



Federal Ministry
of Finance

Think Ahead. Act Together.

Germany's G7 Presidency at the level of finance ministers and
central bank governors

Dresden, 27-29 May 2015



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Dear Reader,

Germany currently holds the G7 Presidency, and it is my honour to serve as host – together with the President of the German Bundesbank – at the meeting of G7 finance ministers and central bank governors, which is being held in Dresden on 27-29 May 2015. We are looking forward to welcoming our international partners to Dresden, where our discussions will be guided by the motto “Think Ahead. Act Together.”

At the meeting, we will address three main issues, which are also the focus of this brochure: First, securing growth for present and future generations. Second, enhancing international cooperation in tax matters. And third, ensuring that financial markets function well.

I anticipate a high degree of consensus with our G7 partners on all of these issues. The G7 countries are bound together by their position as leading industrialised nations – they account for nearly half of global GDP. And the G7 are also bound together in particular by their shared values of democracy, the rule of law, fairness and sustainability.

The city of Dresden’s unique character and beauty will surely contribute to the success of our meeting as well. More than any other German city, Dresden stands for successful reconstruction and structural change. For this reason, I would like to take the opportunity now to express my sincerest gratitude to the people of Dresden for their kind hospitality.

Wolfgang Schäuble
Federal Minister of Finance

G7 / the motto

“Think Ahead. Act Together.” This is the motto of Germany’s G7 Presidency, and it forms the basis for discussions at the meeting of G7 finance ministers and central bank governors in Dresden on 27-29 May 2015.

Thinking ahead. Seven years after the onset of the global financial crisis, the meeting in Dresden is an opportunity to take stock of developments and examine the sustainability of our economic and fiscal policies. For the first time at a G7 meeting, finance ministers and central bank governors will be engaging in discussions not only with their fellow G7 colleagues, but also with renowned economists. The German Finance Ministry is thus bringing together leaders and thinkers. This exchange between policy-makers and scholars can be beneficial to both sides: policy-makers will gain an overview of the latest developments in research, while scholars will gain an impression about which of their ideas are politically viable at the end of the day.

Acting together. This is about revisiting the G7 as a community of values. As geopolitical constellations shift, the old G7 format is experiencing a revival. The G7 countries are bound together by shared values, and this makes it easier for them to develop common positions on key global economic issues and to advocate these positions beyond the format of the G7. Over the Ukraine crisis and in many other areas, the G7 stands together as a community of values and closely coordinates policies and strategies.



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G7 DRESDEN: GROWTH FOR PRESENT AND FUTURE GENERATIONS

The Dresden agenda: Growth

The task of actively tackling the financial and economic crisis is largely complete, and the global economy is making good progress. The important thing now is to put measures in place to achieve more dynamic and sustainable growth.

In the G7 countries, a very intensive discussion is currently underway above all over the question of whether greater or lesser levels of government borrowing are more effective in strengthening growth. This is an issue where highly divergent views meet. In Dresden, proponents of the “demand side” are likely to argue once again that cutting public spending in order to consolidate government budgets leads to weaker aggregate demand for goods and services.

Minister Schäuble on growth:

“The global economy is back on track towards growth, and that’s encouraging. But there are always risks. Our aim is to ensure growth for present and future generations. Achieving this kind of sustainable growth requires debt reduction and future-proof budgets.”

In contrast, the German Finance Ministry takes the position – which is shared by many scholars – that sound government finances boost private sector confidence and thereby foster investment and growth. Persuading others that this approach works will require continued effort. But it is precisely Germany which provides a good example of the fact that healthy government finances, structural reforms, growth and higher employment are not mutually exclusive; on the contrary, the German example demonstrates that such a policy approach is a success.

G7 DRESDEN: WELL-FUNCTIONING FINANCIAL MARKETS

The Dresden agenda: Financial markets

Even in the aftermath of the financial crisis, there is no question that financial markets play a central role in providing money to the real economy – as a component economies require to foster economic growth and create jobs. Confidence in financial markets is slowly returning, and the crucial thing now is to bolster this by adopting suitable regulatory measures and appropriate oversight, as well as to promote ethical principles in the world of finance.

Minister Schäuble on financial markets:

“Well-functioning financial markets are essential for sustainable growth. In Dresden we will be working on the final elements needed to solve the problem presented by banks that are ‘too big to fail’ – and ensuring that government’s can no longer be held to ransom.”

First, we need to press ahead with the ongoing and necessary regulation of financial markets, which involves closing gaps in the supervision of shadow banking and, in particular, ensuring that we have the capability to wind up systemically important banks should the need arise. Second, we must find appropriate ways to maintain and open the financing channels necessary for economic growth. Since 2009, we have made substantial progress on financial stability. However, the fast-moving developments on financial markets mean that we have to remain vigilant and capable of responding to old and new risks if we want to maintain the confidence that has been regained.

The G7 countries are expressly committed to solving the financial market problems of political relevance. The Dresden meeting will also therefore look at the promotion of ethical principles in the banking sector and international issues such as measures to combat terrorist financing.



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G7 DRESDEN: ENHANCING COOPERATION IN TAX MATTERS

The Dresden agenda: Cooperation in tax matters

The G20 countries are working together to build a fair and more equitable system of taxation. At present, a number of multinational corporations are exploiting the weak spots in the tax system by shifting their profits to countries with low tax rates. This reduces tax revenues in other countries. The G20 countries refer to this drying up of tax revenue sources as “base erosion and profit shifting”, or BEPS for short, and they have commissioned the OECD – where national and international tax policy experts cooperate – to develop a BEPS Action Plan in order to combat this problem effectively and on a lasting basis. Work on the BEPS Action Plan will be completed by the end of this year, revealing the main causes of base erosion and profit shifting, and allowing the G20 to eliminate these undesirable circumstances by taking coordinated national measures.

It is important to the G7 countries that the G20/OECD BEPS project be brought to a successful conclusion. For this reason, Germany wants to use its G7 Presidency to lend continued political support to the BEPS project.

Minister Schäuble on cooperation in tax matters:

“In Dresden we will also be talking about boosting cooperation in tax matters. I am a firm advocate of greater cooperation between national tax administrations. This will facilitate investment while simultaneously ensuring fairer taxation.”

Furthermore, Germany is committed to expanding the cross-border exchange of information and improving international cooperation in tax matters. This will enable the international community to combat tax avoidance and tax evasion more effectively.

G7 / seven facts

1. The “Group of Seven”, or G7 for short, is not an international organisation but rather an informal forum of the world’s seven leading industrialised nations.
2. Its members are Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.
3. The first world economic summit, which led to the creation of the G7, was initiated by former French President Valéry Giscard d’Estaing and former German Chancellor Helmut Schmidt in 1975.
4. The G7 countries currently account for 10.5% of the world’s population.
5. The G7 countries generate approximately 46% of global GDP.
6. The G7 finance ministers and central bank governors meet several times a year to discuss pressing fiscal and monetary policy issues.
7. In June 2014, Germany assumed the G7 Presidency for a term that concludes at the end of 2015. This year’s G7 summit of heads of state and government will be held at Schloss Elmau in Bavaria on 7-8 June 2015. In the run-up to the summit, the G7 finance ministers and central bank governors will meet in Dresden on 27-29 May 2015.



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