COUNCIL

Meeting of the Council at Ministerial Level, 22-23 May 2019

CHAIR'S STATEMENT

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<u>**STATEMENT OF THE MCM 2019 CHAIR**</u>

**HARNESSING DIGITAL TRANSITION FOR SUSTAINABLE DEVELOPMENT:
OPPORTUNITIES AND CHALLENGES**

1. The 2019 OECD Ministerial Council Meeting (MCM) assembled on 22-23 May, 2019 under the Presidency of the Slovak Republic and the Vice-Presidency of Canada and the Republic of Korea to discuss policies for "Harnessing Digital Transition for Sustainable Development: Opportunities and Challenges". It is the understanding of the Chair that **general agreement of All Members*** was reached on the following points:

2. The 2019 MCM is taking place at an important juncture for policymaking as the global economy becomes increasingly digitalised, presenting enormous potential for economic growth and productivity. Continued structural reforms, appropriate macroeconomic policies and open markets are important to that end. The global nature of the digital transition involves a need for effective international cooperation, and that Members can better work together to address the challenges and ensure that the benefits of digitalisation are more widely accessible, and contribute to the realisation of the 2030 Agenda for Sustainable Development. All Members acknowledge and welcome the OECD's role in this regard, including how its work contributes to global or regional fora, such as the G20, G7, UN, APEC and ASEAN.

3. All Members welcome the outcomes of Phase 1 of the Horizontal Project on Going Digital: the Going Digital Toolkit, the reports "Going Digital: Shaping Policies, Improving Lives", "Measuring the Digital Transformation" and "How's Life in the Digital Age". At the same time, Members look forward to Phase 2, together with work on online platforms and emerging technologies, including blockchain and artificial intelligence (AI), and note the different contributions made by the Going Digital Summit.

   All Members pledge to work together to counter the use of the internet for terrorist and violent extremist purposes without compromising freedom of expression, human rights, or innovation for better lives. To this end, they call on the OECD, through its Going Digital II horizontal work programme and in consultation with relevant partners, experts and stakeholders, to consider possible next steps and report to Council before 31 March 2020.

4. *Artificial Intelligence:* All Members have adopted the OECD Recommendation on Artificial Intelligence (AI), which is an important step in international collaboration to foster trust in, and promote the adoption and use of this important technology, including by managing potential risks. The Recommendation will support a predictable, stable, yet adaptive policy environment that promotes a human-centric approach to trustworthy AI based on principles for responsible stewardship such as inclusion, transparency, robustness and accountability. Members encourage the OECD to continue its work on AI. They welcome the creation of an OECD AI Policy Observatory and its possible cooperation with other similar initiatives. The OECD and its Members should encourage international, cross-sectoral and multi-stakeholder initiatives to garner long-term expertise of AI.

5. ***Taxation in the Digital Age:*** All Members welcome recent progress made in identifying concrete proposals and moving towards agreement on a detailed road-map as the means to address broader tax challenges arising from digitalisation and remaining BEPS issues. Members look forward to future efforts towards a consensus-based long-term solution in 2020, in conjunction with all Members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and other stakeholders. These results build on the pivotal role played by the OECD in enhancing the fairness of the international tax system including through the commencement of the automatic exchange of financial account information for improved tax transparency and through the BEPS project. Members call on all countries to remain committed to this multilateral OECD process. They, moreover, encourage the OECD initiatives to enhance capacity building to strengthen tax administration in developing countries, including implementing the tax transparency and BEPS agenda.

6. ***Competition:*** All Members underscore the importance of open and contestable markets and recognise competition as a longstanding priority area for governments and stakeholders. They note that policy-makers should carefully consider the effects of increases in market concentration, and competition authorities should be vigilant in addressing conduct by digital firms that may harm competition. Members encourage the OECD to continue its work and support for dialogue on competition policy and enforcements, including by taking into consideration potential linkages to policy areas such as access to and control of data, mergers and acquisitions, intellectual property rights, consumer protection and the fight against foreign bribery. Members welcome the OECD's work on online platforms and the enforcement of competition and related laws in relation to a digitalising global economy. All Members encourage the OECD to continue to promote cooperation among competition authorities and with other regulators such as consumer and data protection authorities, both domestically and across borders.

7. ***Security, Privacy and Data:*** Members acknowledge that improving security, safeguarding personal data and privacy, and protecting consumers engenders public trust in the digital transition, facilitates free flow of data with trust, and promotes innovation. All Members support the free flow of information, ideas and knowledge, while respecting applicable frameworks for privacy and data protection, the security of critical digital infrastructures, and intellectual property rights. Members acknowledge that governments and other stakeholders, including industry, can do more to promote responsible, effective, trustworthy, and reliable data governance, and will endeavour to work together to better address these issues and build confidence and trust in the global digital system. Members call on the OECD to improve policy-relevant measurement of data, including by measuring and defining different types of data. They will explore ways to further support the Global Forum on Digital Security for Prosperity, and related work in the areas of privacy and open data, including in the public governance arena.

8. ***Digital Innovation for Better Lives:*** All Members recognise the potential of digital innovation, data and the uptake of innovative digital solutions for improving economic outcomes, including the functioning of markets, public institutions, and businesses with sound corporate governance, and more effective regulatory frameworks, as well as enhancing services for people, communities, governments, cities, rural areas and regions. Members welcome the OECD's work on online platforms and the service economy, the collection of gender and age disaggregated data where possible, as well as analysis and policy advice on how governments can help cities, rural areas and regions be 'smart', including by encouraging a more sustainable urban environment, fostering health and well-being, and facilitating citizen engagement. In doing so, Members commit to respecting privacy, security, ethics, the protection of intellectual property rights, personal data and consumers, especially children online, as well as combatting the spread of disinformation, safeguarding democracy and human rights, including freedom of expression.

All Members additionally expect online service providers to observe the OECD Guidelines for Multinational Enterprises. Members, moreover, encourage the OECD to further international cooperation on sharing data of domestic or transboundary air, water and soil pollution.

9. *Global Relations and Accession:* All Members support the OECD's ongoing cooperation with non-member countries, regions and other international organisations with a view to disseminating and advancing OECD analysis, instruments and good practices. Members look forward to the completion of the ratification process of the Accession Agreement of Colombia to the OECD and we are encouraged by Costa Rica's efforts to fulfil its commitments in its accession process to the OECD.

10. *Leadership and Management:* Members recognise the role of the Secretary-General in proposing new initiatives, including in his Strategic orientations, for further consideration and decision by the Council, and thank the whole of the Secretariat for their efforts in supporting OECD deliverables.

It is, furthermore, the understanding of the Chair that a **prevailing number of Members agreed on** the following points:

11. *Digital Innovation for Better Lives and Sustainable Development:* Members emphasise the importance of access to information and communications technology, digital innovation and fostering skills to help countries achieve the 2030 Agenda for Sustainable Development and the SDGs. The prevailing number of Members recognise that working together could result in sharing costs, combining capabilities, encouraging voluntary technology dissemination on mutually agreed terms through open and competitive markets and partnerships between the public and private sectors that facilitate large-scale and longer-term dedicated, strategic financing. Quality infrastructure with open and fair access and closing the gap in skills in particular for women and girls, older individuals, and other vulnerable groups remain key in harnessing existing technologies and the digital transition for sustainable development. Members call on the OECD to leverage opportunities for policy dialogue in this area.

12. *Future of Work:* The prevailing number of Members recognise that deep structural changes to labour markets and the demand for skills require that education, training, employment and social policies, and social protection systems be adapted to meet the needs of women, youth, seniors, workers with disabilities and other vulnerable groups, as well as non-standard workers, those performing routine tasks, and those in industries and regions adversely affected by digitalisation. Members remain committed to building an inclusive and sustainable Future of Work and foster equality of opportunity by promoting economic growth, job creation, labour market resilience, decent work, and effective workforce development programmes including vocational training, skills development and lifelong learning, underscoring the importance of such programmes for educators and teachers. In this regard, they welcome the new Jobs Strategy, the 2019 Employment Outlook, the Skills Outlook and the new Skills Strategy. The prevailing number of Members call on the OECD to continue its work on fostering socioemotional, cognitive, digital and entrepreneurship skills, encouraging the collection and exchange of good practices, and considering ways to strengthen skills in the public sector. Members welcome the analysis and mapping of social risks, such as slow wage growth and job insecurity, and the discussion on identifying new sources and new collection methods for social data in support of a just transition.

To maximise the benefits of the digital transition for enhanced productivity, innovative growth and well-being, Members will also promote digital adoption, scaling-up and entrepreneurship for SMEs, modern, transparent, and agile regulatory frameworks, diffusion of digital technologies across firms of all sizes and inclusion and digital access for all, particularly women and girls, to further digital inclusion.

13. ***Sustainable Development & Resource Efficient Economy:*** The prevailing number of Members recognise the potential of digital technologies in lowering emissions and building climate resilient economies, and in transforming business models and processes to help them address climate change and other environmental challenges, achieve cleaner and more sustainable growth, including greater waste, energy and resource efficiency, a more circular economy and sustainable material management, improved scientific measurement of the environment, better environmental regulation and enforcement, and a more sustainable ocean economy and coastal zone management, including through abating marine litter, conserving biodiversity and enriching natural capital.

The prevailing number of Members acknowledge the fundamental importance of the Paris Agreement as a tool in effectively addressing climate change, and other environmental challenges, and in implementing the 2030 Agenda for Sustainable Development. Members that are committed to the implementation of the Paris Agreement will continue to engage in this Agreement, including by harnessing the opportunities created by the digital transition.

Members acknowledge that new technologies also generate environmental challenges concerning energy, resources used and e-waste. The prevailing number of Members call on the OECD to strengthen its work in these fields.

14. ***Trade in the Digital Era & Current Challenges Facing Global Trade:*** The prevailing number of Members underscore the importance of the multilateral trading system and its contribution to international trade and investment as important engines of growth, productivity, innovation, job creation, and development. However, Members recognise that the distribution of the benefits of trade and investment is not automatic. Members discussed a number of the current challenges facing global trade, such as excess capacity, and the need to eliminate market-distorting subsidies, forced technology transfer and other protectionist practices, as well as the impasse in the appointment of members of the WTO Appellate Body.

The prevailing number of Members acknowledge that current trade tensions are having an impact on the global economy and agree on the need to address the root causes of these tensions by levelling the playing field for international trade and investment. They acknowledge the need to modernise trade rules, particularly in response to the global digital transition, and are committed to the necessary reform of the WTO. The prevailing number of Members welcome proposals on WTO notifications aimed at improving the transparency of WTO members' trade related policies and look forward to an early agreement thereon. They call for the preservation of a functioning two-stage binding third-party adjudication system for disputes in the WTO, and support for flexible negotiating approaches to enhance the negotiating function of the WTO.

The prevailing number of Members call for the strengthening of international rules on industrial subsidies, for the open-ended prolongation of the Global Forum on Steel Excess Capacity on its current basis, and for the acceleration of the work of the International Working Group on Export Credits with a view to reach agreement on new international export finance disciplines. They also welcome and support the Joint Statement Initiative on E-Commerce. The prevailing number of Members renew their commitment to work together to improve a rules-based international order that is capable of effectively responding to a rapidly changing world.

Members recognise that digital technologies and data have had a profound effect on international trade and investment, by reducing costs, facilitating global value chains, diffusing technologies, and connecting businesses and consumers across borders. Trade in the digital era can contribute to inclusive outcomes by empowering groups that are often underrepresented in trade, such as women, Indigenous peoples, and those with disabilities, as well as SMEs. It also offers important opportunities for integrating developing economies into the international trading system. Members call on the OECD to continue its evidence-based and analytical work on trade, including on market distorting support measures and other trade barriers, as well as on the measurement of digital trade and its impacts across society, such as on women's economic empowerment.

* the Ministers and Representatives of Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States and the European Union.