



Concept Paper – Japan G7 Presidency in the Finance Track

I. Introduction

The G7 is a group of countries, founded on shared values, with open and rule-based market economies. In recognition of this, the G7 Finance Track under the Japanese presidency will continue to advance multilateralism in addressing global challenges, and thus contribute to bringing prosperity, stability, and solidarity to the global community.

The role of the G7 to foster international cooperation has become even more important recently. Russia's illegal, unjustified, and unprovoked war of aggression against Ukraine has shaken the very foundation of the international order and threatened multilateralism. Various hardships posed by the war, on top of existing challenges including climate change and the pandemic, call for greater international partnership. At the same time, heightened geopolitical risks have added urgency to enhance the resilience of the global economy.


At this critical juncture, G7 members, in close cooperation with international partners, should continue to act together, building on our achievements under previous presidencies. This note sets out the G7 Finance Track priorities under the Japanese presidency in 2023 — tackling immediate global challenges, strengthening global economic resilience, and pursuing welfare enhancement by upgrading economic policies.

II. Priorities

1. Tackling Immediate Global Challenges

The G7 is united in **solidarity with Ukraine** and **condemnation of Russia's war** against Ukraine. The immediate top priority under the Japanese presidency is to continue to support Ukraine and exert maximum pressure on Russia with coordinated sanctions and other measures.

Meanwhile, the prolonged war has exacerbated **global economic challenges**, including energy and food insecurity. We will continue closely monitoring inflation dynamics and tightening monetary conditions, while remaining vigilant to heightened downside risks, including a global downturn, a wave of debt crises, and financial instability. We will also



carefully monitor developments in global financial markets, including foreign exchange markets. Our macroeconomic policies should stay agile and flexible, while preserving financial stability and ensuring long-term fiscal sustainability to achieve Strong, Sustainable, Balanced and Inclusive Growth.


Given tighter global financial conditions and increasing fiscal pressures to alleviate impacts of high inflation, we should urgently address **debt vulnerabilities** in low- and vulnerable middle-income countries to prevent debt crises. To this end, we need to accelerate and improve implementation of the Common Framework and coordinate on debt treatments for vulnerable middle-income countries. To ensure a smooth process of debt treatments, the G7 can step-up efforts to enhance dialogues between public and private creditors and debtor countries in close coordination with the international financial institutions. It also remains crucial to improve debt data accuracy and debt transparency, and thereby ensure rigorous debt sustainability assessments and facilitate future debt treatments.


At the same time, the G7 needs to bolster its support for developing countries. It is crucial to boost **MDBs'** financial and technical assistance on global public goods, including climate change and global health, while also harnessing benefits of digitalization. MDBs' innovative efforts, such as an efficient use of existing capital through the Capital Adequacy Framework, can unlock additional resources to maximize their development impacts. We will need to make further progress to meet the ambitious \$100 billion target of the **SDR channeling**. In addition, especially for countries with debt vulnerabilities, attracting more FDI as a stable source of funding has become even more important.

2. Enhancing Global Economic Resilience

Climate Change and Sustainability

Increased energy insecurity has underscored the importance of reducing our overall reliance on fossil fuels and transitioning to clean energy. The G7 will accelerate its **ambitious climate action and just transitions**, notwithstanding the challenges posed by energy insecurity, to achieve the net-zero target and actively engage with major emitting countries. On mitigation measures, the Japanese presidency intends to build on the ongoing technical work under the G7 and the G20 and deepen analysis on the effectiveness and economic implications of various policy tools, including through the measurement of carbon intensities. This, together with initiatives such as the OECD's IFCMA, should help countries around the world further develop their optimal policy mix, which is anchored by ambitious net-zero goals while reflecting their country-specific circumstances. Keeping in mind that the optimal policy mix could vary from country to country, we will continue our discussion on international spillovers, including carbon leakage risks. In the context of





increasingly severe and frequent natural disasters across the globe, the Japanese presidency will promote collaboration in climate adaptation, including disaster risk financing.

Mobilizing finance to address climate change is another important agenda. In addition to reaffirming our commitment to the \$100 billion target, the Finance Track will discuss various ways, within our expertise, to mobilize finance including by exploring a greater role for MDBs and promoting private finance.

On private sector involvement, we will continue to promote initiatives in transition finance and look forward to the finalization of climate-related global baseline reporting standards by the International Sustainability Standard Board (ISSB). The G7 also can encourage the ISSB to continue its work on developing the global baseline of sustainability reporting standards beyond climate, including on biodiversity and human capital.

Global Health


While the normalization of economic and social activities is progressing, we should not be complacent in our fight against pandemics. We must heed the lessons learned from the COVID-19 pandemic to continue strengthening the **global health architecture** and further promote the benefits of universal health coverage.


The establishment of the Pandemic Fund in 2022 was a major achievement. Under Japan's presidency, we will explore options to enhance the capacity to swiftly provide the funds needed for the R (Response) in PPR, including through a **surge financing mechanism** that complements the Pandemic Fund. We will also continue to encourage strengthening the **finance and health coordination** within the G20 and make progress in other health issues including AMR.

Economic Security

Russia's aggression has triggered a thorough reassessment of geopolitical risks by policymakers and businesses. As the nexus between economic and national security issues has been brought into sharper focus, trade, investment, and payment flows will increasingly be viewed through the lens of **economic security** going forward. In this context, under Japan's presidency, the G7 will advance discussions on economic security and explore policy cooperation among G7 members and international partners, with the aim of striking a balance between efficiency and resilience of the global economy.

Specifically, among other topics, the Finance Track will explore ways of effectively using





public finance intervention to enhance supply chain resilience, with particular focus on clean energy products and technologies. We will also discuss how emerging market and developing countries can manage economic security risks while mobilizing public and private funding for critical infrastructure investment.

Financial Digitalization

Digital money can bring considerable opportunities for improving payment efficiency and financial inclusion. However, it also poses risks to the stability of the financial system and economic security.

Under Japan's presidency, the G7 will highlight an urgent need to put in place a consistent and effective regulatory and supervisory framework for **crypto-assets** as well as to strengthen related AML/CFT responses, including through the FATF's work on emerging risks. On **CBDCs**, we will cooperate with relevant international organizations to discuss the macro-financial and economic security implications. We will also consider how we could support developing countries that are exploring the possibility of introducing CBDCs, including through strengthened surveillance and technical assistance, to ensure their proper development and risk management. We will continue our ongoing efforts to strengthen **cybersecurity** in the financial sector.

International Taxation


Swift implementation of the two-pillar agreement is critical to respond to the digitalization and globalization of the economy. The G7 will continue to lead the international discussions at the OECD/G20 Inclusive Framework on BEPS towards the signing of the Multilateral Convention of Pillar 1 and promote the domestic legislation of Pillar 2 in each country.

Strengthening Multilateralism

In addition to the key issues above, the G7 will continue to proactively contribute to issues being addressed by the G20 and international organizations. These issues cover strengthening the global financial safety net, including through the 16th General Review of Quotas and the review of lending toolkit by the IMF, and promoting G20 initiatives such as Quality Infrastructure Investment.

3. Pursuing Welfare Enhancement with Upgraded Economic Policies

GDP has been the core benchmark indicator of a country's economic performance, as a key proxy for welfare and a policy goal. Yet over several decades, our economic and social structures have undergone dynamic and fundamental transformation, which has raised



the awareness of GDP's limitations. Digitalization, climate change, and inequality are just a few recent examples where important elements of welfare are not part of GDP and make measuring economic wellbeing more complex. Policymakers are required to account for and respond to this structural transformation to meet a diverse set of values, not just limited to economic growth measured by GDP.

The Japanese presidency will embark on a discussion to broadly evaluate our economic policies and reassess the current policy framework. Although GDP remains an important yardstick with necessary updates and improvement, we will explore how we can better utilize a range of other indicators and policy tools to **enhance peoples' welfare**. Such deliberation can make an important contribution to preserving confidence in democracy and a market-based economy, which are the core values of the G7.

These efforts should be made not only by the public sector but also by the private sector. In this context, it is also important to continue encouraging the private sector to strengthen their sustainability and resilience, including through the review of **the G20/OECD Principles of Corporate Governance**.