

BANKING ON KNOWLEDGE

G7 summit will focus on sustainable growth

By Dr R Seetharaman

The 42nd G7 summit will be held at Ise-Shima, Japan, this week. The main topics on agenda, as set out by this year's Japan presidency, are the global economy, investment, trade, the refugee crisis, climate change and energy, the fight against terrorism, foreign policy and development. Leaders will also discuss several global health policy issues, gender equality and women's rights.

The G7 is a group consisting of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

We have seen the global growth brought down to 3.2% in 2016 by IMF in its latest forecast. The emerging economies struggle to accelerate their growth and advanced economies to revive their growth. Japan and the EU continue to pursue easing monetary



policies and negative interest rates. We have also witnessed a collapse in financial markets and fall in various commodity prices including oil during

the first quarter and a rebound seen in oil recently.

Fed had planned to hike interest rate only twice a year as against its early plan for 4 times this year. The Japanese Yen had touched near 106 against the dollar in this month and had reached 110.15 against the dollar by end of last week. The recent Fed Minutes and Comments from Fed policy makers had once again given hopes of rate hike by the US central bank in June or July this year if US economic indicators meet their expectations.

The G7 Central Bank governor's and finance minister's meeting also had happened at Sendai City during the week-end in Japan. They expressed concern about the sputtering global economy as they looked for a plan to stoke growth. They have agreed to employ a balanced policy mix – monetary, fiscal, and structural – taking into account country-specific circumstances. The ministers were



unanimous in opposing the prospect of a "Brexit", saying it would inflict a "shock" on the global economy that would only worsen the outlook at a time of geopolitical instability. The G7 finance chiefs also agreed to escalate efforts to disrupt the financing of global terrorist networks.

In the upcoming G7 summit, the leaders will address the global demand-supply gap in investment and will help promoting infrastructure investments. They will also discuss commitments to invest in areas that contribute to sustainable growth, like green growth, energy and the digital economy.

The G7 members are likely to send a message in support of free trade as a tool to promote jobs and higher living standards, including calling for strengthening the rules-based multilateral trading system and the functions of the WTO. The G7 summit will also be an occasion for the EU to take stock of the ongoing trade negotiations with Japan and the US.

The scourge of tax avoidance is an issue of global significance. Building on the G20 and OECD commitments, G7 leaders are also likely to call for consistent action in the field of tax transparency, in order to restore public trust in tax systems. They look forward to pursuing our far-reaching

strategy towards fair taxation and greater transparency together with all its partners in the international arena. The G7 will also discuss how to lead the efforts of the international community, building on the outcome of the climate change Conference of the Parties (COP21) in Paris, in December last year.

Leaders will also address energy policy issues, against the background of decreasing energy security. G7 leaders will discuss the next steps towards the implementation of the 17 Sustainable Development Goals (SDGs), as set out in the United Nations' 2030 Agenda for Sustainable Development, adopted in September 2015. On the whole, G7 will emphasise on sustainable growth with focus on trade, investments and climate change amidst the global headwinds.

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