus of trade and climate change and should be undertaken following a declaration by the G20 to prepare reports on these matters. The climate change and the trade communities must begin work together to, as the Synthesis Report (Report: 2016, 10) suggests, ... explore mutual solutions to prevent a collision between the two regimes, and, further, to foster and facilitate an ongoing cooperation and collaboration between the two regimes.”

---

## Implementation Overview

The V20 urges the G20 Leaders to include a declaration in their Hamburg Communique calling on the various research institutions to collaborate and prepare the various reports described above and to present them to Ministers early in the Argentinian Presidency.



---

## Existing G20 Agreements

- [G20 Leader's Communique](#), Hangzhou Summit, 2016
- [G20 Trade Ministers Meeting Statement](#), July 2016
- [G20 Strategy for Global Trade Growth](#), 2016
- [Guiding Principles for Global Investment Policymaking](#), 2016
- [G20 Action Plan on the 2030 Agenda for Sustainable Development](#), 2016

## T20 Trade and Investment Task Force

[Key Policy options for the G20 in 2017 to support an open and inclusive trade and investment system, 2017](#)

## Research

IMF, World Bank, WTO Staff. 2017. "[Making Trade and Engine of Growth for All: The Case for Trade and for Policies to Facilitate Adjustment](#)", Prepared for the G20 Sherpa Meeting, Frankfurt Germany, March 23-24, 2017

Foreign Affairs. 2016. "Who Benefits from Trade?" – An Anthology.

Rodrik, Dani. 2017. "Is Global Equality the Enemy of National Equality? John F. Kennedy School of Government Harvard University, [http://drodrik.scholar.harvard.edu/files/dani-rodrik/files/is\\_global\\_equality\\_the\\_enemy\\_of\\_national\\_equality.pdf](http://drodrik.scholar.harvard.edu/files/dani-rodrik/files/is_global_equality_the_enemy_of_national_equality.pdf)

---

## References

- Bacchus, James. 2016a. “Global Rules for Mutually Supportive and Reinforcing Trade and Climate Regimes”, E15 Initiative, International Centre for Trade Sustainable Development (ICTSD) and World Economic Forum, Geneva, <http://e15initiative.org/publications/global-rules-mutually-supportive-reinforcing-trade-climate-regimes/>
- Bacchus, James. 2016b. “Global Rules for Mutually Supportive and Reinforcing Trade and Climate Regimes: Synthesis of the Policy Options No.3 ”, E15 Initiative, International Centre for Trade Sustainable Development (ICTSD) and World Economic Forum, Geneva, [http://e15initiative.org/wp-content/uploads/2015/09/E15\\_no3\\_ClimateChange\\_final\\_REV\\_x1.pdf](http://e15initiative.org/wp-content/uploads/2015/09/E15_no3_ClimateChange_final_REV_x1.pdf)
- Bacchus, James. 2017. “Border tax would smack US economy with higher prices, fewer jobs”, The E15 Initiative, <http://e15initiative.org/blogs/border-tax-would-smack-us-economy-with-higher-prices-fewer-jobs/>
- De Melo, Jaime. 2017. “Next steps towards a workable and effective climate regime”, The E15 Initiative, E15 Initiative, International Centre for Trade Sustainable Development (ICTSD) and World Economic Forum, Geneva.
- Irwin, Douglas. 2017. “The False Promise of Protectionism: Why Trump’s Trade Policy Could Backfire”, *Foreign Affairs* 96(3): 45-56.
- Leycegui, Beatriz and Imanol Ramirez. 2105. “Addressing Climate Change: A WTO Exception to Incorporate Climate Clubs”, E15 Initiative, International Centre for Trade Sustainable Development (ICTSD) and World Economic Forum, Geneva.
- Petsonk, Annie and Nathaniel Keohane. 2015. “Creating a Club of Carbon Markets: Implications of the Trade System”, E15 Initiative, International Centre for Trade Sustainable Development (ICTSD) and World Economic Forum, Geneva.
- Victor, David. 2015. “The Case for Climate Clubs,” E15 Initiative, International Centre for Trade Sustainable Development (ICTSD) and World Economic Forum, Geneva, <http://e15initiative.org/blogs/join-the-club-group-approaches-to-tackling-climate-change/>