

To the point.

Information from the Federal Ministry of Finance.



G7

Dear Reader,

The world has become a smaller place in recent years. People, information, markets and policies are now more closely connected. Many policy questions therefore require global discussion. The Group of Seven (G7) provides the world's seven leading economies – Canada, France, Germany, Italy, Japan, the United Kingdom and the United States – with an informal forum for such discussions. Representatives of the European Union are regularly invited. At annual summits, the G7 heads of state and government formulate joint positions on global policy issues. Primary areas of focus include the global economy, foreign and security policy, development and climate topics.

In addition to cooperating at the level of heads of state and government, the G7 also holds separate meetings attended by finance ministers and central bank governors. These officials meet several times a year to discuss fiscal and monetary issues. Close international cooperation on these policy areas is imperative because of the growing interdependence of national economies and financial markets. The recent financial crisis demonstrated how necessary such cooperation is.

Following the G7 summit in Brussels on 4-5 June 2014, Germany assumed the G7 presidency, which it will hold until the end of 2015. The “German” G7 summit of heads of state and government will take place at Schloss Elmau in Bavaria on 7-8 June 2015. At the level of finance ministers and central bank governors, the Federal Ministry of Finance and the Deutsche Bundesbank have jointly assumed the G7 presidency from 1 July 2014 until the end of 2015. The meeting of the G7 finance ministers and central bank governors will take place at the Residenzschloss in Dresden on 27-29 May 2015.

This brochure provides information about the history and purpose of the G7, as well as the key working areas for the G7 finance ministers and central bank governors under the German Presidency.

The Federal Ministry of Finance



G7 GERMANY

*The logo of the German G7 Presidency symbolises the diversity of the participants.
The seven lines show how different paths can lead to the same goal.*

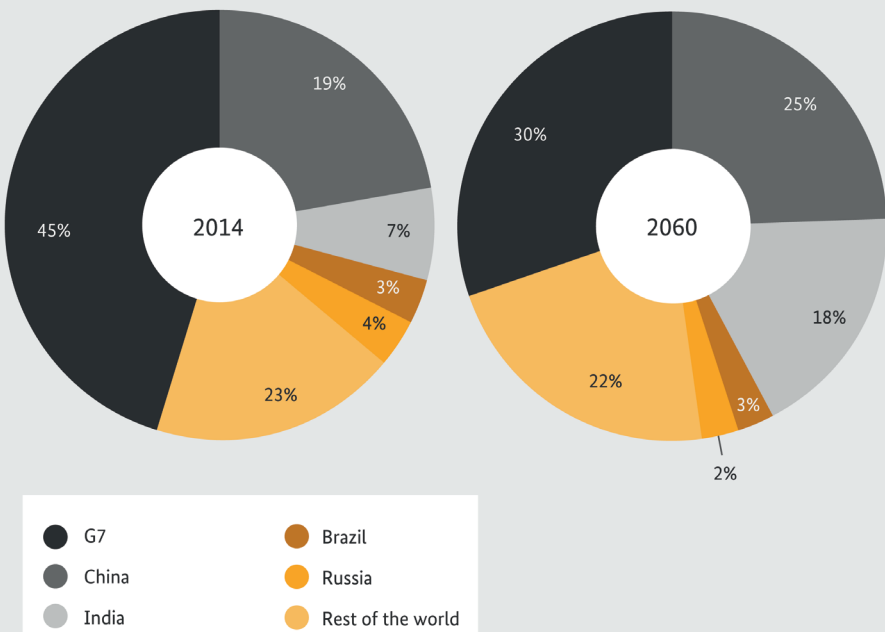
History of the G7

Today's G7 has its roots in an informal group of six countries, whose heads of state and government held their first summit in Rambouillet, France, in 1975. Canada, which joined the group in 1976, was not present at that meeting. The European Union (formerly the European Community) has attended the summits since 1977. The G7 became the G8 in 1998 when Russia – which had held guest status since the early 1990s – was officially added to the group. The 2014 G8 summit was slated to take place in Sochi on 4-5 June 2014 under the Russian Presidency, but the leaders of the G7 decided on 24 March 2014 not to attend and to suspend the G8 process due to Russia's violation of Ukraine's sovereignty and territorial integrity. The G7 leaders determined at the time that it was not possible to conduct productive talks within the G8. Instead, the G7 gathered for a summit in Brussels on 4-5 June 2014. Following this meeting, Germany assumed the G7 presidency ahead of time. Since then, the process has been continued using the G7 format. By taking this decision, the G7 has underlined that it is a community of shared values that will not accept the breach of international law.

Fiscal and monetary questions have been core issues for the G7 from the beginning. The first meeting in November 1975 was prompted by the need to discuss the consequences of the collapse of the Bretton Woods exchange rate system and the first major oil crisis. In 1985, the G7 finance ministers and central bank governors agreed on the Plaza Accord. Its goal was to use controlled interventions to cause a gradual devaluation of the US dollar, which had

experienced strong appreciation against the German mark and the Japanese yen. After successfully implementing that agreement, the group set a common goal in the 1987 Louvre Accord of stabilising exchange rates within a target zone in order to avoid speculative excesses and their associated risks for the global economy. In 1999, the finance ministers and central bank governors established the Cologne Debt Initiative at the Cologne G8 summit as a specific framework for debt relief for heavily indebted poor countries.

Shares of global potential output (based on purchasing power parity)



Source: OECD 2014, own diagram

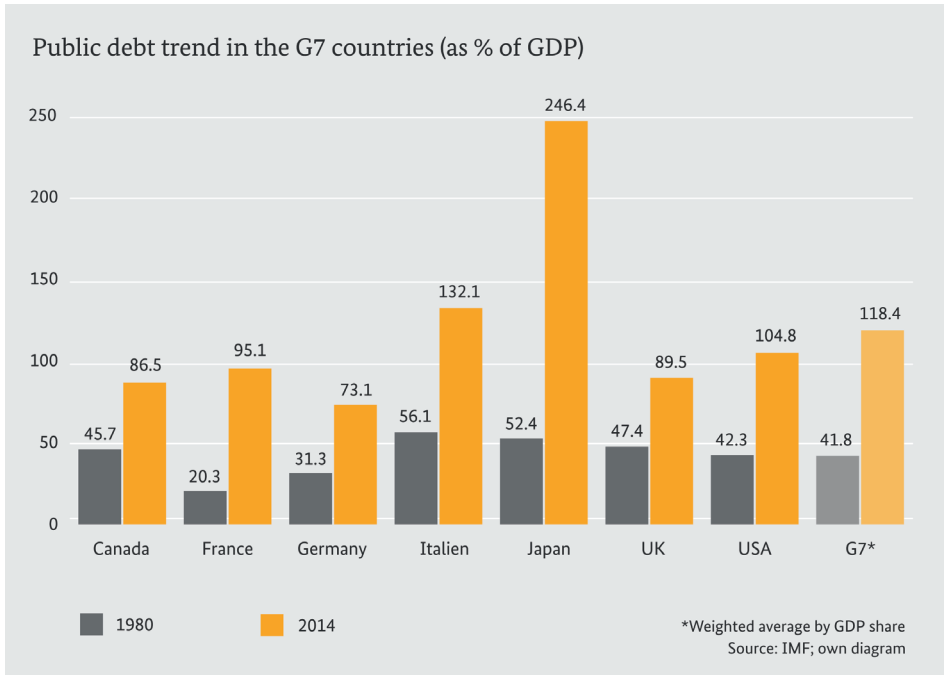
The G7 today – A platform for dialogue and global cooperation

The G7 is an important forum for finance ministers. They generally meet together with the central bank governors several times a year to discuss issues relating to fiscal, monetary and economic policies. Although the G7 does not adopt any legally binding decisions, it is able to react swiftly and efficiently in crisis situations thanks in particular to its long-standing tradition of close cooperation. This was demonstrated during the G7 finance summit in Washington in October 2008. In the aftermath of the bankruptcy of the American bank Lehman Brothers, it was unanimously agreed that comprehensive coordinated measures would be required in order to prevent international financial markets from collapsing. This was achieved through the quick and efficient adoption of emergency measures and by convening the first G20 summit of heads of state and government in 2008, where agreement was reached on broad regulation of financial markets. The G20 includes, beyond the G7 members, the most important emerging economies such as Brazil, China, India and Russia, whose global economic importance has increased significantly in recent years. The G7 acts as an important catalyst within the G20, developing potential solutions in advance of meetings.

Neither the G7 nor the G20 claim to be international institutions on a par with, for example, the United Nations. Rather, these groups see themselves as informal platforms for cooperation. Since the groups have no administrative structures of their own, the rotating annual presidency plays an important role. The country that holds the annual presidency organises that year's summit and sets the agenda. The German government adopted a programme for the German G7 Presidency on 19 November 2014. Germany will work to build the broadest possible consensus among the G7 on previously agreed topics as well as on urgent questions that may arise. At the level of the finance ministers and central bank governors, the German G7 Presidency focuses on three key issues, which are explained below.

1. Dynamic and sustainable growth

The G7 members bear a special responsibility for the world economy. Together, the economies of these countries produce just under half of global economic output. Within the G7, Germany is promoting structural reforms to improve the conditions for investment and jobs. In the current situation, investments play a key role in strengthening the global economic upturn. Therefore, the G7 will commit itself to improving the environment for private investments. Sound public finances are essential for this because they are the foundation for confidence and sustainable growth.



2. Closing gaps in financial market regulation

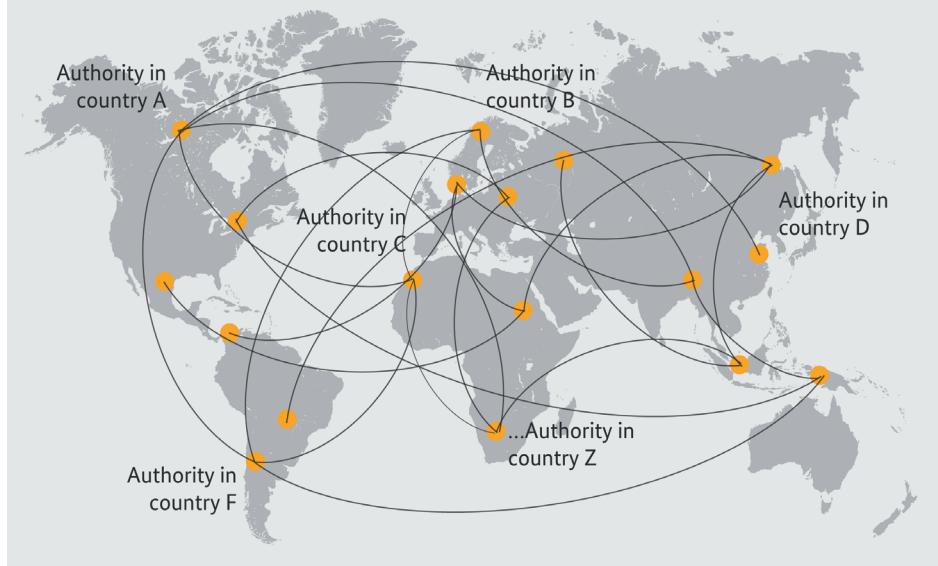
The recent financial crisis demonstrated that comprehensive regulation of financial markets is necessary. In response to the lessons learned from the financial and banking crisis, numerous rules have been agreed at the international level, particularly within the G20. These rules now need to be implemented consistently, and the G7 countries have a special obligation to do so. A great deal of work remains to be done in certain areas, such as in the supervision of shadow banking. Only when this work has been completed will there be better protection against future financial crises.

3. Measures to combat tax evasion and tax avoidance

Along with spending discipline, taxes form the basis of sound public finances. The German G7 Presidency is making the case for internationally agreed tax rules aimed at preventing large corporations from avoiding appropriate taxation by reducing or shifting their profits. In addition, the exchange of tax information across international borders needs to become more effective in order to successfully combat tax evasion. To maintain people's trust in our tax system, it is essential for everyone to contribute a fair share towards the financing of public budgets. The G7 countries have an important duty as role models and leaders when it comes to international cooperation in the area of taxation.

Multilateral interconnection

Globally, jurisdictions obtain financial information that is relevant for tax purposes from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis



Summary: The G7

- The G7 is an informal forum of the world's leading economies – Canada, France, Germany, Italy, Japan, the United Kingdom and the United States – with a separate forum for finance ministers and central bank governors.
- The rotating annual presidency plays an important role within the G7 because the country that holds the presidency organises the G7 summit and sets the agenda.
- In June 2014, Germany assumed the G7 presidency, which it will hold until the end of 2015.
- On the finance minister and central bank governor level, there are three key policy issues: dynamic and sustainable growth, financial market regulation, and measures to combat tax evasion and tax avoidance.
- This year's G7 summit of heads of state and government will be held at Schloss Elmau in Bavaria on 7-8 June 2015. Before that, the G7 finance ministers and central bank governors will meet in Dresden on 27-29 May 2015.

For further information:

www.g7finance.de

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