



# G20 Osaka Summit: Progress in “Digital Economy” and “Society 5.0”

Japan hosted the G20 Summit for the first time from 28 to 29 June. Leaders of nineteen countries and the EU along with other invited leaders and heads of international organizations convened in Osaka to discuss a wide range of issues. As the host, Prime Minister of Japan Abe Shinzo put a special emphasis on the Digital Economy and Society 5.0, leading to outcomes which will contribute to economic growth and sustainable development.

Mizuno Tetsu, freelance writer



World leaders pose for a group photo at the start of the G20 Osaka Summit, 28 June, 2019  
PHOTO: CABINET PUBLIC RELATIONS OFFICE

In June 1997 the Group of 7 (G7) major industrial democracies met in Denver to discuss the challenges faced in economic, financial and other areas at a time when international financial markets were becoming increasingly global and complex. In July that same year, the Asian Financial Crisis struck, prompting the engagement at the ministerial level of major emerging economies including China, Russia and India. In 1999, at the Finance Ministers and Central Bank Governors meeting, it

was agreed to establish the Group of 20 (G20). In other words, the economic cooperation framework of the G20 was launched to ensure the sound growth of an expanding global economy.

The first Summit on Financial Markets and the World Economy was held in Washington, D.C. in November 2008 with world leaders convening to address the global financial crisis of 2007–2008. The G20 Summit was held twice in both 2009 and 2010, and after that, has been held annually. Over the last two decades, therefore, the G20 framework has addressed two financial crises, contributing to the creation of principles for financial crisis prevention while also addressing issues such as counter terrorism, pandemic diseases and food security. Recently, the G20 has focused on issues affecting the world economy, trade and investment as well as climate change and energy, the digital economy, counter-terrorism, immigration and refugee matters.

From June 28 to 29, 2019, the 14th G20 Summit was held in Osaka, Japan, at a time of escalating international trade friction. It was the first time the G20 has been held in Japan.

The G20 is comprised of government leaders and central bank governors from Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom and the United States, as well as the European Union. The total GDP of the G20 including other EU members accounts for over 80% of the world GDP, 80% of total world trade and two thirds of the world’s population. Needless to say, the G20 carries a very heavy burden of responsibility for the progress of the global economy and sustainability.

Prime Minister Abe Shinzo chaired and opened the G20 Osaka Summit by asking leaders to put aside differences which contribute to friction and instead find common ground to realize a sustainable and win-win outcome from the Summit. Abe stressed the importance of fostering global economic growth by promotion of free trade and innovation and working together for a sustainable world by contributing to global issues.



Prime Minister Abe addresses the Annual Meeting of the World Economic Forum in Davos, January 23, 2019  
PHOTO: CABINET PUBLIC RELATIONS OFFICE

On the first day, 28 June 2019, a session focused on the Digital Economy was held on the sidelines of the Summit. The creation of international rules on the digital economy was an issue Prime Minister Abe placed special focus on at the Summit.

“It is necessary to make international rules and disciplines to harness the full potential of the fast-growing digital economy,” Prime Minister Abe stated in the session. “It is an urgent task to promote rule-making on data-flow and electronic commerce, which are a driving force to achieve progress in the digital era.”

The keyword for the Digital Economy session was Data Free Flow with Trust (DFFT). This concept was originally introduced by Prime Minister Abe and discussed and agreed at the G20 Ministerial Meeting on Trade and Digital Economy held at Tsukuba City, Ibaraki Prefecture from June 8 to 9, 2019. Seko Hiroshige, Japan’s minister of economy, trade and industry, said after the meeting that members agreed that the Trust could promote the free flow of data.

About five months before the G20, at the World Economic Forum Annual Meeting on 23 January, Prime Minister Abe delivered a keynote speech titled, “Toward a New Era of ‘Hope-Driven Economy.’” In his speech, Abe said, “Let us make it [G20 Osaka Summit] a chance to regain optimism for the future, providing reassurance that it is possible to achieve a hope-driven economy.” Abe introduced two significant points. One was the “Osaka Track” for the Data Free Flow with Trust (DFFT) concept. Abe emphasized that he would like G20 Osaka to be long remembered as the summit that started world-wide data governance under the umbrella of the WTO.

“[It is] not the big, capital intensive industries, but rather we individuals who will benefit from both the fourth industrial revolution,” said Abe. “[This is] what we call ‘Society 5.0.’”



COURTESY of Keidanren (Japan Business Federation)

Society 5.0 aims to achieve a Super-Smart Society that will create wealth by making the utmost use of ICT and integrating cyber spaces with physical spaces (real spaces). The strategy is intended



to provide the necessary information when it is needed through the Internet of Things (IoT) and Artificial Intelligence (AI) and to lead to specific social innovations with solutions to the aging population and declining birthrate, depopulation in local regions and wealth gaps as a result of technologies, such as robots and driverless vehicles. These will lead to the elimination of a sense of helplessness and the realization of a society in which people can be hopeful, a society in which people can respect each other beyond generational borders and a society in which everyone can work comfortably.

In other words, Society 5.0 is an essential plan for Japan which is facing the issues of decreasing birthrate and aging population, depopulation, decreasing labor force population and other social problems caused by such phenomena.

Prime Minister Abe stressed the connection between Society 5.0 and the sustainable development goals in his keynote speech.

“In Society 5.0, it is no longer capital but data that connects and drives everything, helping to fill the gap between the rich and the less privileged. Services of medicine and education, from elementary to tertiary, will reach small villages in the Sub Saharan region. Girls who have given up going to school will see, beyond their own village, a wider horizon where the sky is the limit.”

As Abe said in his speech, the Japanese government and private sector have been taking steps to contribute to the SDGs through the promotion of Society 5.0.

The concept of Society 5.0 was first introduced by Keidanren (Japan Business Federation) in 2016. The two main pillars of the strategy are (1)

automation, that is, the realization of the next-generation mobility system, including autonomous driving and the smartization of the entire public transit system; and (2) construction of the next-

### Osaka Declaration on Digital Economy

We, the Leaders of Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, Italy, Japan, Mexico, Republic of Korea, Russian Federation, Saudi Arabia, Turkey, United Kingdom, United States, Spain, Chile, Netherlands, Senegal, Singapore, Thailand, and Viet Nam, share the view that digitalization is transforming every aspect of our economies and societies, and data is increasingly becoming an important source of economic growth, and its effective use should contribute to social well-being in all countries.

We affirm the importance of promoting national and international policy discussions for harnessing the full potential of data and digital economy to foster innovation, so that we can keep pace with the fast-growing digital economy and maximize the benefits of digitalization and emerging technologies.

Today, we, standing together with other WTO Members that participate in the Joint Statement on Electronic Commerce issued in Davos on 25 January 2019, in which 78 WTO Members are on board, hereby declare the launch of the “Osaka Track”, a process which demonstrates our commitment to promote international policy discussions, inter alia, international rule-making on trade-related aspects of electronic commerce at the WTO.

In this regard, we renew our commitment to work together building on the Joint Statement in Davos and confirm our commitment to seek to achieve a high standard agreement with the participation of as many WTO Members as possible. We are encouraged by the progress made so far, and resolve to make further efforts to achieve substantial progress in the negotiations by the 12th WTO Ministerial Conference in June 2020.

Building on these efforts, we will engage in international policy discussions for harnessing the full potential of data and digital economy, and increase efforts to engage with relevant international fora for that purpose.

generation healthcare system which aims to extend healthy life expectancy by having medical organizations and nursing care service providers offer services that are optimized for individuals and by promoting prevention and health promotion by insurers and individuals.

Sakakibara Sadayuki, the honorary chair of Keidanren who led this concept at Keidanren, explains:

“Society 5.0 is designed to realize a future where people’s lives and society are optimized by making full use of innovative technologies such as IoT, AI, robots, and Big Data. The future society we aim to realize is a society in which global problems, such as problems including medical and healthcare, food and agriculture, the environment and climate change, energy and resources, safety and disaster prevention, and human and gender equality, are solved.”

As the outcome of the discussion on Digital Economy, the “Osaka Track” was launched and included in the Osaka Declaration on Digital Economy (see box).

“We will speedily promote international efforts for rule-making on data flow and electronic commerce,” said Prime Minister Abe.

Society 5.0 was also incorporated in the G20 Osaka Leaders’ Declaration (“Innovation: Digitalization, Data Free Flow with Trust”) under point 10:

10. Innovation is an important driver for economic growth, which can also contribute to advancing towards the SDGs and enhancing inclusiveness. We will work toward achieving an inclusive, sustainable, safe, trustworthy and innovative society through digitalization and promoting the application of emerging technologies. We share the notion of a human-centered future society, which is being promoted by Japan as Society 5.0. As digitalization is transforming every aspect of our economies and societies, we recognize the critical role played by effective use of data, as an enabler of economic growth, development and social wellbeing. We aim to promote international policy discussions to harness the full potential of data.

SDGs and Society 5.0 are keywords for Expo 2025 Osaka Kansai. The theme of the Expo is “Designing Future Society for Our Lives” and its specific goals are (1) A society that achieves the SDGs set by the United Nations and (2) Achievement of Japan’s national strategy Society 5.0. At Expo 2025 we will see a model of the future society for all.

## **Quality Infrastructure Investment**

In the midst of escalating trade friction, the adoption of an improved Quality Infrastructure Investment initiative in the G20 Osaka Leaders’ Declaration was another important outcome of the Summit. Quality Infrastructure Investment comprises five principles such as ensuring effective governance, economic efficiency, and job creation for local workforces. Japan led this initiative at the G7 Ise-Shima Summit in 2016. Quality Infrastructure Investment was handed over to the G20

Hangzhou Summit, and improved by adding one more principle, Strengthening Infrastructure Governance, at the G20 Finance Ministers and Central Bank Governors Meeting held in Fukuoka.

The New Principles for Promoting Quality Infrastructure Investment incorporated in the G20 Osaka Leaders' Declaration are (1) Maximizing the positive impact of infrastructure to achieve sustainable growth and development, (2) Raising Economic Efficiency in View of Life-Cycle Cost, (3) Integrating Environmental Considerations in Infrastructure Investments, (4) Building Resilience against Natural Disasters and Other Risks, (5) Integrating Social Considerations in Infrastructure Investment and (6) Strengthening Infrastructure Governance.

Openness and transparency are positioned as the keys to promoting quality infrastructure investment. Openness is addressed in the Declaration's points [5.1] "Open access to infrastructure services should be secured in a non-discriminatory manner for society" and [6.1] "Openness and transparency of procurement should be secured to ensure that infrastructure projects are value for money, safe and effective and so that investment is not diverted from its intended use." Transparency is addressed in point [3.2], "The environmental impact of infrastructure investment should be made transparent to all stakeholders," and in the foreword of Principle 6, "Sound infrastructure governance over the life cycle of the project is a key factor to ensure longterm cost-effectiveness, accountability, transparency, and integrity of infrastructure investment" (see box).

The preamble of the agreed G20 Principles For Quality Infrastructure Investment reads: "Infrastructure is a driver of economic growth and prosperity. We endorse the G20 Principles for Quality Infrastructure Investment as our common strategic direction and high aspiration. These emphasize that quality infrastructure is an essential part of the G20's ongoing efforts to close the infrastructure gap, in accordance with the Roadmap to Infrastructure as an Asset Class."

Although these principles are voluntary and non-binding, as a group which accounts for more than 80% of world GDP, it is to be hoped the G20 implements them and continues to commit to the sound growth of an expanding and changing global economy.

#### 2019 G20 Related Ministerial Meetings

Agriculture Ministers' Meeting	May 11 (Sat.) to 12 (Sun.), 2019	Niigata, Niigata Prefecture
Finance Ministers and Central Bank Governors Meeting	June 8 (Sat.) to 9 (Sun.), 2019	Fukuoka, Fukuoka Prefecture
Ministerial Meeting on Trade and Digital Economy	June 8 (Sat.) to 9 (Sun.), 2019	Tsukuba, Ibaraki Prefecture
Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth	June 15 (Sat.) to 16 (Sun.), 2019	Karuizawa, Nagano Prefecture
Labour and Employment Ministers' Meeting	September 1 (Sun.) to 2 (Mon.), 2019	Matsuyama, Ehime Prefecture
Health Ministers' Meeting	October 19 (Sat.) to 20 (Sun.), 2019	Okayama, Okayama Prefecture
Tourism Ministers' Meeting	October 25 (Fri.) to 26 (Sat.), 2019	Kutchan, Hokkaido Prefecture
Foreign Ministers' Meeting	November 22 (Fri.) to 23 (Sat.), 2019	Nagoya, Aichi Prefecture

## G20 Principles for Quality Infrastructure Investment

### Principle 3: Integrating Environmental Considerations in Infrastructure Investments

Both positive and negative impacts of infrastructure projects on ecosystems, biodiversity, climate, weather and the use of resources should be internalized by incorporating these environmental considerations over the entire process of infrastructure investment, including by improving disclosure of these environment related information, and thereby enabling the use of green finance instruments. Infrastructure projects should align with national strategies and nationally determined contributions for those countries determined to implement them, and with transitioning to long-term low emissions strategies, while being mindful of country circumstances.

3.1 These environmental considerations should be entrenched in the entire life-cycle of infrastructure projects. The impact on the environment of the development, operation and maintenance, and possible disposal of the infrastructure project should be continuously assessed. Ecosystem-based adaptation should be considered.

3.2 The environmental impact of infrastructure investment should be made transparent to all stakeholders. This will enhance the appreciation of sustainable infrastructure projects and increase awareness of related risks.

### Principle 5: Integrating Social Considerations in Infrastructure Investment

Infrastructure should be inclusive, enabling the economic participation and social inclusion of all. Economic and social impacts should be considered as an important component when assessing the quality of infrastructure investment, and should be managed systematically throughout the project life-cycle.

5.1 Open access to infrastructure services should be secured in a non-discriminatory manner for society. This is best achieved through meaningful consultation and inclusive decision-making with affected communities throughout the project life cycle, with a view to securing non-discriminatory access to users.

5.2 Practices of inclusiveness should be mainstreamed throughout the project life cycle. Design, delivery, and management of infrastructure should respect human rights and the needs of all people, especially those who may experience particular vulnerabilities, including women, children, displaced communities or individuals, those with disabilities, indigenous groups, and poor and marginalized populations.

5.3. All workers should have equal opportunity to access jobs created by infrastructure investments, develop skills, be able to work in safe and healthy conditions, be compensated and treated fairly, with dignity and without discrimination. Particular consideration should be given to how infrastructure facilitates women's economic empowerment through equal access to jobs, including well-paying jobs, and opportunities created by infrastructure investments. Women's rights should be respected in labor market participation and workplace requirements, including skills training and occupational safety and health policies.

5.4 Safe and healthy occupational conditions should be put in place, both at the infrastructure site and in the surrounding communities. Maintaining occupational safety and health conditions would also present a huge economic advantage worldwide.

### Principle 6: Strengthening Infrastructure Governance

Sound infrastructure governance over the life cycle of the project is a key factor to ensure long-term cost-effectiveness, accountability, transparency, and integrity of infrastructure investment. Countries should put in place clear rules, robust institutions, and good governance in the public and the private sector, reflecting countries' relevant international commitments, which will mitigate various risks related to investment decision-making, thus encouraging private-sector participation. Coordination across different levels of governments is needed. Capacity building is also key in ensuring informed decision-making and effectiveness of anti-corruption efforts. In addition, improved governance can be supported by good private sector practices, including responsible business conduct practices.

6.1 Openness and transparency of procurement should be secured to ensure that infrastructure projects are value for money, safe and effective and so that investment is not diverted from its intended use. Transparent, fair, informed and inclusive decision-making, bidding and execution processes are the cornerstone of good infrastructure governance. Greater transparency, including on terms of financing and official support will help ensure equal footing in the procurement process. A wide range of stakeholders such as users, local population, civil society organizations and private sector, should be involved.

6.2 Well-designed and well-functioning governance institutions should be in place to assess financial sustainability of individual projects and prioritize among potential infrastructure projects subject to available overall financing. In addition to project-level financial sustainability, the impact of publicly funded infrastructure projects, and of possible contingent liabilities\*, on macro-level debt sustainability, needs to be considered and transparent, given that infrastructure investment can have significant impact on public finance. This will contribute to attaining value for money that considers life-cycle cost, promoting fiscal sustainability, saving fiscal space for future potential projects, and crowding in more private investments. A functionally integrated and transparent decision-making framework for infrastructure investments that considers both O&M and new investments to ensure efficient resource allocation.

6.3 Anti-corruption efforts combined with enhanced transparency should continue to safeguard the integrity of infrastructure investments, which are potentially large-scale, complex, long-term, and with a wide range of stakeholders. Infrastructure projects should have measures in place to mitigate corruption risks at all project stages.

6.4 Access to adequate information and data is an enabling factor to support investment decision-making, project management and evaluation. Access to information and data needs to be available in-country to help undertake cost and benefit analyses, supports government decision-making and policy monitoring, and facilitates project preparation processes and management.

\*Contingent liabilities, as defined by the IMF 2019 revised Fiscal Transparency Code, are payment obligations whose timing and amount are contingent on the occurrence of a particular discrete/uncertain future event or series of future events.

*Reprint from “International Cooperation: From TICAD7 to the SDG Summit New York,” The Japan Journal, July/August 2019 (Vol. 16 No. 2), pp. 4-9. [August 2019]*

---

**MIZUNO Tetsu**

Freelance writer

---