



To the point.

Information from the Federal Ministry of Finance.



G20

“Global questions require global solutions.

The G20 is the right forum for finding those solutions.”

German Finance Minister Wolfgang Schäuble



Dear Reader,

The world has become a smaller place in recent years. People, markets, businesses and politics are closely interconnected. Globalisation has made many countries and people more prosperous. The increasing integration of the global economy and financial markets has made economic systems more competitive and dynamic. But it also leads to greater interdependence – in our globalised world, there are many issues we can only resolve together. This is also true for financial and economic policies. As an exporting country, Germany has a particularly strong interest in helping to actively shape globalisation – the G20, which represents the most important advanced and emerging countries, is the main forum for doing so.

The G20 has created a stable regulatory framework for the global economy and for financial markets in recent years. Its member states have committed to pursuing sound economic policies and strive to ensure that as many countries as possible benefit from economic growth, which should be strong, sustainable and balanced. The G20 also addresses international cooperation on tax matters and financial market regulation.

In 2017, Germany will be assuming the presidency of the G20. In addition to the traditional G20 topics, the German government will be focusing on a number of special topics, for example the prevention of financial and economic crises and measures to make national economies more resilient. The German G20 presidency will also initiate in-depth discussions on the topic of digitalisation, asking what can be done to create greater equality of opportunity and improve access to financial services.

This brochure provides an overview of the work and current priorities of the finance ministries and central banks in the G20.

The Federal Ministry of Finance

The G20 – the main forum for international cooperation

If the financial crises of recent years have shown one thing, it is that turbulence on the international financial markets affects national economies, too. At their 1999 summit in Berlin, the G7 decided to create a larger forum to enable the economic and financial coordination between individual countries that is so important for maintaining a stable global economy. This initiative led to the current Group of 20, which comprises 19 of the most important advanced and emerging countries and the EU. Their finance ministers and central bank governors meet several times a year. Since the financial and economic crisis of 2008, the heads of state and government have also met for an annual summit, making the G20 the main forum for international economic cooperation today.

The G20's achievements include agreeing to develop a framework to promote strong, sustainable, and balanced growth, a crisis-proof, stable international monetary system and financial market regulation and supervision. G20 decisions may not be legally binding, but they do have a strong political influence and can provide impetus for reforms on the national and multinational level. Germany plays an important mediating role in the dialogue between advanced and emerging countries. As an exporting country, Germany wants to encourage the development of a stable, durable framework for the global financial and monetary system.

The G20 Members*



* besides the EU

“Our top priority is timely and effective implementation of our growth strategies that include measures to support demand and structural reforms to lift actual and potential growth, create jobs, promote inclusiveness and reduce inequalities.”
 G20 Leaders’ Communiqué, 16 November 2015

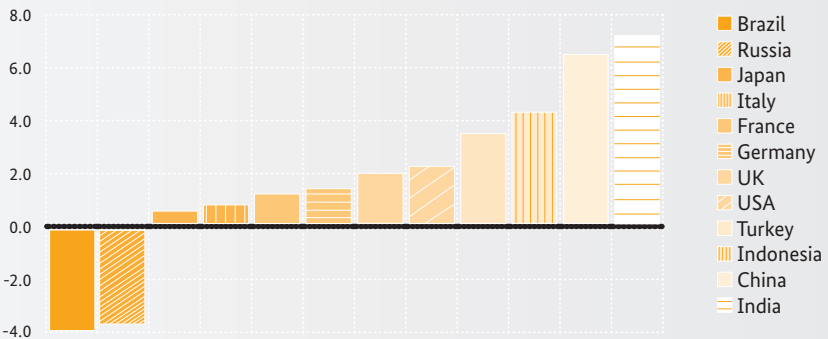
**G20 topics:
 Sustainable growth, stable financial markets, and fair tax policies**

In 2015, the G20 working programme under the Turkish presidency focused on fostering sustainable, balanced growth, strengthening the global financial system, tightening financial market regulation, and international tax policy. The Turkish presidency concluded with the G20 summit on 16 November 2015. China assumed the presidency in 2016.

Strong, sustainable and balanced growth

At the Antalya summit, the G20 heads of state and government reaffirmed their shared understanding of sound macro-economic policies and their aim of reducing inequality and achieving sustainable, balanced, inclusive growth. The Antalya summit participants also reaffirmed the goal they set in Brisbane in 2014 to increase the G20’s GDP by an additional 2% by 2018. The G20 has developed country-specific investment strategies to further boost investment. The German investment strategy includes, among other things, an increase in public-sector investment and measures to stimulate investment (for example, the transition to renewable energy, the Digital Agenda, cutting red tape, the High-Tech Strategy and making it easier to set up businesses).

Year-on-year GDP growth in %



2015 figures; source: IMF World Economic Outlook

Financial market regulation – making the financial system more resilient

In light of the recent financial crises, an important G20 goal is to increase the efficiency and resilience of the global financial system while maintaining its open character. At the Antalya summit, the G20 agreed on further reform measures for the financial sector, including a common international standard for the total loss-absorbing capacity of systemically important banks intended to help solve the “too big to fail” problem. Not taxpayers, but shareholders, creditors and investors should bear the brunt when banks get into difficulties. Progress was made on developing capital requirements for global systemically important insurance companies, and the G20 also agreed on a draft outline for additional capital buffers for these kinds of insurance companies which will come into effect from 2019 onwards. Supervision and regulation of the shadow banking sector is also to be strengthened. The German government has made a significant contribution towards moving forward on this issue.

International tax policy

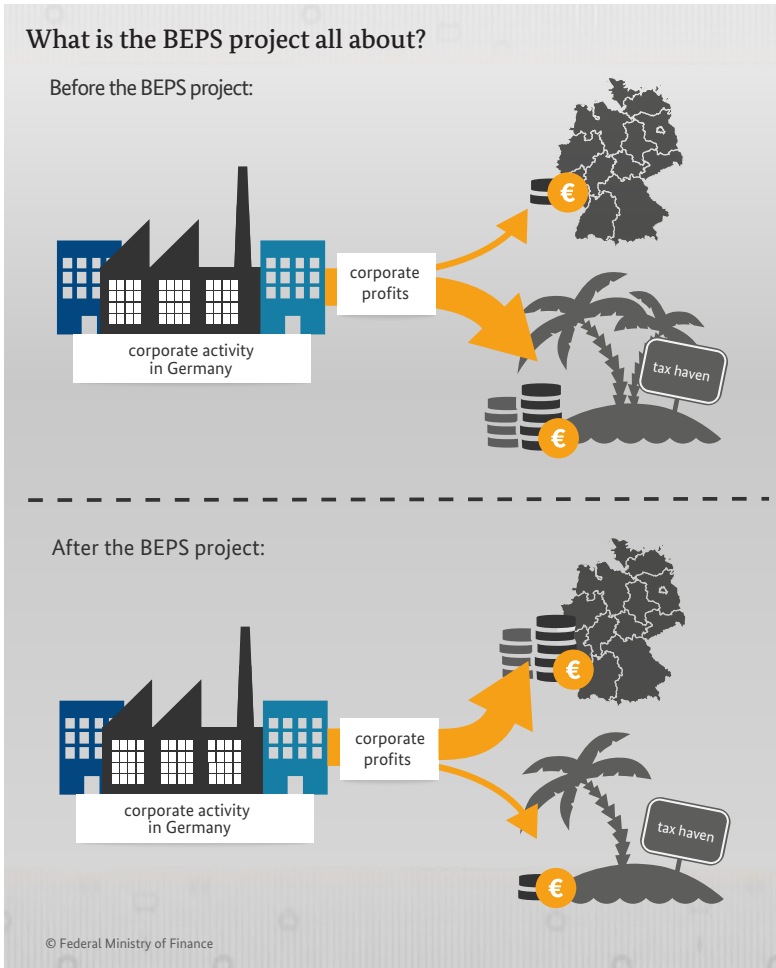
For years, the G20 has been pushing for fair and modern international corporate taxation worldwide while also taking steps to fight base erosion and profit shifting (BEPS). It has made an important contribution to combating damaging tax competition between countries and aggressive tax planning by multinational companies. The BEPS project was initiated by the G20 and aims to ensure fair taxation of multinational corporations by achieving agreement on effective measures to prevent base erosion and profit shifting.

Multinational corporations have been increasingly exploiting the differences between national taxation systems to reduce their own tax burden to a minimum. This not only leads to lower tax receipts for governments, but also considerably distorts competition, since companies which operate only in domestic markets – usually SMEs – are unable to use tax schemes of this kind. Thus aggressive tax planning undermines the integrity of the tax system and the principle of fair taxation. The member states of the OECD and the G20 agreed that these problems could only be solved with the help of internationally coordinated measures. This is why the G20 tasked the OECD with developing suitable proposals for resolving these issues.

POINT OF FOCUS

After two years of intensive international negotiations, the G20 finance ministers and central bank governors approved the results of this joint project at their meeting in Lima on 8 October 2015. This was a milestone in international tax policy: Never before has there been such close cooperation on international taxation standards. If the recommendations are rigorously applied, it will be possible to substantially reduce key BEPS problems. The German government actively supported the BEPS project from the start.

For details on the BEPS project, see the Federal Ministry of Finance website:
<http://www.bundesfinanzministerium.de/Content/DE/Monatsberichte/2015>



The G20 – FAQs

Who are the G20's members?

The G20 comprises 19 states plus the EU. The countries are: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States. The G20 member states represent over 85% of global gross domestic product (GDP), three quarters of global trade and roughly two thirds of the world's population. The respective presidency also regularly invites international organisations such as the International Monetary Fund, the World Bank, the Financial Stability Board and the Organisation for Economic Co-operation and Development (OECD) to participate in the G20 summits.

How do the G20 countries work together?

The most visible part of the G20 process is the summit of the heads of state and government, which is organised and prepared by the country holding the presidency. Additional meetings on finance policy issues attended by finance ministers and central bank governors are also organised under each presidency. Intensive political coordination takes place on various working levels among the governments ahead of the G20 meetings. The results of each meeting are published in a communiqué.

How are the G20's decisions implemented?

The G20 is an informal forum. It is not an international organisation and has neither administrative structures of its own nor permanent offices for its members. While the G20's decisions are not legally binding, the member states make voluntary commitments which carry considerable political weight. Decisions are implemented by the relevant bodies, for example the International Monetary Fund or the Basel Committee on Banking Supervision.

Are the G20 meetings not too expensive?

While it is true that the G20 conferences and summits cost money, the results achieved so far show that the political and economic gains far outstrip the initial expense.

Does the G20 forum put economically weaker countries at a disadvantage?

The goal of the G20 is to increase prosperity worldwide by liberalising trade and creating global connections that go beyond the G20 members themselves. Harmonising standards for financial and economic issues so as to increase wealth and raise living standards serves the interests of all countries – including non-G20 members.

The G20 – summary and outlook

- The G20's working programme for 2015 focused on fostering sustainable economic growth. The G20 has developed country-specific investment strategies designed to further stimulate inclusive growth and employment, especially in low-income countries. The Chinese G20 presidency also focused on the global economy and investment in infrastructure: At their meeting in Chengdu on 23-24 July 2016, the G20 finance ministers and central bank governors also discussed international tax issues and measures to combat money-laundering and the financing of terrorism. The G20 summit of heads of state and government under the Chinese presidency will take place in Hangzhou on 4-5 September 2016.
- Improving the global financial architecture and reforming the international monetary system remains an important task for the G20. Existing weaknesses in the financial system need to be eliminated and the system must be strengthened so that it is able to deal with potential future financial crises. International capital requirements have been introduced for systemically important banks, obliging them to increase their capital ratios, among other things. The goal is to make shareholders, creditors, and investors liable for losses, rather than taxpayers, as well as mitigating the problem of banks and insurance companies that are "too big to fail".
- Germany will hold the G20 presidency in 2017 and will organise four meetings of the finance ministers over the course of the year. The G20 finance ministers and central bank governors will be meeting in the western German city of Baden-Baden in March 2017. The summit of the heads of state and government will take place in Hamburg on 7-8 July 2017.

More information on the G20:

- Explanatory film "G20 – einfach erklärt" (in German): www.youtube.com/finanzministeriumtv
- Brochure "G20 Presidency 2017": www.bundesfinanzministerium.de/auf-den-punkt
- Overview of documents on the G20 and G7/G8 summits (in German): www.bundesfinanzministerium.de/Gipfeldokumente
- Overview of the German government's statements on the G20 and G7/G8 summits (in German): www.bundesfinanzministerium.de/Gipfelerklaerungen



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