



SENDAI

*G7 Finance Ministers and Central Bank Governors' Meeting
Sendai, May 20-21 2016*

Chair's Summary

As the Japanese Presidency of the G7 Finance Ministers and Central Bank Governors meeting, it was a privilege to welcome our colleagues to the beautiful city of Sendai and we thank the people of Sendai for their warm hospitality.

During the two days of our meeting we had constructive and in-depth discussions on a wide range of issues. We focused on the following four areas: revitalizing global economy, building resilient international financial architecture, achieving sustainable and inclusive growth, and promoting integrity of cross-border financial flows. Building upon the success of the similar event last year, we held a symposium on future of the global economy, joined by distinguished economists who stimulated and enriched our discussions. We are grateful to Olivier Blanchard, Martin Feldstein, Ángel Gurría, Takatoshi Ito, Christina Romer, David Romer, Robert Shiller, and Kazuo Ueda.

We visited areas that were severely affected by the Great East Japan Earthquake and subsequent tsunami disaster. We were encouraged by the impressive recovery that the *Tohoku* region has undergone since March 2011, and reaffirmed our solidarity once again. The Japanese Presidency expressed its gratitude for the assistance provided by the international community.

Revitalizing Global Economy

Global recovery continues, yet growth remains moderate and below potential. Uncertainties to the global outlook have increased since we last met in Dresden, while geopolitical conflicts, terrorism, refugee flows, and the shock of a potential UK exit from the European Union also complicate the global economic environment. Against these backdrops, we discussed how to employ a more forceful and balanced policy mix, taking into account country-specific circumstances, in order to contribute to a swift return to a strong, sustainable, and balanced growth pattern. We reiterated our commitments to using all policy tools – monetary, fiscal, and structural – individually and collectively, in a mutually-reinforcing manner.

Our monetary authorities reaffirmed their commitment to supporting the economic recovery and overcoming disinflation, consistent with their mandates, including through unconventional policies.

We concurred on the importance of implementing our fiscal strategies flexibly to strengthen growth, job creation and confidence, while enhancing resilience and putting debt as a share of GDP on a sustainable path. We also noted the importance of making tax policy and public spending as growth-friendly as possible, including by prioritizing among expenditure items.

We agreed that the G7 should lead by example in addressing structural challenges, including demographic one, by advancing structural reforms to boost growth. We agreed to advance labor market participation by women, the youth, and the elderly, and improving job opportunity and quality.

We reaffirmed existing G7 exchange rate agreements, including not to target exchange rates and that excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability. We underscored the importance of all countries refraining from competitive devaluation.

Building Resilient International Financial Architecture

We welcomed the entry-into-effect of the 2010 IMF Quota and Governance Reforms. While we are not of the view that the IMF currently falls short of its necessary resources, we acknowledged the importance of maintaining an adequately resourced IMF over the medium-term.

We agreed on the importance of ensuring the adequacy and coherence of the global financial safety net (GFSN), in particular through cooperation between regional financing arrangements (RFAs) and the IMF, with due regard to diversity of RFAs. In this context, we also exchanged our views on concrete efforts on enhancing the dialogue between the Chiang Mai Initiative Multilateralization and the IMF.

In light of the heightened volatility of international capital flows since last year, we welcomed the ongoing works vigorously undertaken by the G20 to review policy tools and frameworks to address challenges arising from capital flows, especially in emerging markets.

Towards Sustainable and Inclusive Development

Quality Infrastructure

We affirmed our strong commitments to promote “quality infrastructure investment”, with a view to achieving sustainable growth and inclusive development. We agreed that the G7 should continue discussion at the leaders’ level, so as to foster common understanding within the international community. To further promote quality infrastructure investment, we also agreed that it is important for Multilateral Development Banks to introduce and implement procurement processes that take into account Value for Money and quality of infrastructure.

Global Health

Drawing lessons from the Ebola outbreak, we affirmed the importance of building a comprehensive health system so as to prepare for large-scale public health emergencies. To this end, we recognized the need to both (i) enhance emergency responses; and (ii) promote universal health coverage thereby enhancing prevention and preparedness in peacetime. We welcomed the progress on Pandemic Emergency Financing Facility by the World Bank Group (WBG), to which Japan will contribute USD 50 million over 3 years.

Responding to Refugee Issues

We concurred that the international community should jointly address refugee issues by providing seamless support, from immediate humanitarian assistance to response to long-term reconstruction and development needs. We welcomed the launch of New Financing Initiative to Support the Middle East and North Africa Region (MENA) in this April, which pulls together MENA countries, donor countries, and international organizations led by the WBG, the UN and the Islamic Development Bank. We expect Multilateral Development Banks and donors to (i) mitigate the vulnerabilities of refugees; (ii) help host communities manage shocks; and (iii) tackle the root causes of refugee issues. We encourage discussion in the WBG to develop a new platform that expands its toolkit to assist countries hosting refugees.

Tax and Development

We agreed that capacity in tax policy and administration needs to be upgraded in developing countries, in order to improve investment climate of each country and level the global playing field. To this end, we will enhance our assistance in this area, in terms of both quantity and quality, by deepening coordination with relevant countries and international organizations.

In this regard, we are committed to the principles of the ‘Addis Tax Initiative’ and agreed to actively use the ‘Platform for Collaboration on Tax’, which will be established jointly by the IMF, OECD, United Nations (UN) and the WBG. This Platform is expected to provide an opportunity where developing and developed countries, along with relevant organizations can share information and knowledge on a regular basis.

Promoting Integrity of Cross-border Financial Flows

Tax and Transparency

We discussed issues highlighted by recent revelations of “Panama Papers”, including aggressive tax planning, tax evasion and money laundering.

We reaffirmed our commitment to lead by example in implementing the G20/OECD BEPS package in a steady, consistent, and concerted manner, so as to restore public trust in tax systems and achieve a global level playing field. With a view to ensuring widespread implementation of the BEPS package, we agreed to encourage all relevant and interested countries and jurisdictions which commit to implement the BEPS outputs to join the first meeting of the inclusive framework to be held in Kyoto this June. We reaffirmed the importance of implementing the international standards on tax transparency, along with their effective enforcement measures including the “objective criteria to identify non-cooperative jurisdictions with respect to tax transparency” and possible defensive measures against non-cooperative jurisdictions. In this regard, we welcomed the recent commitments made by Bahrain, Lebanon, Nauru, Panama and Vanuatu, to implement the Common Reporting Standard.

We concurred on the importance of improving the transparency of the beneficial ownership of legal persons and legal arrangements to prevent misuse of these entities. We agreed that it is important for each country to steadily implement its individual action plan on beneficial ownership, following the commitments shown in the past G7 and G20 Summit Meetings. We will continue the discussion to ensure that the initial proposals by the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes at the G20 meeting in October will contribute to improving the transparency of the beneficial ownership.

Combatting the Financing of Terrorism

Combatting the financing of terrorism remains one of the highest priority issues for the G7 collaboration. In this spirit, we announced the G7 Action Plan on Combatting the Financing of Terrorism (annexed), with a view to preventing abuse of international financial system for terrorist financing purposes. This Action Plan sets out concrete actions, including (i) enhancing information exchange; (ii) reviewing preventive measures including regulations on payment methods; (iii) collaborating in targeted financial sanction measures; and (iv) supporting to reinforce the FATF network.

Financial Regulations

We reaffirmed our commitment to full, consistent and timely implementation of the G20 financial reform agenda, securing its consistency with our goal of achieving sustainable growth. We reaffirmed that we need to finalize main elements of ongoing work. We reiterated our support for the work by the Basel Committee to refine elements of Basel III framework to ensure its coherence and maximize its effectiveness without further significantly increasing overall capital requirements across the banking sector. We welcomed the work by the FSB and standard setting bodies to enhance the analysis of the effects of G20 financial regulatory reforms, including the combined effects and interaction across sectors of related reforms, and look forward to the FSB’s second annual report to the G20 on implementation and effects of regulatory reforms. We emphasized it is important to reap the benefits of technologically enabled financial innovations, while noting their potential impacts on financial stability and market integrity. We welcomed the work by the G7 Cyber Experts Group in the financial area. We confirmed our support to the effective implementation of the G20/OECD Principles of Corporate Governance and look forward to the development of the assessment methodology of the Principles.