

# G7

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# Japan

**The  
Ise-Shima  
Summit**



SHINZŌ  
ABE



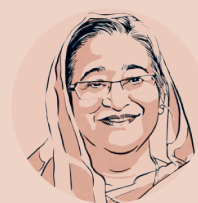
JUSTIN  
TRUDEAU



JEAN-CLAUDE  
JUNCKER



DONALD  
TUSK



SHEIKH  
HASINA

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## Emergency care

*World Bank Group President Jim Yong Kim on the tools to control pandemics*

## Keeping our cool

*The UNFCCC's Christiana Figueres discusses how to stay within temperature targets*



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# G7

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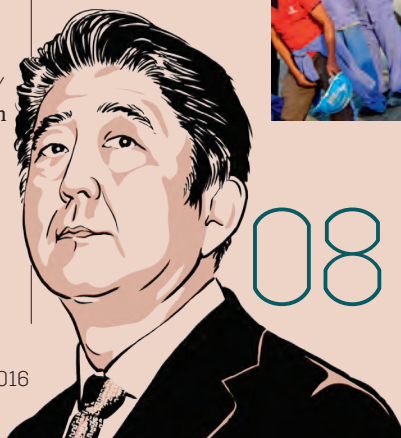
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## LEADER'S VIEW

# A fruitful G7 summit

*Prime Minister Shinzo Abe welcomes the world to Japan for the first G7 summit to be held in Asia in eight years, which he hopes will yield candid discussions on global challenges*

Japan assumed the presidency of the G7 summit this year. On 26 and 27 May, Japan will convene the G7 Ise-Shima Summit in Mie Prefecture.

In Ise-Shima, the stage for the G7 Summit, you can find not only Ise Jingu Shrine, with a history dating back to time immemorial, but also marvellous natural beauty, including the rich sea spreading out before your eyes, islands large and small, and countless inlets. It is a perfect example of our heartland – a place dear to many, away from the bustling cities.

### International challenges

In such an environment, I will make this year's summit a fruitful one by having candid discussions with the other G7 leaders on various issues confronting the globe.

Today, the international community faces numerous challenges. A slowdown in the growth of the global economy, terrorism threatening people's lives, a surge of refugees and unilateral changes to the status quo through the use of coercion are all among the challenges affecting the peace and prosperity we enjoy in our daily lives.

The G7 members, which share fundamental values such as freedom, democracy, the rule of law and human rights, must take a global perspective to provide the most appropriate roadmap for solving these challenges with a clear vision.

The G7 Ise-Shima Summit is the first G7 summit to be convened in Asia since the summit in Toyako eight years ago. I hope to discuss the situation in the Asia-Pacific region with other G7 leaders.

In addition to the G7 meeting in Ise-Shima, we are holding the foreign ministers' meeting in Hiroshima and the finance ministers' meeting in Sendai, as well as the agriculture ministers' meeting in Niigata, the ICT ministers' meeting in Takamatsu, the energy ministers' meeting in Kitakyushu, the education ministers' meeting in Kurashiki, the science and technology ministers' meeting in Tsukuba, the environment ministers' meeting in Toyama, the health ministers' meeting in Kobe and the transport ministers' meeting in Karuizawa.

Scores of journalists from around the world will converge on Japan to cover the G7 Ise-Shima Summit and these ministerial meetings, all of which will be the focus of attention around the world.

### Japanese hospitality

I hope to take this opportunity to send out to the world our message about Japan's unique points of appeal, including our culture and traditions, our spirit of hospitality, our world-class washoku cuisine, as well as advanced technologies and our innovation.

With your cooperation and assistance, I will work to lead the G7 Ise-Shima Summit to success. **G7**





AGENCJA FOTOGRAFICZNA CARO/ALAMY STOCK PHOTO



LEADER'S VIEW

# Countries thrive when all citizens are treated fairly

*The G7 summit presents an opportunity to ensure that the next generation inherits a more equal and sustainable world, writes **Justin Trudeau***

STEVE RUSSELL/TORONTO STAR VIA GETTY IMAGES

I am excited to attend this year's G7 summit in Ise-Shima, Japan.

Last fall, our government promised Canadians that we would strengthen Canada's place in the world. We made a commitment to take a new approach to our global engagement – one that had a positive tone and emphasised Canada's interests and values at every opportunity.

The G7 summit gives us the chance to do just that: we will sit down with some of our closest international partners and we will have real discussions about the challenges we face – whether that's creating good jobs for the middle class, taking action to fight climate change, or ensuring our children and grandchildren will inherit a world more prosperous and sustainable than the one we know today.

### Putting people first

At Ise-Shima, we will focus on one of my top priorities: how to grow our economies in an inclusive and sustainable way. We know that countries are at their best when all citizens are treated fairly and have the opportunity to reach their full potential.

Countries around the world agree that governments need to invest – not only to boost economic growth in the short term, but to revitalise their economies over the long haul, as well. Here in Canada, we used Budget 2016 to put people first and deliver help that the middle class needs now, not a decade from now. We did this because we know that, when middle class Canadians – and those working hard to join the middle class – have money in their pockets to save, invest and grow the economy, everyone benefits.

I am also encouraged to see that Japan has joined in with Canada to highlight the importance of investing in quality infrastructure projects. Well-planned infrastructure makes it easier for people to get to work on time, send their products across the country and take their kids to soccer practice. That is why, in Budget 2016, our government made a historic investment in infrastructure that will better meet the needs of Canadians and position our economy for the future.

While we sit around the summit table, I will personally urge my G7 partners to prioritise their efforts to combat climate change, promote sustainable growth and begin the transition to a low carbon economy. Together, the G7 has a responsibility to lead the world on climate change efforts. We can – and we will – do more. We have committed to decarbonise by the end of the century, but we must build a clean growth economy much sooner than that. I have said repeatedly that the environment and the economy go hand in hand. Not just because I think so, but because the science quite simply demands it.

This year's summit will be the first since leaders from across the world came together to sign the landmark Paris Agreement on climate change. It is up to us, as G7 members, to step up and lead the charge in the fight against climate change. There is a lot of hard work

ahead: we not only need to bring the agreement into force, but we also need to help developing countries meet their own commitments. This means, for example, that we continue to work with our G7 and other partners to help raise \$100 billion a year, by 2020, to help finance the global fight against climate change. It also means keeping Canada's promise to invest C\$2.65 billion (\$2.1 billion) to build a more sustainable world – whether helping to develop renewable energy projects in Africa, supporting climate risk insurance or taking concrete steps to transition to a low carbon economy.

While in Japan, I will also raise a number of pressing peace and security issues with my G7 counterparts. We know that we can amplify our voice internationally when we work in solidarity with our G7 partners – whether to condemn Russian interference in Ukraine or to respond to North Korea's nuclear ambitions.

All G7 members are committed partners in the Global Coalition to Counter the Islamic State of Iraq and the Levant (ISIL). For Canada's part, we have recently invested C\$1.6 billion (\$1.3 billion), over three years, for a new approach that will address the underlying causes of this conflict by bringing together security, development, humanitarian and diplomatic support.

### Diversity as a source of strength

G7 solidarity must also extend to the exodus of refugees from Syria and Iraq. There are now more than 60 million people around the world who have been forced to flee their homes. In response to this global crisis, our government opened Canada's doors to thousands of refugees seeking safe haven from the violence. I am ready to share the lessons that we learned from our experience in offering protection to those who need it most. Diversity can – and must – be a source of strength, not weakness.

Social inclusion will also play an important role in the conversations in Ise-Shima. Japan is taking important steps to empower girls and women to realise their full potential. Canada will join our Japanese partners in helping girls and women enter high-demand occupations in the fields of science, technology, engineering and mathematics.

I believe that we must promote a rights-based approach that will allow all citizens to participate in society on an equal footing. Gender equality should be a key theme of every single G7 initiative. We may have seen great advancements in gender equality over the last hundred years, but there is still a lot of work ahead of us.

This will be my first G7 summit, and it is clear that the G7 agenda is important to all Canadians. I am eager to sit down with my counterparts in Ise-Shima, listen to their ideas and concerns, and continue to build my relationships with them. I also look forward to hearing more from the business, labour and youth leaders who will be contributing to the summit – it is through these interactions that we can better shape our policies to meet the needs of the people we were elected to serve. **G7**

Justin Trudeau  
Prime Minister, Canada



*If we do not take the lead  
in managing this crisis  
of historic dimensions,  
nobody else will*



These are unique and challenging times for the global community. The number of refugees and migrants is at its highest level since the Second World War, terrorist attacks are upsetting our societies and wars are raging in many corners of the world. In times like these, strong relations among G7 partners are strategically vital, because global problems require global responses.

#### **Responding to the refugee crisis**

Today's unprecedented refugee and migration crisis is a case in point. Listening to commentators, one might get the impression that this is a European crisis – one that Europe is failing to handle. From all sides we hear people complaining about Europe's indecision and our disputes in responding to this massive influx of people. Do not be fooled. Europe is doing a lot to help those who flee wars and persecution. Last year alone, we received an all-time record of 1.3 million asylum seekers and a further 500,000 irregular migrants in uncontrolled flows. So far, the European Union has mobilised more than €5.7 billion (\$6.5 billion) in external aid towards the Syrian crisis. Last year, the European Union saved more than 150,000 lives at sea in the Mediterranean.

By contrast, many countries in the world deal with this problem in a much simpler way: by neither allowing migrants and refugees to enter their territories nor providing any other meaningful assistance. The fact that our geography works against us does not mean that the rest of the global community can turn a blind eye to the problem. The crisis we face has global dimensions and demands a global response. Above all, it demands global solidarity. Everyone can offer help

## LEADER'S VIEW

# Global problems need global responses

*Resolving the refugee crisis requires solidarity, concerted efforts and a commitment to socio-economic development in the affected regions, writes **Donald Tusk***

to refugees, one way or another. Action is needed on many fronts and there is much work to do.

External circumstances will not work to our advantage. So often we have heard that the only way to stem irregular migration is by solving the root causes of this crisis, by stabilising the world around us. And indeed, tackling the root causes of irregular migration remains a key challenge for the global community that we have to work hard on, not least in the G7. This also includes improving development cooperation and working towards the effective implementation of last year's Paris Agreement on climate change. But no single country – or no group of countries for that matter – holds a golden key to solve all the problems of this world.

This is why I am pushing forcefully, at the Ise-Shima Summit but also at the G20, for a global response to the migration and refugee crisis. In addition to alleviating the humanitarian situation in Syria and Iraq, assistance to meet both the immediate and the longer-term needs of refugees and their host countries is urgently needed. Syria's neighbours have shown tremendous efforts in accommodating more than 4.6 million refugees. The international community needs to acknowledge that countries such as Lebanon, Jordan and Turkey are providing a global public good in assisting refugees. This public good has to be financed by the global community. Our aim should be to increase the socio-economic development of the affected regions – notably in the areas of healthcare, education, employment and infrastructure – including by facilitating trade with them. At the same time, legal channels for migration, including through the voluntary resettlement of refugees, have to be found.

Donald Tusk  
President, European Council

However, to manage this crisis, the international community also needs to be tough. Only strong states are capable of supporting those in need on a large scale, without risking self-destruction. Tough policies do not rule out humanitarian goals – quite the opposite, only determined policies enable their implementation. This means that without determination in returning and reintegrating migrants not eligible for international protection our efforts are doomed to fail. It also means that we have to fight those who shamelessly take advantage of other people's misery. Last year, people smugglers operating illegal routes to Europe made €6 billion (\$6.9 billion), much more than many huge multinational companies made in legitimate profits. This must stop.

## Time to step up efforts

On all these fronts, G7 partners must lead by example. If we do not take the lead in managing this crisis of historic dimensions, nobody else will. We need to both act ourselves and mobilise others to step up their efforts.

Today, G7 cooperation and unity matter more than ever. We must stay united because our unity is a value in itself. Unity means strength and stability. The world has changed, and none of the G7 members is in a position to succeed on its own, let alone dictate the actions of others. Our adversaries do not even try to hide their opposition to liberal democracy, and the values that go with this idea. Indeed, what makes us strong as G7 is the fact that we share a common set of values, such as freedom, tolerance, solidarity, pluralism and the rule of law. To my mind, it is not only our prerogative but our duty to defend these values. Managing the migration and refugee crisis together is a sine qua non to do so. **G7**



CARL COURT/STAFF/GETTY IMAGES

## LEADER'S VIEW

# Resilience in turbulent times

*Efforts to tackle global challenges must be matched by working towards a fairer society at home, writes Jean-Claude Juncker, President, European Commission*

“Security is indispensable. But respect and tolerance must be the driving force of our future.” These are the words of a father who lost his daughter to the March 2016 terrorist attacks in Brussels. They remind us that the human spirit will always prevail over the most inhumane acts.

At such moments, the leaders of the G7 – as a forum based on shared values – should reflect on what our

group represents and where we can make a difference. In spite of our various national challenges, our countries stand for a way of life that reconciles freedom, democracy, equality and diversity; a society that believes prosperity and social justice should go hand in hand; a project that aims for gender equality in both the public and private realm. To take any of this for granted or, worse still, to see ourselves as being on the ‘right side of history’ would be fatally complacent. History offers no guarantee of progress. Our societies, both resilient and vulnerable in their openness, demand a continuous reassessment and rejuvenation. Our capacity for self-criticism and determined action is vital.

## United in the fight against terrorism

We can have no illusions about the most urgent threats, starting with a blind and brutal extremism that is indifferent to human life. From Lahore to Brussels, from Paris to Sousse, these criminals see children of all cultures and faiths as little more than worthless targets for their next atrocity. If their goal is to divide us, our response must be to stand together.

We know that our intelligence services need to work more closely together; our external borders need to be stronger and smarter; our efforts to understand and tackle the roots of radicalisation need to dig deeper and reach further. In recent months, the EU has launched the European Counter-Terrorism Centre, presented new laws to better control firearms and reached agreement on the passenger-name record system for airlines. Our

*To build a wall around us is a futile gesture that closes its eyes to a difficult world, hoping it will all go away*



Radicalisation Awareness Network shares new ideas among the teachers, youth workers and other public servants in daily contact with vulnerable youngsters. At Ise-Shima we will work with our G7 partners to identify areas where we can go further, starting with new efforts to curb the financing of terrorism.

Those who conflate terrorists with refugees have not understood that those fleeing war and oppression share our determination to build a tolerant society. To build a wall around us not only betrays our own values and forgets our own past; it is a futile gesture that closes its eyes to a difficult world, hoping it will all go away. We are better than this.

#### **EU response to the refugee crisis**

The global refugee crisis requires a coordinated approach, from the United Nations and its agencies to the governments of the G7 and other partners, to our cities, towns and villages that receive and integrate new asylum seekers every day. The European Commission has produced a comprehensive response that upholds international standards at every stage: saving lives at sea and providing humanitarian assistance to all those in need; strengthening our borders, putting in place the European Border and Coast Guard; supporting our frontline states; relocating people in need of international protection across the EU, while returning irregular migrants to their home countries; and creating safe and legal routes for asylum seekers from outside the EU so that they can avoid the smugglers and their deadly trade. In 2015-16, the EU will have devoted more than €10 billion (\$11.3 billion) to managing the crisis.

The EU's new agreement with Turkey has started to produce results. Working together as neighbours, we are resettling Syrian refugees from Turkey to the EU, while supporting the three million refugees on its territory. At the same time, the EU is tackling the root causes of the current migratory movements. The EU and its members remain the largest donors of humanitarian assistance to the region, pledging more than €3 billion (\$3.4 billion) at this year's London conference to assist the Syrian people as well as refugees and host communities in Lebanon and Jordan. We recently mobilised an Emergency Trust Fund for Africa worth €1.8 billion (\$2 billion), which promotes economic development and security in the Sahel and Lake Chad, the Horn of Africa and parts of North Africa.

These are the first episodes of a global migration trend that is likely to remain a permanent feature of the 21st century, driven by poverty, climate change, regional conflict and other factors that care little for national borders. Since this is a global challenge requiring a coordinated response, we now look to our G7 partners to do their part. The migration and refugee

crisis is a global challenge requiring a global response. The European Commission will therefore continue to push for this global response: it is only through shared solidarity that we can preserve our shared values.

#### **Our economies must work for all citizens**

Solidarity in the global arena must be matched by social justice at home. Even as the G7 renews its commitment to free trade, we need to recognise that too many of our own citizens have gained too little from globalisation, while a small elite has not only amassed exorbitant wealth but also abused its power to protect its interests. Nothing corrodes the public's trust in government more than this; our response must be swift, bold and decisive.

The EU has led the way, shining a light on the world's tax havens and proposing new laws to ensure that multinationals pay their fair share of taxes in the countries where they make their profits. This must be part of a bigger effort to make our economies work for all, without which the legitimacy of our democracies is at stake. The public's anger should leave us in no doubt.

We have learned our lessons from the crisis and now act decisively. My first major initiative in office was to launch the Investment Plan for Europe, using limited amounts of public money to mobilise private finance while encouraging members to pursue a responsible fiscal policy, coupled with structural reforms. After only nine months, it has generated more than €82 billion (\$92.5 billion) of new investment across 25 members, while giving 136,000 small and medium-sized enterprises better access to finance. We are helping to find new treatments for Alzheimer's disease, turning old industrial sites into new offices and bringing energy efficiency into our homes – strategic investments that support our political objectives, including our targets to reduce greenhouse gasses following the Paris Agreement on climate change. I welcome Japan's move to put investment on our agenda for Ise-Shima. There is no silver bullet for creating jobs and sustainable growth. However, there is no disagreement that investment is part of the response, so let's learn from each other and together take our investment agenda forward.

The first months of 2016 have asked difficult questions of the G7 members. There is no reason to believe that the months and years ahead will be less challenging. Our collective resilience is being put to the test, but for the sake of future generations we must persevere. For its part, the EU continues to act as a stabilising force: promoting common solutions to the most pressing transnational challenges, and building bridges between our peoples and our neighbours. Even as we confront a turbulent world, our society must remain a beacon of hope for all those who aspire to freedom, equality and the rule of law. **G7**

Jean-Claude Juncker  
President, European Commission

Angela Merkel  
Chancellor, Germany

## LEADER'S VIEW

# Only together will we mitigate the root causes of displacement

*Addressing the plight of those fleeing war, **Angela Merkel**, during a speech to the European Parliament, said that unity is central to tackling the underlying causes*

**E**urope is facing a tremendous challenge. We are facing a test of historic proportions.

I am talking, of course, about the many, many people who have set off on dangerous journeys to Europe to seek refuge here. People who are crossing the Mediterranean to reach Italy, or who are crossing the Aegean from Turkey to Greece. People who are fleeing civil wars, especially the war in Syria, which has already claimed more than 250,000 lives and made refugees of more than 10 million individuals. Refugees from Iraq and refugees from Africa who cross the unstable state of Libya to reach us.

### A changing Europe

We have to tailor our foreign and development policy far more closely to the goals of resolving conflicts and combatting the factors that cause people to flee their homes. We will also have to provide much more money than we have done to date ... All these things will change Europe again, just as Europe was profoundly altered by the revolutions in Central and Eastern Europe 25 years ago.

... Now more than ever, there is a need for an economically strong Europe, which uses the opportunities of the single market. To this end we have to improve economic policy coordination within the eurozone and, on that basis, correct the mistakes that were made when the European economic and monetary

union was created. Germany and France will play their part in this endeavour ...

The entire European Union is called upon to address these challenges. In the refugee crisis we must not give in to the temptation to fall back on national government action. On the contrary, what we need now is more Europe ...

... Only together will Europe succeed in mitigating the root causes of flight and displacement worldwide. Only together will we succeed in effectively combatting criminal human trafficking rings. Only together will we succeed in better protecting the external borders of the European Union with jointly operated hotspots and manage not to jeopardise our internally borderless Europe ... We will only be able to

successfully protect our external borders if we do something in our neighbourhood to overcome the many crises that are happening on our doorstep.

It is only together that we will succeed in tackling the huge job of integrating so many refugees. We can rightly expect the people who come to us in Europe to become integrated into our societies. This requires them to uphold the rules that apply here, and to learn the language of their new homeland ...

Europe is a community of shared values, a community

founded on shared rules and shared responsibility. ... We must be guided by the values we have enshrined in the European treaties: human dignity, the rule of law, tolerance, respect for minorities and solidarity ... Pan-European challenges are not to be solved by a few member states on their own, but by all of us together. **G7**

*Excerpts from a statement made by German Chancellor Angela Merkel to the European Parliament, Strasbourg, 7 October 2015*



*It is only together that we will succeed in tackling the huge job of integrating so many refugees*





## LEADER'S VIEW

# We all need to worry about inequality

During a recent trip to Germany, **President Barack Obama** gave an address to the people of Europe in which he reiterated the importance of equality

Barack Obama  
President, United States

**W**e believe in the equality and inherent dignity of every human being. Today in America, people have the freedom to marry the person that they love. We believe in justice, that no child in the world should ever die from a mosquito bite; that no one should suffer from the ache of an empty stomach; that, together, we can save our planet and the world's most vulnerable people from the worst effects of climate change. These are things that we share. It's borne of common experience.

... We are fortunate to be living in the most peaceful, most prosperous, most progressive era in human history.

... That doesn't mean that we can be complacent because today dangerous forces do threaten to pull the world backward, and our progress is not inevitable ... Russian aggression has flagrantly violated the sovereignty and territory of an independent European nation, Ukraine, and that unnerves our allies in Eastern Europe, threatening our vision of a Europe that is whole, free and at peace ...

.... The economic anxieties many feel today on both sides of the Atlantic are real ... In the United States, our economy is growing again, but the United States can't be the sole engine of global growth. And countries should not have to choose between responding to crises and investing in their people. We need to pursue reforms to position us for long-term prosperity, and support demand and invest in the future. All of our countries, for example, could be investing more in infrastructure. All of our countries need to invest in science and research and development that sparks new innovation and new industries. All of our countries have to invest in our young

people, and make sure that they have the skills and the training and the education they need to adapt to this rapidly changing world. All of our countries need to worry about inequality, and make sure that workers are getting a fair share of the incredible productivity that technology and global supply chains are producing.

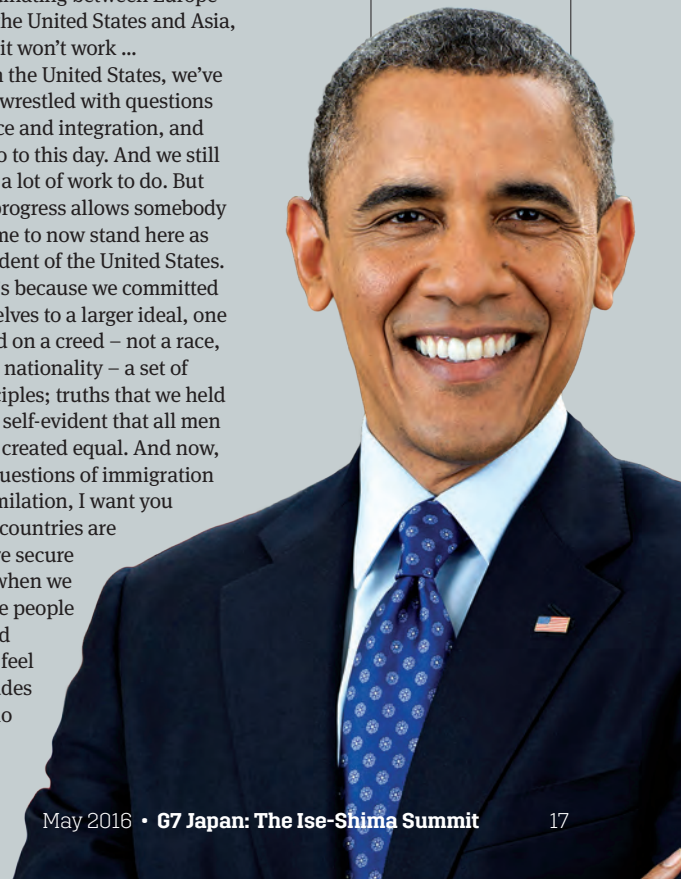
... We have to keep increasing the trade and investment that supports jobs, as we're working to do between the United States and the European Union. We need to keep implementing reforms to our banking and financial systems so that the excesses and abuses that triggered the financial crisis never happen again. But we can't do that individually, nation by nation, because finance now is transnational. It moves around too fast. If we're not coordinating between Europe and the United States and Asia, then it won't work ...

In the United States, we've long wrestled with questions of race and integration, and we do to this day. And we still have a lot of work to do. But our progress allows somebody like me to now stand here as President of the United States. That's because we committed ourselves to a larger ideal, one based on a creed – not a race, not a nationality – a set of principles; truths that we held to be self-evident that all men were created equal. And now,

as Europe confronts questions of immigration and religion and assimilation, I want you to remember that our countries are stronger, they are more secure and more successful when we welcome and integrate people of all backgrounds and faith, and make them feel as one. And that includes our fellow citizens who are Muslim. **G7**



*We need to keep implementing reforms to our banking and financial systems*





## LEADER'S VIEW

# Finding opportunity and hope in Europe

*During a speech at Harvard earlier this year, Italian Prime Minister Matteo Renzi addressed themes central to this year's G7 agenda – security, economic stimulus and the inclusion of women*

Europe is the most incredible political project in the last century. Nobody has realised a great project as the European fathers, because they gave freedom and friendship to countries for centuries ... For the first time in the experience of Europe, European ideals permit us to live in prosperity, in peace, in security ...

And the terrorists understood this point very well. They attacked our capital, Brussels, not only in physical places but in ideal places ...

The terrorists who killed people in Paris or in Brussels did not come from Syria or from Libya or Tunisia or Afghanistan. They grew up in Europe ... If European politics do not understand this great problem ..., this means we are without a future. ... It is a European, the man who killed in a terrible way in Syria – Jihadi John. He grew up in the United Kingdom. It is a European, the man who organised the killers in Paris. It is a European, the brothers who destroyed lives at Charlie Hebdo. It is a European, the team who destroyed the airport in Brussels and the station near the European institutions.

## Invest in culture as well as security

... The reaction by European institutions must be in both directions. First, [we need] a very important investment in cyber technology [and] security. [We need to] share information between the secret services and intelligence. ... [But for] every euro invested in security, we need a euro to invest in education. For every euro invested in police, we must invest one euro in the urban model of cities in Europe. For every euro invested in cyber technology, we must invest one euro in theatre, in sport, in museums. Because it is exactly our culture that is the target of terrorists ...

European leaders chose the wrong direction in the economy. They decided to invest a lot in austerity. ... They lost the opportunity to give hope to the new generation. If the dream for a country is ... austerity,

nobody could fall in love with the politics ... In some of our countries, the problem of populism is ... created by the lack of employment, by the crisis of the economic model. For this reason I think the European approach of a fiscal compact and treaties was a mistake in the last five years ...

We must combine a spending review, a reduction of taxation ... with opening the mind and the doors to markets in a lot of fields, for example in public utilities, in cities, in local governments. But at the same time we need to push growth [with] public and private investment ... There is fear of the future. There is a problem of confidence. Our government with stability tried to give confidence to the people to come back to invest in Italy. But to invest in Italy we must invest without political powers in the economy, without the traditional friends-of-friends in the economic system ... Without GDP growth it is impossible to reduce the debt ...

## Opportunities for women

I chose a lot of women for a lot of responsibilities in my cabinet, but also in the companies ... The problem is life, day by day ... First in the mind and in the cultural debate ... In the Italian mind if you decide to have a child ... this is the end of my career. This is a great cultural mistake. Maternity is a must. At the same time we must give concrete possibilities, co-working opportunities for women, opportunities for high-level school and the first year of life ... We must combine together ...

We will host the G7 next time in Italy in May 2017 with the president of the United States elected by the people of the United States. If it will be a woman, I will be more happy. **G7**

*A Keynote address by Prime Minister of Italy Matteo Renzi at Harvard University, 31 March 2016. Transcribed and lightly edited by the G7 Research Group.*

Matteo Renzi  
Prime Minister, Italy

# François Hollande

President, France

## LEADER'S VIEW



FREDERIC STEVENS/GETTY IMAGES

## Steps towards stability

*During a trip to Washington DC earlier this year, **François Hollande** discussed global terror, which was felt acutely in Paris last year, and the measures that are being taken to deal with the roots of Islamist terrorism*

**W**e're ... well aware that the roots of terrorism, Islamist terrorism, is in Syria and in Iraq. We therefore have to act both in Syria and in Iraq, and this is what we're doing within the framework of the coalition. And we note that Daesh is losing ground thanks to the strikes we've been able to launch with the coalition. We are continuing to support Iraq. This is also a decision we have taken, supporting the Iraqi government and making sure that they can claim back their entire territory, including Mosul.

In Syria, we are acting both in terms of military support as well as politically. Here again, we are convinced that Daesh is losing ground and losing the battle. And in this respect, Raqqa is a target, and we shall support all the forces, and have in mind, in particular, the Arab forces as well as the Kurd forces, which are acting to that end.

There's also, politically, the need to make sure that the truce, which has been obtained – the truce which is being complied with so far – is also at the service of a political transition and a

negotiation that shall involve all the stakeholders and we will have an opportunity to talk to a number of governments or heads of state of this region. But it is clear that this transition should not lead to reproducing the very same cause of the crisis of the war in Syria. And here again, this is our goal – the goal of another government, another regime for the future of Syria.

...We fully acknowledge the Libyan government because it is that government – the Seraj government – under his leadership that will gather the international support and will bring about stability, and that will prevent the migration flows that can both be a tragedy for the individuals, [and] can also feed trafficking. And it is also about preventing Europe from having to deal with tens of thousands of people, even though Europe has a duty to make sure that the refugees can claim asylum. So we have to do everything so that stability can be now a priority for Libya. **G7**

*Excerpt from remarks made by President Hollande after a meeting with Barack Obama, 31 March*

## LEADER'S VIEW

# Sticking together with friends and allies

*British Prime Minister David Cameron remarked on the power of international partnerships and the role of the G7 during a joint press conference with US President Barack Obama in April*

David Cameron  
Prime Minister, United Kingdom

The global economy still faces serious challenges, but last year, Britain and the United States were the two fastest-growing major economies in the world.

And we both know just how important trade deals are in driving global growth. So Barack and I remain among the most determined to achieve our vision of a US-EU trade deal. And we're working hard to push this forward because it would add billions to our economies and set the standards for the rest of the world to follow.

## Working together

On national security, together with our partners in the EU, we've used our economic muscle to avoid the calamity of an Iranian nuclear weapon. We've delivered sanctions against Russia in response to its aggression against Ukraine. We've secured the first-ever global and legally binding deal on climate change, being formally signed today by over 150 governments at the United Nations.

And we've transformed the way that we use our aid, our diplomacy and our military together to make progress on some of the most difficult issues of our time. For example, in East Africa, we've helped to turn around the prospects for Somalia. For instance, thanks to an EU operation, led by Britain, supported by America, its waters are no longer a safe haven for pirates. And in West Africa, British leadership in Europe secured a billion euros to support our efforts in helping the people of the region to defeat the outbreak of Ebola, with Britain taking the lead in Sierra Leone, the United States in Liberia, France in Guinea.

But just as we've made important progress in all these areas, so there are many more that need a lot more work. There's no doubt that the situation in Libya is immensely challenging, but

we now finally have a Government of National Accord with whom we can work. While in Syria and Iraq, we are continuing coalition efforts to defeat and degrade Daesh ...

We also discussed efforts to deal with the migration crisis ... NATO is helping to reduce the number of migrants in the Eastern Mediterranean. And Barack and I have discussed how NATO might now contribute to the EU's efforts in the Central Mediterranean, too.

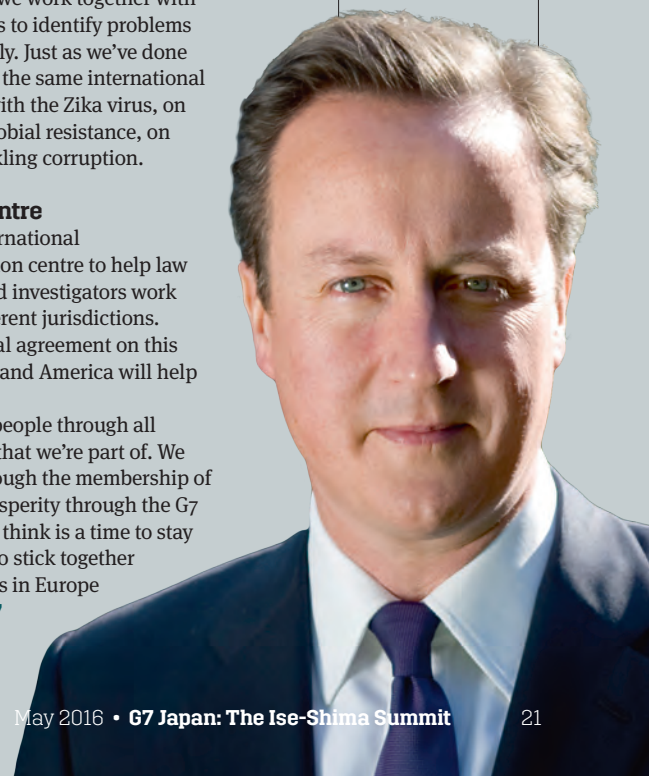
We also need to do more to break the business model of the people smugglers, so, together with our EU partners and the Libyan government, we'll look at whether there's more we can do to strengthen the Libyan Coast Guard ...

We also covered a number of new and emerging challenges where it will be more important than ever that we work together with our international partners to identify problems and deal with them rapidly. Just as we've done with Ebola, we now need the same international cooperation on dealing with the Zika virus, on the challenge of antimicrobial resistance, on cybersecurity and on tackling corruption.

## An anticorruption centre

... We'd like to see an international anticorruption coordination centre to help law enforcement agencies and investigators work together right across different jurisdictions. And if we get international agreement on this next month, both Britain and America will help contribute to set it up.

... We deliver for our people through all the international groups that we're part of. We enhance our security through the membership of NATO. We further our prosperity through the G7 and the G20 ... And now I think is a time to stay true to those values and to stick together with our friends and allies in Europe and around the world. **G7**





GLOBAL VIEW

# The quest for a world without hunger and poverty

*The developing world requires continuous support from G7 members if we are to eradicate hunger and poverty for good, writes **Sheikh Hasina, Prime Minister of Bangladesh***

*Why does a single human being remain unfed on this earth? Mother Earth has sufficient resources for the survival of all creatures*

I attended the 27th G8 summit in 2001 at Genoa in Italy, where I made a fervent call upon the world leaders to make our planet free from hunger and poverty. Fifteen years have passed, and the scenario of global hunger and poverty has been transformed but not at a desired level. We are still far away from meeting the basic needs of the people.

Despite remarkable progress in science and technology, adequate food for all is yet to be ensured. Instead, increased conflict and the rise of militancy have worsened the human rights situation and spread poverty, eroding our achievements.

We live in a connected and interdependent world. A culture of cooperation should be fostered, which in turn will lead to peace and prosperity.

Poverty, I think, is the main cause of starvation. It is the number-one enemy of the citizens in developing countries, compounded by climate change, which further erodes food security and coping mechanisms.

According to the Food and Agriculture Organization, nearly 800 million people out of 7.3 billion on the Earth suffer from malnutrition. That means one in every nine is not getting the required amount of food. Of those people, 780 million live in the developing countries and 281.4 million in South Asia alone.

But why does a single human being remain unfed on this earth? Mother Earth has sufficient resources for the survival of all creatures.

### **Remarkable progress in Bangladesh**

In Bangladesh, we have worked relentlessly to fulfil the basic needs of our citizens. Braving all obstacles, Bangladesh has made remarkable progress in terms of food security, nutrition, education, health, social protection and women's empowerment. We have already achieved self-sufficiency in food production. Growth in gross domestic product (GDP) was sustained at over 6.3% during the last six years and 7% this year. We achieved most of the Millennium Development Goals, including maternal and infant mortality. The poverty rate decreased to 22.4% in 2015 from 38.4% in 2006.

We have established nearly 16,500 community clinics and union health centres to ensure services to the rural people, especially women and children.

I think education and human development are the best ways to eradicate poverty and empower the women of Bangladesh to participate equally in the economy of the country. Therefore, we have launched massive programmes to ensure that 100% of school-going children are enrolled in classes and have access to

textbooks up to the secondary level at no cost. More than 17.2 million students have been brought in under different stipend programmes.

We have widened social safety net programmes for the relatively poor and disadvantaged people, allocating \$3.94 billion this year, targeting women especially.

But several issues are knocking at our door to try to undo our achievements. Of those, the most formidable is the impact of climate change.

Although my country contributes minimally to global warming, we pay a high price for the impacts of climate change, which pose an existential threat to a low-lying deltaic Bangladesh.

The changing climate is a stark reality for our people. Erratic cyclones and tidal surges, river erosion, the changing pattern and intensity of rainfall, droughts, the increasing intensity of natural disasters and sea-level rise all put our precious developmental gains under threat. We already see the lives and livelihoods of most farmers, fishers and artisans coming under increasing stress due to the adverse impacts of climate change. Many millions would be compelled to move out of their homes. We estimate 2-3% GDP loss each year if we fail to manage the impact of climate change, the effects of which will be disproportionately borne by women and children.

### **A call to richer nations**

Bangladesh and other developing countries need continuous support in terms of resources and capacity development to build climate resiliency. We need knowledge and technology transfer to establish local and sustainable solutions. We need a more responsible and forward-looking attitude from the rich countries to make the Sustainable Development Goals and the Paris Agreement meaningful.

The leaders of the world's richest G7 countries (possessing 64% of the net global wealth, equivalent to \$263 trillion) gather at the 42nd G7 summit in Japan. You are the key players in shaping global socio-political-economic scenario.

As a representative of developing countries, I would like to call upon the G7 leaders to figure out effective means that can bring a positive change in the global hunger-poverty situation. Let us commit our actions in the true spirit of justice, trust and cooperation. Let us redeem the faith our people reposed in us. Let our posterity remember Ise-Shima G7 as the beginning of a new chapter in the history of eradication of poverty and hunger from Mother Earth. **G7**



Sheikh Hasina  
Prime Minister, Bangladesh

MINISTRY OF ENVIRONMENT, PROTECTION OF  
NATURE AND SUSTAINABLE DEVELOPMENT, CAMEROON

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# Cameroon: committed to tackling climate change

Under the leadership of HE Paul Biya, the President of the Republic of Cameroon, over the past decades the country has become democratic, united and prosperous. Endowed with bountiful natural resources, Cameroon has for time immemorial remained an island of peace in a turbulent Central African region. With an average growth rate of 6%, the economy of Cameroon is diversified and the agro-industrial sector occupies a dominant position. Located on the Gulf of Guinea with a surface area of 475,412 km<sup>2</sup> and comprising about 22 million inhabitants, Cameroon is referred to as Africa in miniature due to the presence of an extremely diversified landscape, including a variety of climatic and geomorphologic zones.

The country has set its development vision to become an 'emergent economy' by 2035. Halving





ISTOCK IMAGES



*Top: President HE Paul Biya, who has led Cameroon to become united and prosperous; Below: Minister HE Pierre HELE, whose guidance has resulted in the country committing to sustaining its forests through the implementation of the REDD+ mechanism*

the proportion of people without access to potable water, improving human habitats by integrating the principles of sustainable development; reversing the loss of environmental resources; and rural development through investment in agriculture to increase productivity, alleviate food insecurity and create green employment are major components of Cameroon's Vision 2035.

**Mitigating climate change**

Cameroon is also party to many international conventions and has specifically ratified all of the three Rio Conventions and acts accordingly to foster their implementation. Being part of the Congo Basin rainforest, 41.3% of its territory is covered with dense humid forests constituting about 19.1 million hectares and stocking at least five gigatons of carbon. Knowing that the forest



*The INDC of Cameroon sets a 32% emission reduction target by 2035, considering 2010 as the base line*



sector contributes about 20% of green house gas emissions, the government of Cameroon under the guidance of HE Pierre Héle (Minister of Environment, Protection of Nature and Sustainable Development) assisted by HE Dr Nana Aboubakar Djalloh (Minister Delegate) and in collaboration with the Central African Forest Commission (COMIFAC) have demonstrated consistent commitment by combating the causes of deforestation and forest degradation, as well as the conservation and enhancement of carbon stocks and the sustainable management of forests (REDD+). Also, in response to the UNFCCC CoP20 Lima decision 1CP/20 – requesting parties to communicate their Intended Nationally Determined Contributions (INDC) to reduce green house gas emissions – Cameroon submitted its first INDC in 2015. The INDC of Cameroon sets a 32% emission reduction target by 2035, considering the 2010 emission levels as the base line. A total of 47 actions were proposed to reduce emissions in the agriculture, livestock, waste and housing sectors.

In relation to ecosystem restoration, over 22,000 hectares of degraded lands have been reforested and more than 119,000 improved cooking stoves distributed to the local populations of the Far North Region by the Operation Green Sahel project. 80,000 young mangroves produced by local nurseries were planted on eight hectares along the Kribi-Campo coastal zone to restore degraded mangroves, and 105,000 plants were planted on 262 hectares along a 108-km stretch of the Benue river banks. Combatting the invasion of water hyacinths in the Wouri, Benue and Nyong rivers has also helped reduce the loss of fish habitats and the destruction of the aquatic ecosystems due to eutrophication.

**Biodiversity potentials**

In terms of biodiversity potentials, Cameroon ranks fifth in Africa and engages in great efforts to preserve this heritage. In its second National Biological Diversity Strategy and Action Plan (NBSAP), rich biodiversity is recognised as an invaluable asset for the wellbeing of the people and development of the country. The NBSAP also reflects the commitment of Cameroon to the goals of the United Nations Convention on Biological Diversity.



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## KEY TAKEAWAYS

A key focus for the G7 is to boost growth in sluggish economies

Ise-Shima will be President Obama's last G7 summit as a world leader

# G7 leaders face an array of global challenges

*With issues ranging from climate change control to sustainable development and security, this year's summit will require prompt, appropriate and ambitious agreement from members, writes John Kirton, Editor, G7 Japan: The Ise-Shima Summit*

*John Kirton is Director of the G7 Research Group and Co-director of the G20 Research Group, the BRICS Research Group and the Global Health Diplomacy Program, all based at Trinity College and the Munk School of Global Affairs, University of Toronto, where he is a Professor of Political Science. He is also a Non-Resident Senior Fellow at the Chongyang Institute for Financial Studies at Renmin University of China and co-author, with Ella Kokotsis, of The Global Governance of Climate Change: G7, G20 and UN Leadership.*

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The 42nd annual G7 summit, in Ise-Shima, Japan, on 26-27 May 2016, is a critical event in global governance. Its central task is to implement and improve on the promises that world leaders made to tackle climate change, sustainable development and financing for development at their United Nations summits in Paris, New York and Addis Ababa last year. It must also boost growth in the sluggish, fragile Japanese, G7 and global economies in a sustainable, fair and innovative way – and in light of formidable security challenges, in Asia, Europe, the Middle East and sub-Saharan Africa. Seldom has a G7 summit faced such an array of challenges that demand timely, well-tailored, ambitious agreement and follow-up from the world's major democratic powers assembled there.

### A wealth of experience

Serving as host is Japanese Prime Minister Shinzo Abe, attending his fifth summit but facing serious economic and security problems and a summer legislative election at home. US President Barack Obama, coming to his eighth and last summit, brings rich experience but must rely on

others in his current opposition-controlled legislature and his successor to comply with the G7 promises he commits the United States to. German Chancellor Angela Merkel, attending her 11th consecutive summit, two of which she hosted, will seek to build on the climate change and health successes of the Schloss Elmau Summit last year, while coping with waves of migrants coming from the Middle East and Africa and the security threat from Russia's Vladimir Putin in Ukraine and elsewhere. Britain's David Cameron, at his seventh summit, will wish to further the priorities of trade, tax, transparency and

terrorism from his 2013 Lough Erne Summit, to show his voters facing a referendum why they need the United Kingdom to remain fully engaged in the European Union and the world. French President François Hollande, at his fifth summit, is likely to focus on preventing the deadly terrorism that struck Paris in November last year and on generating the jobs that he needs to stay in

power in the presidential elections arriving soon. Italy's Matteo Renzi, coming to his third summit, will emphasise migration, food security and sustainable development

  
*All are likely to agree on the need for structural reform, including tax transparency and fairness*  


**G7 leaders need to improve on United Nations promises from 2015**

**Japan is hosting 10 ministerial meetings to support the Ise-Shima agenda**

to set up his strategy for the summit he will host in 2017. Canada's Prime Minister Justin Trudeau, coming to his first G7 summit, will bring attractive energy, a new global vision backed by a fresh majority mandate at home and a concern with fiscal stimulus, climate change control and gender equality, with an eye on the G7 summit that he will host in 2018.

Despite this diversity, much will bring these leaders together. First is the G7's distinctive foundational mission of promoting open democracy, individual liberty and social advance as universal values that all seek in an increasingly interconnected but still troubled world. Second is a series of all-too-familiar shocks that require an immediate G7 response, from North Korean nuclear missile tests, the resumed Syrian civil war, drought and famine in Africa, and earthquakes in Ecuador and Japan itself. Third is the need for G7 leaders to improve on the UN promises from last year, as leaders will not meet at the UN again to do so for several years. Fourth is the unprecedented series of 10 different ministerial meetings hosted by Japan in 2016, to support the moves that the leaders will make at Ise-Shima.

#### **Security concerns**

Unity will arise most easily on the security agenda. As all G7 members have had citizens killed by terrorists at home and abroad, their leaders will seek to strengthen information sharing and intelligence, curb terrorist finance and radicalisation, and support forceful action to stop global terrorism at the source. They will again say that Russia must reverse its aggression in Ukraine before the sanctions imposed on Russia in 2014 can be removed and its relationship with the G7 resumed. G7 leaders are set to demand that everyone implements the UN sanctions imposed on North Korea. They are likely to condemn unilateral territorial expansion in the South

## **John Kirton**

Director  
**G7 Research Group**



and East China Seas and have a broader discussion on dealing with a complex China, in a comprehensive relationship including economic and environmental cooperation, human rights and the Asian Infrastructure Investment Bank.

The economic discussions will be more difficult. Many will support fiscal stimulus, while Germany and the United Kingdom will resist. The United States and Canada will wonder if the negative interest rate policy of the European Central Bank and Japan is working as intended. All are likely to agree on the need for structural reform, including pension reform for the old, more jobs for the young, ageing, health (including non-communicable diseases for the first time), and tax transparency and fairness so that the rich cannot hide their wealth in Panama or other tax havens and countries can get the tax revenues to finance badly needed quality infrastructure investment and control mounting deficits and debts. They are set to emphasise the need to reform education for a 21st-century economy shaped by globalisation and the fourth industrial revolution, with cyber connectivity at its core. An important component is improving women's participation in scientific education and employment. Advancing gender equality more broadly is the goal some will seek.

Their greatest challenge will arise over sustainable development, with climate change at its core. They must rapidly implement, improve and integrate the Paris Agreement on climate change and the 17 new Sustainable Development Goals, linking climate change with biodiversity, energy, health, development, infrastructure, food and agriculture, gender, migration and military security too. G7 leaders are uniquely responsible for delivering such comprehensive, coherent approaches when they are together at the summit and when they return home to implement the bold promises made there. **G7**

## KEY TAKEAWAYS

Japan has introduced negative interest rates to stimulate its economy

In the 1990s, deregulation in Japan had some positive economic effects

# Fuel prosperity through social innovation

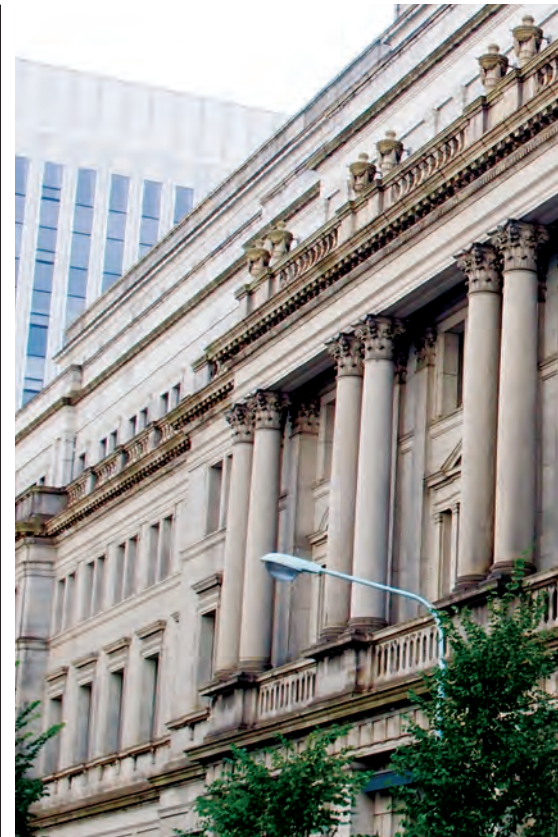
*Relying on negative interest rates alone won't stimulate Japan's economy. Imaginative steps are needed, writes Naoki Tanaka, President, Center for International Public Policy Studies and Guest Editor*

To revive the Japanese economy and thus fuel G7 and global prosperity, Japan has recently introduced negative interest rates under the monetary policy pillar of its Abenomics strategy. There are two explanations for this decision. The first suggests that this unconventional economic policy focuses on delivering a positive stimulus from the Bank of Japan. According to the Bank of Japan, real interest rates, which affect the investment decisions of the corporate and household sectors, would become sufficiently low to deliver this stimulative push. However, after the negative rates had penetrated the financial sector and other sectors, concerns arose about the future course of Japan's economy as the anticipated stimulus impact did not clearly come. Thus the introduction of negative interest rates lessened the bank's leverage for producing positive economic effects.

### Social innovation for growth

The second explanation is that secular stagnation causes negative interest rates. The Bank of Japan's decision to set negative interest rates flowed from the fact that

*Social innovation should be introduced as an investment in social infrastructure, for the future benefit of Japanese society*



the natural rate of interest was becoming negative, due to continued reductions in the return on investment.

Whatever the explanation for this monetary policy move, to achieve the overall goals of Abenomics, another arrow of its growth strategy should receive primary attention. It is social innovation, which should be introduced as an investment in social infrastructure, for the future benefit of Japanese society. Given the siloed segmentation of government, the rationalisation of social regulation is very important. In the early 1980s, I supported both of these reforms. In the 1990s, deregulation did produce some positive effects on Japan's economy. Telecommunications was one sector that became more efficient as a result. However, with the vast connectivity of the internet, Japan did not succeed in becoming the front runner on open platforms.

Towards the end of 1980s, the title of 'Japan as Number One' had been applied to Japan's industries. But its sophisticated manufacturing of industrial products and high-quality goods were stand-alone types of innovation. These goods and services were not connected. Meanwhile, internet

The 2011 earthquake and tsunami saw digital platforms help hard-hit areas

Invest in social innovation to lessen dependence on government



Bank of Japan head office in Tokyo. The bank's negative interest rate policy has attracted criticism

# Naoki Tanaka

President  
Center for International  
Public Policy Studies

*Tanaka is also an economic analyst specialising in a variety of fields, including international and Japanese economy, politics and industry. He was previously President of the 21st Century Public Policy Institute.*

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connectivity produced new platforms in the United States. New services were produced through such connectivity. No new Japanese companies have been listed in the past two decades among the top-ranking global firms. However, during this time the United States produced Amazon, Google, Facebook, Netflix and others. As a result, new kinds of social infrastructure have become available in the United States to fuel its future productivity and growth.

### Digital infrastructure

Of course, some new approaches are now coming to Japan. In March 2011, a massive earthquake and tsunami attacked the eastern parts of the country, including the Fukushima nuclear reactor. Given the speed and scale of the attack, neither the central government nor the local governments could respond to the urgent needs of their citizens. However, digital platforms using the internet could and did meet their concrete demands in hard-hit areas and supply the needed goods.

More recently, the Kumamoto earthquake hit the southern area of Kyushu severely in April 2016. The response showed that Japan had not learned much

from the lessons of Fukushima five years ago. The clear lesson was that there should be less dependence on the government. For that purpose, investment in social innovation is needed.

Thus in the second stage of Abenomics, there should be a new combination of making governmental activities smart and investing in social innovation. There should also be a new combination of making financial activities smart and investing in social innovation in financial technologies (fintech). The first approach will contain the fiscal budget's dependence on issuing ever more government bonds. Controlling the fiscal deficit in this way will have positive impacts on both the household and the corporate sectors. The second approach will create new links and new services. Together these moves will constitute the growth strategy of the third arrow. Japanese Prime Minister Shinzo Abe should emphasise such policies for his third arrow.

At the G7 summit in Ise-Shima, there will be many intense discussions about the challenges the leaders face. Prime Minister Abe must focus on Japan's growth strategy. And all should keep assessing how Japanese and G7 economic policies actually work. **G7**

## KEY TAKEAWAYS

The 2014 suspension of Russia from the G8 has harmed world stability

Terrorism has become a major issue for the G7, and the G20

# Act to meet the challenges of global instability

*If the G7 is to help facilitate a century of peace and prosperity, a number of bold actions need to be discussed at Ise-Shima, says **Shinichiro Uda**, Director, Japan office, G7 Research Group and Contributing Editor*

The suspension of Russia from the G8 in 2014, after Russia's annexation of Crimea, has had a negative impact on global political stability and national security. Also unresolved are the changes in the global economy that contributed to the creation of the G7 in 1975. Most notably, in the early 1970s, policy coordination was required to address the crisis in the price of oil – the energy source that formed the basis of advanced economies' prosperity. Since then, annual G7 summits have helped strengthen the economic development of industrialised countries and the rest of the world. Indeed, the G7 has helped direct the global economy. Countries directly and indirectly involved in the G7 summit system, as well as international organisations, must continue their unstinting efforts to resolve issues related to these changes and other factors affecting stability.

### **New financial players**

Adding to the financial landscape are new international organisations such as the Shanghai Cooperation Organisation and the Asian Infrastructure Investment Bank. These institutions differ from previous post-war international organisations and the G7 should make an effort to moderate them to ensure that they are not run in a hegemonic manner.

Climate change is another key issue. A statement was to be made at the 2005 Gleneagles Summit on carbon dioxide emissions as a significant cause of climate change, but was interrupted by the 7 July terrorist attacks in London on the first day of the summit. Ten years later, the world finally saw significant progress on climate change with the signing of the Paris Agreement in December 2015, where industrialised and emerging countries together established goals to reduce their emissions.

The terrorist attack that helped delay progress on climate change in 2005 was not an isolated incident. Terrorism has become a major issue for the G7, and the G20. This is seen in the tragic events caused by al-Qaeda in the United States in 2001, the weakness of the governance structures in Afghanistan, Iraq, Syria and other countries in the Middle East, and the desperate situation affecting millions of refugees.

Cyberterrorism has also become a source of international instability, although dramatic improvements have been made in information and communication technologies and bridging the digital divide. Several unresolved security issues remain in fields such as medical treatment, food and refugee relief.

Although the United Nations clearly played an indispensable role in the post-war international community, it has not

The G7 has an obligation to maintain peace and stability

No final peace treaty has been signed between Russia and Japan



# Shinichiro Uda

Director, Japan office  
G7 Research Group

*Uda is Director of the Japan office of the G7 and G20 Research Groups, and President of the LSE International Social Economic Forum and the Institute for the Promotion of Policy Reform in Tokyo. His long career with the Japan Broadcasting Corporation (NHK) included working in the news bureau, management planning bureau and the president's office, and engaging with Japan's official development assistance to foreign broadcasters.*



*At Ise-Shima, the G7 needs to make statements on reforming the UN, and related international organisations*



moved on from an international balance of power based on the veto wielded by permanent members of its Security Council. At Ise-Shima, the G7 needs to make statements on reforming the UN, and related international organisations, and should work with the UN to solve these issues.

### Preserving peace and stability

Moreover, in today's global society, there are states that enjoy freedom, human rights, the rule of law, and a mature and modern democracy, where nationalism does not easily translate into hegemony. Powerful, hegemonic nationalism seeks to dominate land or sea without respecting international law. Terrorist organisations can take advantage of regions without effective government and easily engage in violence, military action and subversion. As such, the G7, G20 and UN have an obligation to maintain peace and stability. They should do so in ways that include enhancing health, education and other necessary infrastructure. It is vital that the G7 Ise-Shima Summit pays attention to this fundamental character of today's global society.

A primary issue for Japan, hosting the first G7 summit in Asia in eight years, is how to promote global stability to support peaceful coexistence in East Asia as the region faces various challenges.

These challenges include North Korea's nuclear and missile development, China's actions in the East and South China Seas, and the attitudes among the parties to territorial disputes that do not respect international law.

Even 70 years after the end of the Second World War, no final peace treaty has been signed between Russia and Japan. In 1992 the G7 signalled that the Soviet Union should return the Northern Territories to Japan, and US President Bill Clinton raised the subject of mediating the dispute at the G7 Halifax Summit in 1995. However, Russia's current actions in Ukraine have made it difficult to hold meetings between Japan and Russia. The other G7 members should show understanding and support Japan's position.

### Future expansion of membership?

G7 leaders should exercise leadership so that the 20th century of dispute, conflict and war will be followed by a 21st century of mutual respect, cooperation and prosperity. To achieve this, they must consider returning to the G8 and, in fact, expanding the number of leading countries that are qualified to be members of the free and democratic international community. However, greater numbers of members may result in greater difficulty in finding common ground. **G7**

\$43,270

The average GDP per capita of the G7 countries in 2015

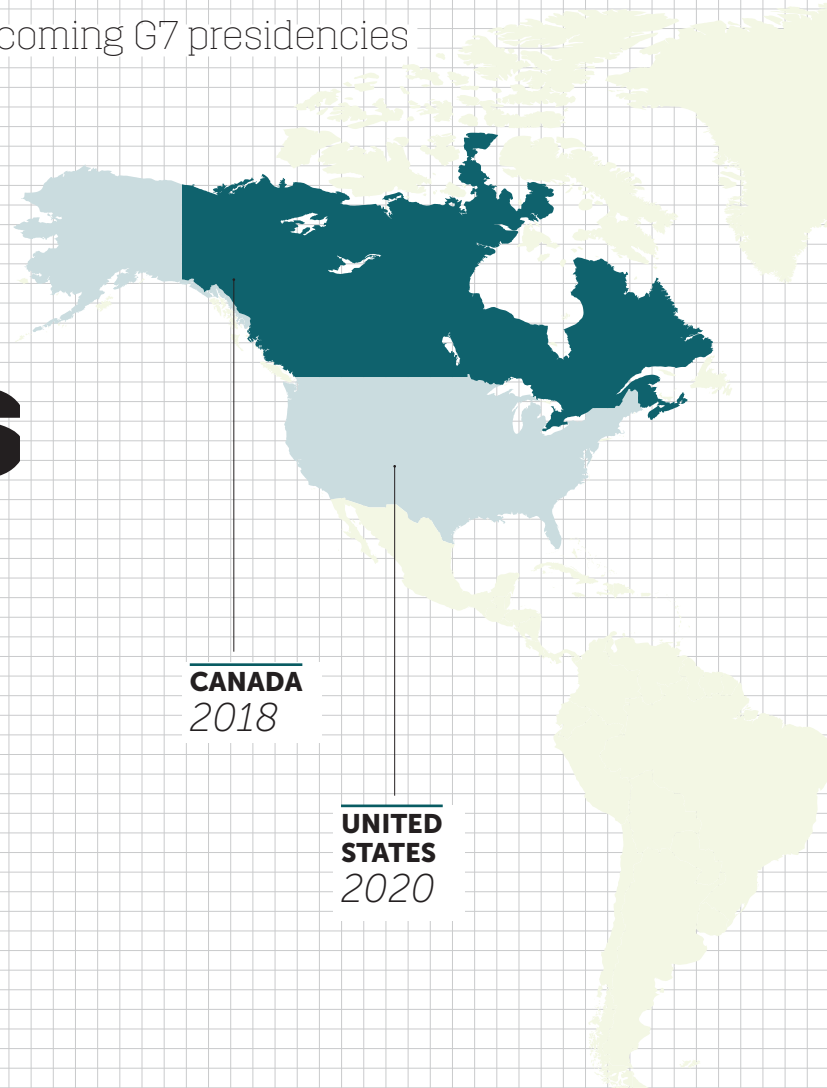
6.3%

The average 2015 labour force unemployment rate in G7 countries

Upcoming G7 presidencies

# What is the G7?

The Group of Seven (G7) is a forum of seven leading major market democracies. Comprising the leaders of seven countries – Canada, France, Germany, Italy, Japan, the United Kingdom and the United States – and the European Union, the group has met regularly since 1975 to discuss issues related to global economic stability and security. The G7 is an informal forum, rather than a treaty-based international organisation.



## WHAT HAPPENS?

The G7 leaders meet over two days, discussing issues on an agenda that reflects the group's ongoing work. After the final session, the G7 releases its communiqué, which details targets and actions that the members have agreed on. The G7 leaders must be in unanimous agreement on their summit declaration. Their statements are politically, not legally, binding, but members are held accountable and compliance is closely monitored by the independent G7 Research Group.

## WHY WAS THE G7 FORMED?

In 1975, French President Valéry Giscard d'Estaing and German Chancellor Helmut Schmidt invited the leaders of Italy, Japan, the United Kingdom and the United States to join them for the first World Economic Summit in response to the OPEC oil crisis, the breakdown of the post-Second World War system of fixed exchange rates and other challenges. The leaders gathered for a 'fireside meeting' at the Château de Rambouillet in France. As well as France and Germany, the founding members were Italy, Japan, the United Kingdom and the United States.

## WHO ARE THE SHERPAS?

The host country is responsible for organising the summit and setting its agenda. The leaders appoint their personal representatives, known as sherpas, who meet throughout the year to negotiate the agenda and prepare for the summit.



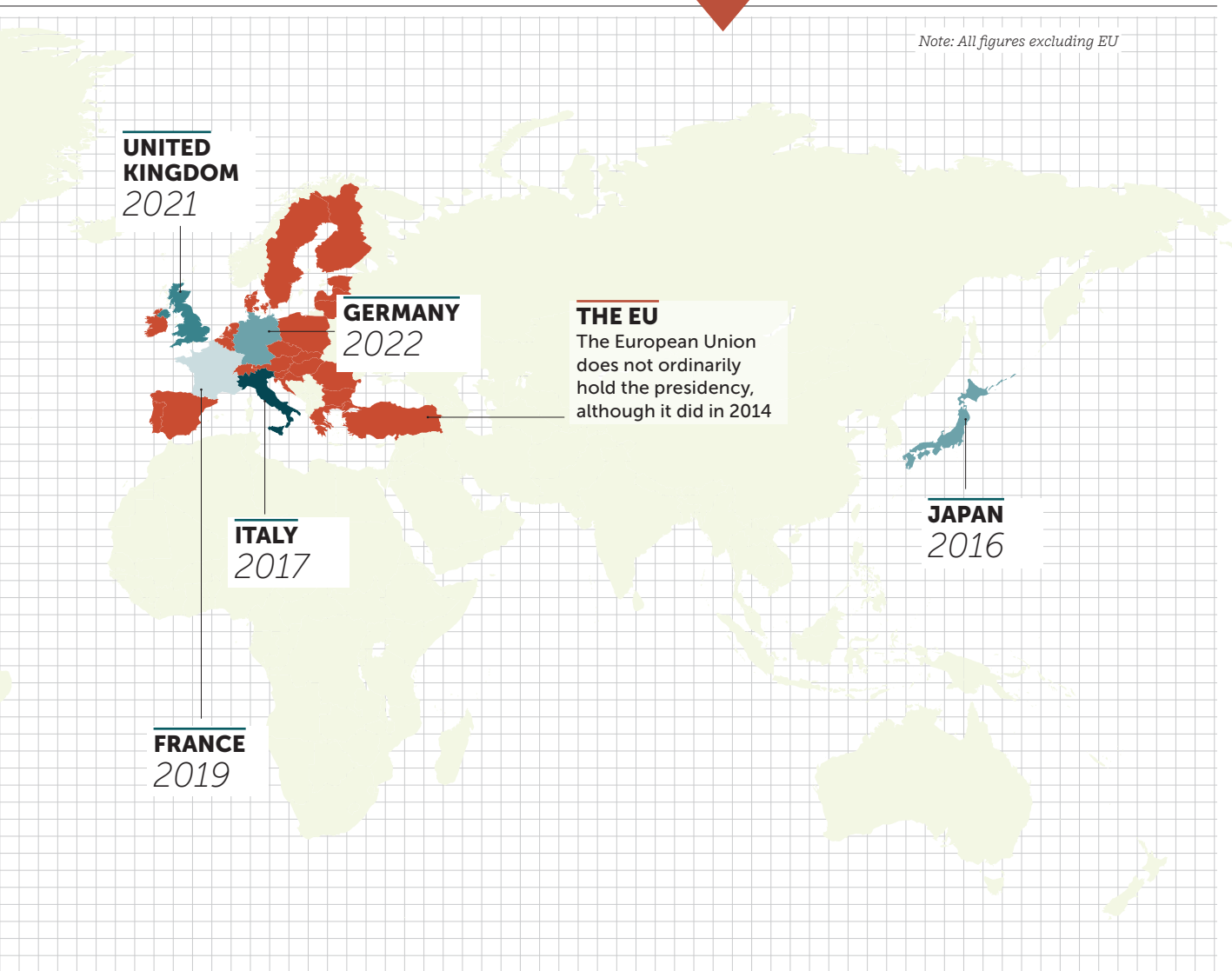
The average 2016 growth projection for G7 countries according to the IMF's April outlook

+1.4

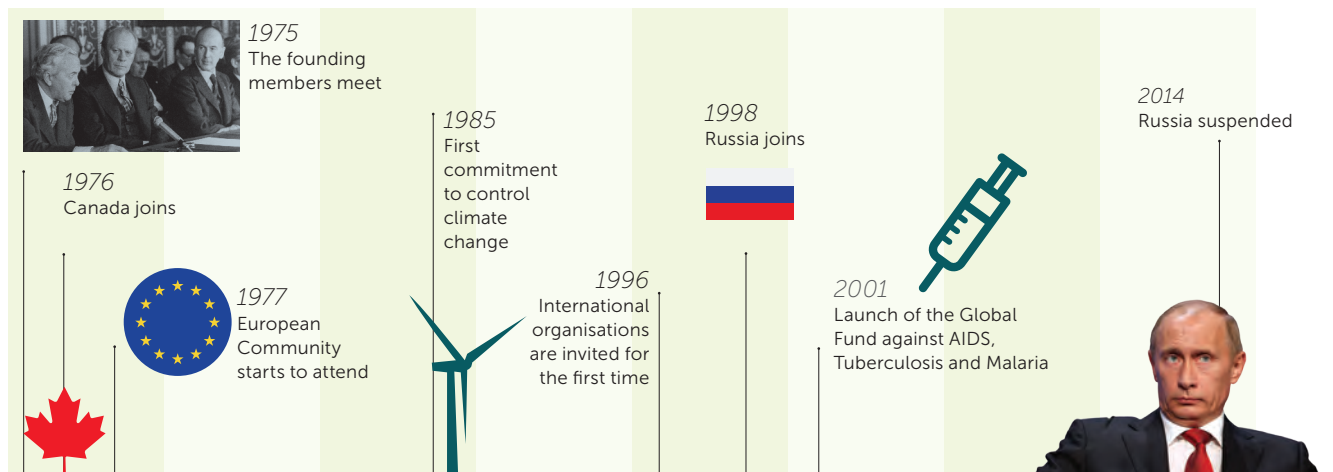
-0.3

The average difference from the IMF's January 2016 World Economic Outlook

*Note: All figures excluding EU*



### A BRIEF HISTORY OF THE G7





**Prince Sultan Bin Abdulaziz  
International Prize for Water**

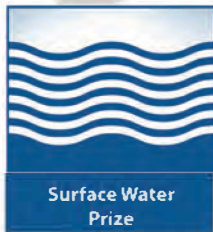
**Recognizing Innovation**

**Invitation for Nominations**

**8th Award  
(2018)**



**Creativity  
Prize**



**Surface Water  
Prize**



**Groundwater  
Prize**



**Alternative Water  
Resources Prize**



**Water Management &  
Protection Prize**

**Nominations open online until 31  
December 2017**

[www.psipw.org](http://www.psipw.org) e-mail: [info@psipw.org](mailto:info@psipw.org)

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# Health governance

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## COMPLIANCE SCORES

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*The average level at which G7 members have complied with their priority health governance commitments from the 2015 Schloss Elmau Summit, eight months later*



Coordinated rapid deployment of expert teams

+0.75 **88%**

National action plans

+0.75 **88%**

Develop more accessible and usable vaccines

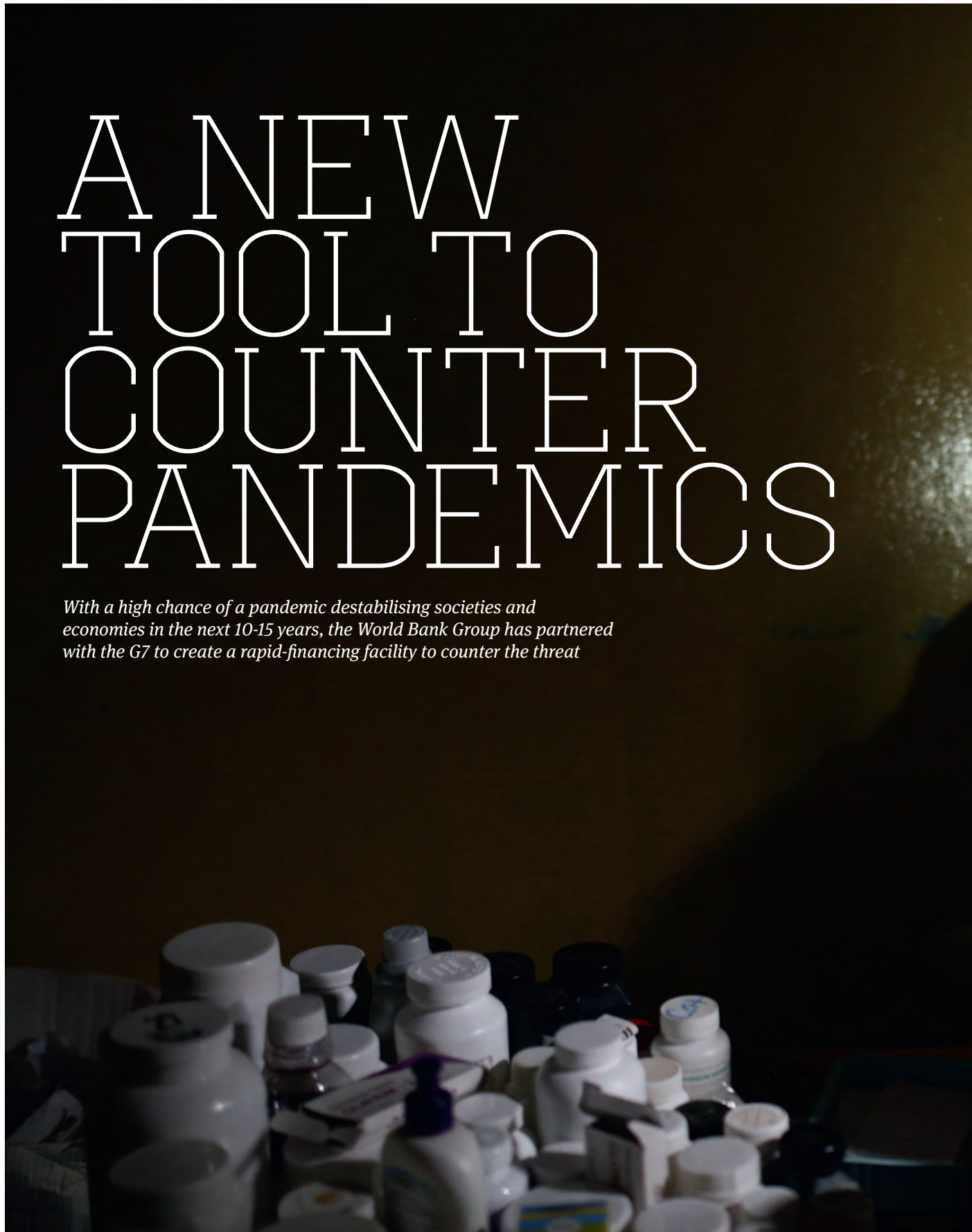
+0.63 **81%**

+1 means full compliance, 0 means work in progress or partial compliance, and -1 means no compliance or action antithetical to the commitment.  
Based on a study by the G7 Research Group

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# A NEW TOOL TO COUNTER PANDEMICS

*With a high chance of a pandemic destabilising societies and economies in the next 10-15 years, the World Bank Group has partnered with the G7 to create a rapid-financing facility to counter the threat*



# Jim Yong Kim



President  
**World Bank Group**

*Jim Yong Kim is the 12th President of the World Bank Group. Under his leadership, the organisation has established twin goals: ending extreme poverty by 2030 and boosting shared prosperity for the poorest 40% of the population in developing countries. Kim previously served as President of Dartmouth College and held professorships at Harvard Medical School and the Harvard School of Public Health. He also served as the Director of the World Health Organization's HIV/AIDS Department from 2003 to 2005, and he is a co-founder of Partners In Health, a non-profit medical organisation.*

🐦 @JimKim\_WBG  
🌐 [www.worldbank.org](http://www.worldbank.org)

*Working under flashlight in the pharmacy at a hospital in Liberia. Countries need resilient health systems in order to deal with pandemics*



**\$570 BN** Estimated annual global cost of moderately severe to severe pandemics



*A health worker prepares to enter a house where a baby has died in Sierra Leone in 2015. Countries need to improve their preparedness for severe disease outbreaks*

**A**

s the G7 leaders prepare to gather in Ise-Shima, Japan, the world faces overlapping challenges as complex and vexing as at any time in recent memory. From market volatility to terrorism and massive refugee flows, the threats to human well-being and global stability are growing.

The need for more effective systems and tools to manage risks has never been more imperative. Although there has been important progress on tackling some of the systemic challenges that require collective leadership – such as with the historic Paris Agreement on climate change – we have not done enough on others, such as pandemics. The G7 summit represents an opportunity to address this gap.

Pandemics are one of the most certain uninsured risks in the world today. Recent economic work suggests that the annual global cost of moderately severe to severe pandemics is roughly \$570 billion, or 0.7% of global income. According to the World Health Organization (WHO), there is a high probability that the world will experience a severe outbreak in the next 10 to 15 years that could destabilise societies and economies. A severe pandemic like the 1918 influenza could cost 5% of global gross domestic product (GDP).

## KEY TAKEAWAYS

**Pandemics are one of the most certain uninsured risks in the world today**

**An outbreak in a remote area can quickly become a deadly crisis**

**Prompt delivery of money and support can save both lives and economies**

Every country, regardless of income, must increase its investment in preparedness. Countries need resilient health systems that can deliver quality universal primary care, public health services and regional networks that can take disease surveillance and detection to scale. These investments are priorities for many G7 bilateral assistance programmes and for World Bank Group support through the Global Financing Facility and the International Development Association, our fund for the poorest countries.

### Breaking the crisis cycle

Infectious disease outbreaks are inevitable and can quickly overwhelm any health system, particularly in the world's most vulnerable countries. As with Ebola and now with the Zika virus, an outbreak in a remote area can quickly become a deadly crisis. The world continues to follow the same pattern: money is not brought to the table until a major outbreak hits an explosive point. Without a strong system in place, the world will simply continue to move from crisis to crisis.

The World Bank Group is doing something to change this. With G7 support, the World Bank Group is ready to launch

**5%** Estimated cost to global GDP of a severe pandemic like the 1918 influenza outbreak



ALL IMAGES ON THIS PAGE © DOMINIC CHAVEZ/WORLD BANK



*These images show Ebola prevention measures in Guinea (left), Sierra Leone (top left), and Liberia (right and top right). The Pandemic Emergency Financing Facility will enable countries to react more quickly to outbreaks*



*We cannot change the magnitude of an earthquake, but we can control the severity of an epidemic*



the Pandemic Emergency Financing Facility (PEF). We have worked with WHO and a wide range of partners to design an innovative, insurance-based financing mechanism that will leverage resources from wealthy countries, capital markets and the insurance industry. In the event of a severe outbreak, the facility will release money swiftly to poor countries and international responders based on a predetermined, transparent set of criteria. It also will have the flexibility to respond to unknown pathogens that we cannot yet predict.

By stemming an outbreak before it reaches pandemic proportions, we will save untold thousands of lives. We will also keep the cost in the millions rather than the billions that donors now have to spend on response and recovery, and the billions – or potentially trillions – in lost GDP. This is a smart, cost-effective use of public and private capital with a high return on investment.

#### **Improving response times**

The world already has well-developed global tools and mechanisms to respond quickly to natural disasters. Yet pandemics differ from natural disasters in a vital

way: we cannot change the magnitude of an earthquake, but we can control the severity of an epidemic. Money and support delivered at the right time can save lives and economies. If the PEF had existed in 2014 during the Ebola outbreak, we could have mobilised \$100 million as early as July to accelerate the response. Instead, relying on pass-the-hat financing meant that money on that scale did not begin to flow until three months later – during which Ebola cases increased tenfold.

This facility will complement WHO's enhanced capability for early response and encourage countries to comply with the International Health Regulations. It will improve modelling and forecasting of future disease outbreaks, and it will ultimately reduce the cost of response by encouraging better pre-positioning through the certainty of financing.

As one veteran of the smallpox eradication campaign said, "Outbreaks are inevitable. Pandemics are optional." There are already worrying signs that the world is forgetting the lessons of Ebola. With the launch of the PEF, G7 leaders will take an important step towards managing one of the world's most lethal human and economic risks. **G7**

IN CONVERSATION



# History will judge us harshly if we fail to meet our commitments

*UNICEF's Anthony Lake talks to editor John Kirton about how climate change undermines the health of millions of children, and the urgent need to act on reduction, mitigation and adaptation commitments*

**Q** You recently said that there is no greater threat facing the health and well-being of the world's children than the effects of climate change. Why is that the case – and how serious a threat is it?

**A** The escalating effects of climate change affect us all, of course, but children disproportionately bear the brunt of escalating floods, droughts and other climate-related conditions.

That's so for several reasons. First, the regions with the highest numbers of children – Africa and Asia – are most affected by climate change. Over half a billion children live in extremely high flood-risk zones. Nearly 160 million live in high or extremely high drought-risk zones. Half the world's children live in urban areas, where air pollution is the worst.

And children are also more vulnerable specifically *because* they are children. They are more vulnerable to hunger because they eat more per unit of body weight than adults, so suffer the most

when floods and droughts destroy harvests or increase food insecurity. They breathe at twice the rate of adults, so air pollution puts them at greater risk of respiratory disease. They are more vulnerable to heat stress – and at greater risk of dying from heat stroke. Children are already more vulnerable than adults to malaria, dengue fever and diarrhoea – all of which can permanently affect physical and cognitive development, and all of which thrive in climate-related disasters.

So this is extremely serious. It means higher rates of child mortality, especially among the youngest children. It means more children will suffer from malnourishment and stunting – and as a result, learn less and earn less as adults. All this translates in economic terms into lower productivity, slower growth and the erosion of hard-won development gains.

**Q** Which children are at greatest risk?

**A** If children as a whole are affected

disproportionately, the poorest and most disadvantaged are faring worst of all – which is generally the case in all crises.

These children typically live in regions that rely more on traditional agriculture – which is especially vulnerable to climate change. They live in areas already grappling with poverty – and where poor families already lack access to safe water, sanitation and healthcare.

For example, around 300 million children live in flood-prone zones in countries where more than half of the population lives in poverty. Imagine handling the shocks of disaster after disaster ... having to repeatedly rebuild housing, schools, water systems.

And these places also lack basic infrastructure, making disaster recovery and development extraordinarily difficult. As a result, more children are being displaced as their families are forced to leave their homes in search of water, food, shelter and employment. This, in turn, deepens the disadvantage that they already face and makes them more vulnerable to hunger, disease, and even exploitation and abuse. All of this can perpetuate vicious cycles that condemn the most vulnerable children to lives with little hope, at the mercy of disasters beyond their control.

And climate-related disasters can spark more competition – and more conflict – over access to a smaller share of natural resources ... and dwindling resources with which to address these emergencies.

**Q** What can the G7 leaders at the Ise-Shima Summit – and all governments – do to address these risks and minimise their impact on children?

**A** The most urgent task for governments and others is to curb carbon emissions and pursue low carbon development. Countries not only need to meet their commitments – they need to exceed them.

At the same time, we need to deal with the impact on children of the carbon that has already been emitted into the atmosphere. That means prioritising the needs of the most vulnerable children when we develop and implement mitigation and adaptation plans.



 @UNICEF  
 www.unicef.org

# Anthony Lake

*Executive Director, UNICEF*

And it most certainly means taking steps to reduce inequities among children today – specifically by investing in the resilience of the most vulnerable and disadvantaged communities.

This includes investing in community healthcare facilities, schools, and water and sanitation systems that strengthen communities before disasters strike and help communities maintain basic services during and after a crisis.

In Bangladesh, for example, UNICEF and our partners have supported an aquifer-recharge system that captures water during the monsoon season, purifies it and stores it underground. Nearly 20,000 children now have access to climate- and disaster-resilient sources of water.

In Madagascar, UNICEF is helping local authorities make classrooms for 80,000 children cyclone- and flood-proof, and with access to disaster-resilient sources of water. And, across 16 drought-prone atolls of Kiribati – an island state in the Central Pacific – new rainwater-harvesting and storage facilities are improving communities' access to safe drinking water.

We need to build on promising initiatives such as these. Just as important, we need to lend our hands to prepare children today – investing in climate change education and training so that they can continue fighting this battle in the future.

I have had a chance to see many young people put their knowledge to use in their own communities. A group of school children who lived through the Tohoku earthquake and tsunami in Japan showed me how they were building flood zone markers. And the children that I met with at last year's World Conference on Disaster Risk Reduction in Sendai showed me the models that they were creating for green, low-carbon villages.

These children and young people know that the future of their generation depends on what our generation does today ... and on how promptly, forcefully and collectively countries live up to their commitments.

They are watching us ... and history will judge us harshly if we fail to meet them. **G7**

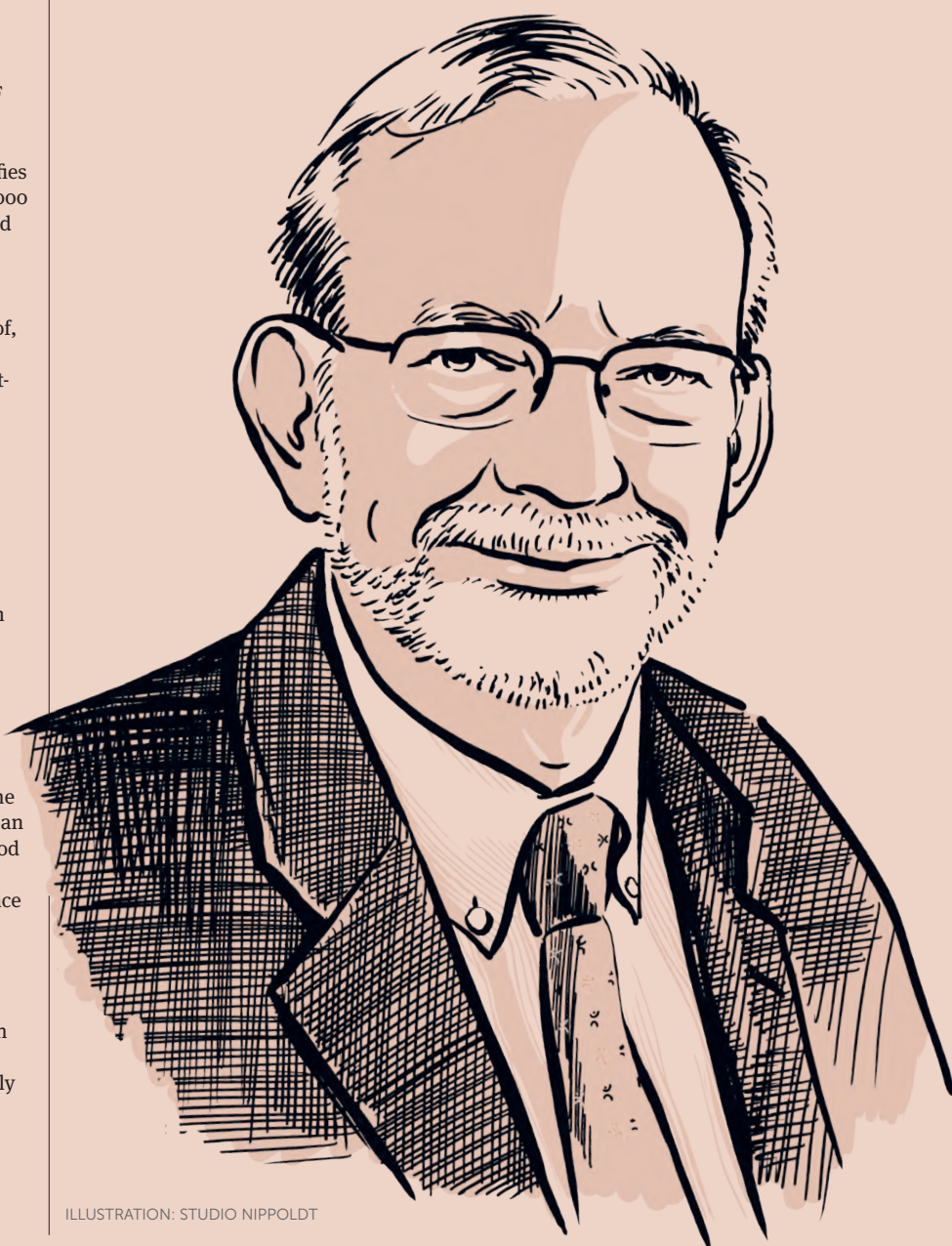


ILLUSTRATION: STUDIO NIPPOLDT

## KEY TAKEAWAYS

Cases of HIV, tuberculosis and malaria have decreased

To meet the challenges of NCDs, sustainable care is critical

Hiroki  
Nakatani



Professor for  
Global Initiatives  
**Keio University**

*Nakatani also served as Assistant Director-General of the World Health Organization (WHO) from March 2007 until May 2015. He led the largest technical cluster comprising HIV/AIDS, tuberculosis, malaria and neglected tropical diseases. Before joining WHO, he worked at Japan's Ministry of Health, Labour and Welfare.*



# We need a fresh approach to global health emergencies

*As the world faces increasingly cross-connected crises, multiple strategies are required to prepare for future problems*

The world has become healthier and wealthier. We have observed drastic improvements in controlling major infections such as HIV, tuberculosis and malaria, with declining numbers of new cases and deaths. The average life expectancy has reached 71 years and, in many parts of the world, it has added as many as 15 more years over the past 40 years. Many developing countries have graduated from the status of receiving official development assistance.

We have faced many crises in the past but managed to control them, learning hard lessons. However, in recent years, crises have changed in magnitude and

impact, since the world has become so interconnected that a local crisis easily becomes regional or even global. Furthermore, crises have intersectoral impacts. A health crisis can easily become an economic and political crisis. We now see many clear and present dangers: financial crises, massive migration and, in the field of health, epidemics.

In order to meet the emerging challenges, we need new tools and strategies. There is ample evidence of suffering due to a complete lack or insufficient availability of one or both. The recent Ebola outbreak reminds us of simple facts. The virus affected communities that experienced massive

## This is the first G7 summit in the new Sustainable Development Goal era



A researcher at a microbiology lab in Belgium. Researchers are vital in overcoming the threat of anti-microbial resistance

EPA/LAMY STOCK PHOTO

losses of life without any vaccines to prevent infection and any medicine to cure it. This situation creates an urgent need for research and development (R&D) to generate innovation and technology to be translated into vaccines or medicines. But it is too naive to expect more investment in basic research. There were at least seven candidate vaccines against Ebola, but no one was prepared to turn a primitive product into a useful vaccine for the purposes of public health. Many 'death valleys' exist before the R&D and innovation produce practical technology on a wide scale. The links can only be connected by a complicated process involving academia, industry, drug regulatory authorities, the affected communities, and financial and other incentives.

One of the hard lessons from Ebola was the weakness of the mechanism of making such connection speedily. However, the World Health Organization and others made significant efforts to organise R&D and clinical trials with international cooperation. It is now time to incorporate this experience into our preparations for the next large and serious infection.

### Challenges to human well-being

Health security is only one of many challenges to human well-being. The 17 new Sustainable Development Goals (SDGs) have 169 targets. There is only one health goal – SDG 3 – to “ensure

healthy lives and promote well-being for all at all ages”. It has 13 targets including traditional disease-control targets (with non-communicable diseases [NCDs] added to communicable diseases), as well as health risk management and cross-cutting targets such as universal health coverage (UHC), increased development of a health workforce, and R&D for vaccines and medicine. In such a long list, how are the targets connected? From Japan's perspective, UHC and its major component of strengthening health systems is the key link, as Prime Minister Shinzo Abe has written twice in *The Lancet*, based on his predecessor's initiative at the Hokkaido-Toyako Summit in 2008.

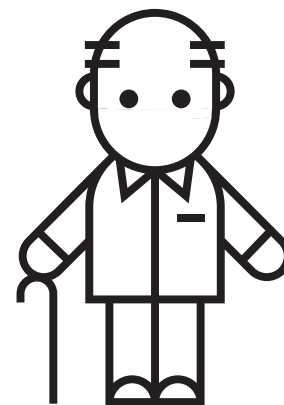
To meet the challenges of NCDs, sustainable or even life-long care is critical. This is a sufficient reason to strengthen health systems with the objective of covering all individuals and communities in need. However, trained workers and laboratories are also important in health crises involving epidemics or other large-scale disasters, especially if resilience is considered at the planning stage. R&D is also needed to address new challenges, as in the case of multi-drug-resistant tuberculosis and other cases of anti-microbial resistance (AMR).

In order to prevent a large international epidemic, we need to strengthen health systems to improve patient management, laboratory tests, and R&D for new drugs and diagnostic tests. Health security, UHC and R&D can strengthen one another for better health for everyone.

### High expectations for the G7

What can be expected from the G7 members at Ise-Shima, particularly the host Japan? Their strengths as a group are their common values and shared desire for global safety and stability – including health. Health security, including AMR, should be placed high on the agenda. If the G7 leaders can agree on the broad direction, then each can work to persuade other key players. This is particularly important because this is the first G7 summit in the new SDG era. Japan can offer the right forum with its legacy of creating the Global Fund to Fight AIDS, Tuberculosis and Malaria at the Kyushu-Okinawa Summit in 2000 and revisiting the long-ignored issue of health systems at the Hokkaido-Toyako Summit in 2008. In addition, Japan's post-war growth has come from peace and human development, which supports the country's commitment and contribution to development. **G7**

## WE ARE ALL LIVING LONGER



71

The world's average life expectancy in years



The amount by which average life expectancy has increased in some countries in the past 40 years



UNADS

IN CONVERSATION



**We have a  
fragile window  
of five years to  
put the world  
on track to  
end the AIDS  
epidemic  
by 2030**



Michel Sidibé

*Executive Director, UNAIDS*



*Universal health coverage must confront entrenched power structures and empower those left behind to enjoy health as a human right*



How far has the world come in putting an end to AIDS for good, and what challenges still linger?

**A** I am proud to say that, by any standards, our progress over the past five years has been historic and unprecedented.

Today, there are some 16 million people receiving HIV treatment, and we are scaling that up by more than 2 million each year. Since 2011, we have halved the rate of mother-to-child HIV transmission in 21 priority countries, from 28% to 14%. AIDS-related deaths have fallen 42% since cresting in 2004.

Countries once crumbling under the weight of the epidemic are success stories. Botswana – where 25% of people aged 15-49 are living with HIV – will be among the first African countries to achieve the 90-90-90 treatment targets that will help bring the end of the AIDS epidemic. Nearly 60% of AIDS funding now comes from low- and middle-income countries.

Ahead is the toughest stretch. People are left behind because of prejudice, discrimination, poverty and bad laws. Young people and adolescents remain at high risk because of policies and social taboos that prevent access to comprehensive sexuality education and the realisation of their sexual and reproductive rights. Gender inequality and violence still fuel the vulnerability of women and girls to HIV.

People are also left behind because of complacency. So our work is unfinished. Almost 37 million people are living with HIV today, and fewer than half receive antiretroviral treatment. For every person we reach, another is newly infected.

But I am optimistic. We have a fragile window of five years to scale up the HIV response by 2020 to put the world on track

to end the AIDS epidemic by 2030. It means increasing and front-loading investments to scale up effective interventions, focusing on populations where HIV incidence is high to achieve maximum impact.

**Q** How is UNAIDS building on the momentum of the Sustainable Development Goals (SDGs)?

**A** The SDGs reflect what the AIDS response has been working towards for 30 years – a multisectoral, rights-based, people-centred approach that addresses the determinants of health and well-being. The backbone of our progress is our unwavering commitment to the health and rights of every individual, to leave no one behind. That is what the SDGs aim to do.

The UNAIDS 2016-2021 Strategy demonstrates how progress in the AIDS response is deeply interwoven with, and interdependent on, progress in sectors covered by different SDGs. Conversely, ending the AIDS epidemic by 2030 will accelerate progress across a range of SDG targets. We have the scientific knowledge, the tools and the programmatic know-how to do this.

And the UN's High-Level Meeting on Ending AIDS at the General Assembly in June will help generate the last critical ingredient for success – political will.

**Q** How does the concept of universal health coverage (UHC) support the campaign against AIDS?

**A** The G7 must embrace a broad concept of UHC. It is about realising rights, redistributing opportunities and strengthening communities. It is about tackling the social determinants of health with strong policies and protections. It is about bringing services to billions, not just millions. UHC is inherently political. It must confront entrenched power structures and empower those left behind to enjoy health as a human right.

**Q** What new investments are required to strengthen progress towards meeting the 2030 goals?

**A** Too many finance ministers still think of health as a cost and not an investment. Healthy adults can work; healthy children can learn. Health is critical to lifting communities out of poverty and contributing to the growth of society. In short, health is an economic driver.

Fully financing UHC must be a priority. Brazil, Malaysia, Mexico and Thailand have shown how to build home-grown health financing systems by reprioritising government spending. Access to health services expands as a result, including for the most marginalised populations. Ghana, India, Indonesia, Nigeria, the Philippines and Vietnam are also making progress, inspiring progress across regions and countries.

**Q** How can the G7 leaders at their Ise-Shima Summit in May best help, together with their health ministers who meet in Kobe in September?

**A** I urge the G7 to embrace UHC as a human rights enterprise. This will require bringing those being left behind to the very forefront, tackling the social determinants and fully financing UHC.

Countries must address the vulnerabilities people face daily – discrimination, injustice, inequality, lack of social protection and community resilience, poverty and conflict. This means reforming laws, policies and practices, and creating accountable and inclusive institutions. Health ministries cannot shoulder this alone. They need to join forces with other government sectors. Civil society needs to be engaged not only as champions, but as equal partners.

I look to the G7 to find ways to ensure that we will deliver on UHC by 2030. UNAIDS and the global AIDS response stand ready to support these efforts every step of the way. **G7**

# Hepatitis B among refugees is altering Europe's disease burden

Europe is in the midst of what the United Nations is calling the worst refugee crisis since the Second World War. Millions have left their war-torn countries in search of safety, causing political turmoil on a continent that is still recovering from a severe economic downturn.

Many refugees have fled unstable nations, such as Syria, Iraq and Afghanistan, where health systems are fractured and routine immunisation efforts are inadequate. According to the World Health Organization (WHO), many developing countries have higher rates of viral hepatitis, and the increasing influx of refugees from these highly endemic countries is changing the disease burden in Europe.

Adequate vaccination is needed for refugee and native European populations, as well as for healthcare workers, social workers, and civil service agents who are regularly exposed to communicable diseases such as hepatitis B.

In a recent study presented at The International Liver Congress, researchers in Hanover, Germany examined the prevalence of hepatitis B in refugee populations. The study, which was conducted in refugee reception centres in northern Germany, found that the presence of hepatitis B was higher in the refugee groups than in the German control groups. Additionally, more than half of the refugees studied had no immunity to hepatitis B, and only 18.6% had been vaccinated against the disease.



A blood sample with the hepatitis B virus, which is still a major global health issue

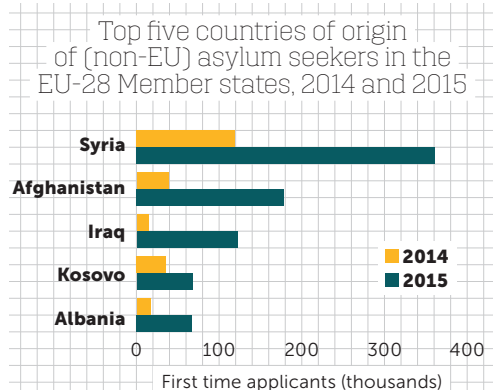
However, even if vaccinated, those at higher risk for hepatitis B would still not be sufficiently protected with current vaccines. Studies have shown that risk factors, including obesity, alcohol abuse and smoking, may cause adults to be less likely to respond to current hepatitis B vaccines. Patients at high risk for hepatitis B, such as those who suffer from diabetes, cancer, HIV or end-stage renal disease (ESRD), are even less likely to be protected – 20-80% do not respond to current vaccines. Unlike other diseases, which largely disappeared after mass vaccination, hepatitis B persists as a major global health problem.

In response to this significant unmet medical need, SciVac Therapeutics, following its merger with VBI Vaccines, will continue developing Sci-B-Vac™, a third-generation hepatitis B vaccine. Unlike other commercially available hepatitis B vaccines, which mimic only one of the three target proteins on the virus, Sci-B-Vac™ mimics all three hepatitis B antigens. Sci-B-Vac™ offers rapid onset of protection, high levels of anti-HBV antibodies, and can be administered at lower doses than competing HBV vaccines. Sci-B-Vac™ is currently licensed in Israel and in 14 other countries and has demonstrated a favourable safety and efficacy profile in hundreds of thousands of patients.

To learn more about Sci-B-Vac™, please visit VBI Vaccines online at [www.vbivaccines.com](http://www.vbivaccines.com) or SciVac Therapeutics online at [www.scivactherapeutics.com](http://www.scivactherapeutics.com).



**JEFF BAXTER**  
President & CEO



Source: Eurostat

## KEY TAKEAWAYS

The G7 now regularly considers matters of global health

A 2018 summit on global public health crises is called for



# Seize the moment to reform global health governance

*The Ebola crisis resulted in coordinated approaches to health security, but what systems and institutions are needed to make sure this impetus translates into long-term change?*

A new political drive to reform global health governance is urgently needed. One good sign is that the G7 now regularly considers matters of global health. However, more attention must also be paid to accountable governance and reliable funding for global health priorities in a world of competing global issues and a significant number of crises.

The United Nations Secretary-General's High-Level Panel on the Global Response to

Health Crises (HLP) published the *Protecting Humanity from Future Health Crises* report in January 2016. It proposed the creation of a political mechanism – a High-Level Council on Global Public Health Crises – that would monitor the implementation of the newly approved reforms relating to the governance of health crises.

The HLP proposed that the High-Level Council on Global Public Health Crises be composed of political representatives from 45-50 member states, elected by the UN General Assembly and tasked with preparing a 2018 global health summit. The HLP reinforced the principle that the responsibility to reform global health governance lies in the sphere of heads of state and government. These two proposals should be looked at both by the G7 and the G20 – but from a broader perspective.

### **Accountability and transparency**

The pluralisation of global health governance is a fact and will probably increase. Recent proposals include a pandemic emergency facility and a global vaccine development fund. A key priority must be to respond to the consistent call for more accountability and transparency.



## A key health governance priority must be accountability and transparency

United Nations Secretary-General Ban Ki-moon visits the Nutrition Rehabilitation Unit for Children in Burkina Faso. The UN has proposed a High-Level Council on Global Public Health Crises

This must apply to all actors in the global domain: the UN institutions as well as the new hybrid health organisations, major philanthropic actors, corporations and non-governmental organisations. Building on the HLP's proposal, the G7 and the G20 could propose a mechanism with a broader monitoring mandate than health security only – a High-Level Council on Global Health (HLC-GH), constructed as a constituency-based mechanism, appropriate to 21st-century governance.

The HLC-GH would provide a new type of policy space for health that moves the debate outside the governing bodies of the organisations concerned and beyond the health sector. It would regularly report on the system-wide implementation of the Sustainable Development Goals (SDGs) in relation to three priority global health clusters: health emergencies, neglected tropical diseases and anti-microbial resistance; progress towards universal health coverage; and implementation of the non-communicable diseases agenda. All of these require action far beyond SDG 3, the health sector and the World Health Organization (WHO) alone.

It would also regularly assess the governance of the whole global public health landscape, giving particular consideration to new and old funding streams. It would provide an assessment of the old and new institutions and their performance, both individually and relative to the overall global health system. This would include the global health industry.

The HLC-GH could help identify major institutional gaps and propose new institutions or new legal instruments to address new global challenges. It could also partly address the democratic deficit, for example by conducting webcast public hearings at which major global health actors would present their contributions to global health and be questioned by other stakeholders and citizens from around the world.

## The pluralisation of global health governance is a fact and will probably increase

The HLP calls for a summit on global public health crises to be convened in 2018. It is conceived as a meeting of heads of state and government on critical global health matters. Such a summit would only be worth their involvement if it is convened with a broader ambitious outcome in mind. Given the points raised above it should aim for a historical accord on accountability and financing for global health.

Three approaches used at the 2015 Paris Conference of the Parties could also be considered for a new global health agreement that would be linked to implementing the SDGs:

- 1 The reliance on bottom-up Intended Nationally Determined Contributions, which require the citizens and governments of each individual country to come together to determine what they can reasonably achieve.
- 2 A transparent compliance mechanism built on expert-based assessment teams and implementation support.
- 3 The inclusion of a finance mechanism, which both addresses the reliable funding mechanisms needed for WHO – such as the assessed contributions – as well as the funding of other global health priorities, namely pandemic emergencies, global research and development (a vaccine fund), or the expansion of the Global Fund to Fight AIDS, Tuberculosis and Malaria to include other disease challenges.

### A historic new deal on global health

The three countries that initiated the HLP – Germany, Norway and Ghana – should look closely at its recommendations and discuss them in a range of political forums including the G7 and the G20. One of these countries could take the courageous step to offer to host the 2018 Global Health Summit with the intention of forging a historic new deal on global health. **G7**

## Ilona Kickbusch



Director of the Global Health Programme  
**Graduate Institute of International and Development Studies**

Now based in Geneva, Switzerland, Kickbusch served on a panel of independent experts to assess the World Health Organization's response in the Ebola outbreak. She previously had a distinguished career with WHO and Yale University, and has published widely on global health governance and global health diplomacy.

[@IlonaKickbusch](https://twitter.com/IlonaKickbusch)  
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## KEY TAKEAWAYS

The risk of infectious disease outbreaks is on the increase

Many countries failed to respond effectively to Ebola

Louis Lillywhite



*Lieutenant-General (Retd) Louis Lillywhite CB is Senior Research Fellow at the Centre on Global Health Security at Chatham House in London.*

@LLillywhite

David L Heymann



*Professor David L Heymann CBE is the Head of and Senior Fellow at the Centre on Global Health Security at Chatham House.*

Michael Edelstein



*Dr Michael Edelstein is a Consultant Research Fellow at the Centre on Global Health Security at Chatham House.*

@epi\_michael



A nurse puts on her personal protective equipment before heading to the red zone of an Ebola treatment unit in Liberia

Rich countries must commit to financing a 10-year strategic plan

More effort is required in research, development and manufacturing

# The politics of outbreak preparedness

*Outbreaks of Ebola and Zika have highlighted the need for a more strategic and better financed approach to tackling infectious diseases*

The West African Ebola outbreak was the first acute public health event recognised by the United Nations as a threat to political stability, leading to the first UN emergency health mission – the UN Mission for Ebola Emergency Response. Almost as soon as the outbreak was formally declared over, it was followed by another public health event, associated with the Zika virus, which was declared a Public Health Emergency of International Concern in February 2016.

Various academic reports on the perceived failures in the early management of the Ebola outbreak have been published. The UN Secretary-General commissioned a report from a High-Level Panel on the Global Response to Health Crises. The Director-General of the World Health Organization (WHO) set up an internal review panel on the WHO response and an external review committee of the International Health Regulations (IHR). The draft recommendations of the IHR Review Committee's report were presented to WHO members on 21 March 2016, with the full report published in May 2016. Many recommendations in these reports require high-level political support.

## **IHR compliance and inspection**

Outbreaks of infectious diseases are inevitable. The risk is growing from a combination of climate change, urbanisation, increased travel and increased human-animal interaction. Unchecked, antibiotic resistance will increase the number of resultant deaths. However, if outbreaks are identified and addressed early, the impacts can be

minimised. All the Ebola-related reports highlight the failure by many countries to implement the necessary 'core public health capacities' that they are committed to develop under the IHR. The UN High-Level Panel and the IHR External Review reports recommend replacing self-assessment of IHR compliance with periodic, independent, external reviews. Compliance and inspection raise questions of equity, finance and sovereignty. IHR compliance protects the global community, as well as the country where the infectious disease arises. However, informally, several low- and middle-income countries (LMICs) have noted that despite significant criticism of their non-compliance, criticism can be levelled at the many high-income countries that applied travel and trade restrictions. These restrictions did not comply with the IHR and gave the impression that the IHR protect high-income countries from LMICs. Thus, as a matter of equity, global leaders must try to ensure compliance with all aspects of the IHR and not just with the core competencies.

Minimising the impact of infectious disease outbreaks requires a fully functioning health system. Developing such systems requires significantly more resources than are available to many LMICs, which face multiple resource gaps and may not always perceive health system strengthening as a priority. The IHR Review Committee recommends a 10-year strategic plan for implementing the IHR linked to milestones and funding. One post-Ebola panel has estimated an annual outlay of \$4.5 billion. Without richer countries committing to finance →

PHOTO: UNMEER/MARTINE PERRET



ALL PHOTOS ON THIS PAGE: UNMEER/MARTINE PERRET

The West African Ebola outbreak caused more than 11,000 deaths, and was the most deadly since the disease was discovered 40 years ago

→ such a plan, the world remains at risk of another Ebola outbreak – or worse. However, efficiencies may come from better integration of programmes focused on single diseases (such as polio eradication), and any strategic plan and funding needs to be integrated with Sustainable Development Goal 3. Financing IHR implementation is in the interest of the G7 and, indeed, will only be possible with G7 assistance with finance and other resources.

**Greater efforts required**

Some countries may perceive independent external inspection as an unwarranted undermining of sovereignty. However, within health, external independent inspection is increasingly seen as a tool to help the inspected. During the Ebola outbreak, most Eastern Mediterranean countries tested their compliance using independent inspection. Although several were identified as non-compliant, they accepted the exercise constructively and recognised external inspection as a defence against the spread of Ebola. However, such external inspections must apply to all countries and not just some. They must be implemented in a way that is least burdensome, and the process must be financed. G7 members must lead, both by example (which several have already done by submitting themselves to external

\$4.5bn

The estimated annual cost of implementing the IHR's 10-year strategic plan

inspection) and by publicly highlighting the benefit to those inspected.

The IHR assume a functioning state, but the situation in conflict-affected areas, ‘ungoverned spaces’, and among some mobile and refugee populations must also be considered. This consideration includes the increasing propensity for healthcare facilities and personnel in those areas to be the subject of attack, whether deliberately, by accident or through negligence. Much more effort is also required in research, development and manufacturing, not just to prevent diseases (for example through vaccine development and production) from emerging or amplifying into outbreaks, but also to ensure a system for equitable access to products and other benefits derived from research conducted in or using materials or data from resource-poor countries.

In terms of global health governance, the UN High-Level Panel recommended that WHO remains the leader of the global response to infectious disease, while also recommending the formation of a global council of 50 states to address the ‘non-health’ aspects of global health emergencies. However, it is difficult to separate the health from the non-health aspects of health crisis management, and the formation of such a council needs careful consideration if it is not to weaken WHO’s ability to effectively lead future global responses. **G7**

# The real world has real problems

The World Economic Forum is the largest platform for stakeholders in the global economy. It is attended by more than 2,500 people, who could range from Leonardo DiCaprio to Christine Lagarde to heads of government such as David Cameron. The privileged ones pay to the tune of \$25,000 to be there, and a staggering amount of more than \$60 million is received in participation fees.

Yet, as reported by *Financial Times*, the four key themes addressed at the 2016 World Economic Forum were: automation through technological innovation, the risk of China pulling down other emerging markets, emerging markets' inherent slowdown and Brexit. But looking at it from a humanistic point of view, the four big themes facing the real world are: Health, Education, Food Security and Poverty.

Working on these themes would elevate the status of under-developed economies and boost the existing robust economies through an additional impetus of human contribution to economic growth. The real world is not about robots taking over human beings, the real world is about what is happening here and now, where one person dies every four seconds from hunger-related causes; where more than 15,000 children are dying every day before five years of age; where approximately 3.1 million children die of starvation each year; where 160 million children under five are stunted; where 51 million under five years old were wasted and 17 million were severely wasted in 2013. Even if the prevalence of all these problems is decreasing, the progress is not good enough and millions of children remain exposed, with a significant increase in malnutrition, illness and ultimately death.

## Healthy economies

Taking it further, according to the Bill & Melinda Gates Foundation, 90% of the infectious disease burden is in developing countries, whereas only 10% of global research and development goes to developing countries. To compound the problem further, fewer than 20



*While 90% of the infectious disease burden is carried by developing countries, they receive only 10% of global research and development focus*

“  
Based on our analysis, 60% of global drug expenditure is for 11% of the world population”

of the 1,500 medicines licensed since 1975 have been for diseases that primarily affect the developing countries. Based on our analysis, 60% of global drug expenditure is for 11% of the world population and the gap between low income countries, where only \$68 is spent per capita on health, versus the \$4,300 per capita spent in high-income countries, represents a huge gap.

Global economic balance will not be attained by the themes discussed at World Economic Forum, but by bridging the gap in terms of health, nutrition and education. Healthy communities lead to healthy economies and raising the bar in the under-developed countries will

automatically raise the bar in the developed world.

Stratgurus, through its corporate social responsibility initiatives would like to contribute to this global cause of bridging the gap and is open to partnerships and collaborations.



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# Japan must retain its position as a health leader

*The G7 host country should lead the debate on world health and ensure it follows up on pledges to fight disease and invest in human security*

## KEY TAKEAWAYS

Japan's role as a leader in global health stretches back to the 1979 G7 summit

Global health issues are always changing and require constant attention from world leaders

The Japanese government must try to maintain its health legacy despite challenges

The topic of human health first appeared at the 1979 G7 summit hosted by Japan, four years after the first meeting of the world's major advanced economies. The leaders vowed to "place more emphasis on cooperation with developing countries in overcoming hunger and malnutrition". Thereafter, this truly global concern remained a substantive agenda item.

Health-related agenda topics were scarce, however, until 1996, when the global HIV/AIDS pandemic led to the creation of UNAIDS. Since then, HIV/AIDS has remained central to summit discussions.

Japan has remained a leader in health at the summits, from the Hashimoto Initiative to control infectious diseases established as a result of the 1997 Denver and 1998 Birmingham summits, through the 2000 Okinawa Summit with its infectious disease initiative and the initial proposal that led to the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria. Japan's leadership has focused on building capacity and improving national health infrastructure, as exemplified by the health-system strengthening initiative at the 2008 Hokkaido Toyako Summit.



TAKASHI AOYAMA/GETTY IMAGES

The international commitment to global health is manifest in the sustainable development activities of the United Nations, originating in the 1992 Earth Summit in Brazil and the Millennium Development Goals in 2000. The 2002 Rio+10 Summit and 2012 Rio+20 re-emphasised the impacts – beneficial and detrimental – of globalisation.

### How the world has changed

The international pharmaceutical industry has also played a major part in improving global public health. Merck's donation of ivermectin to fight river blindness in 1987 was followed by drug donations from several major pharmaceutical manufacturers.

The new paradigm of international, multifaceted mobilisation to improve global health was further advanced by the Bill & Melinda Gates Foundation in 2000; Gavi, the Vaccine Alliance; and others, including the President's Emergency Plan for AIDS Relief (PEPFAR) in 2003. The Gates Foundation represented new leadership, creating multidisciplinary partnerships such as Grand Challenges Canada and Japan's Global Health Innovative Technology Fund with non-governmental organisations, countries, academia and industry.



Satoshi Omura speaks to the media after winning his Nobel Prize in October 2015

Resource-poor, disease-endemic countries and affected communities have also made significant health interventions. Modern technology is informing and empowering virtually all communities, so they can now take advantage of social networking and other enabling systems to address their own health needs.

Yet the income/wealth gap, within and between countries, continues to widen, while mass production and massive consumerism increase and the world population burgeons, resulting in human societies with clearly unsustainable foundations.

Shifting world economic power has seen the G20 meeting at the leaders' level starting in 2008, the emergence of the BRICS group of Brazil, Russia, India, China and South Africa, and two new major development banks. Single events resonate globally, as evidenced by September 11 in 2001 and the release of the iPhone in 2007. The Arab Spring in 2010 led to failed states in North Africa and the Middle East, causing refugees to flood across the European Union and creating unforeseen, complicated emergencies.

Integrated measures against HIV/AIDS, tuberculosis and malaria have progressed

## Kiyoshi Kurokawa



Chair  
**Health and Global  
Policy Institute**

*Kurokawa is also Chair of the Global Health Innovative Technology Fund, as well as an adjunct professor and the principal investigator of the Global Health Innovation Policy Program at the Graduate Institute of Policy Studies in Tokyo. He is a member of the G8 World Dementia Council. Trained in internal medicine and nephrology, he has taught in the faculties of medicine at the University of Tokyo, University of Pennsylvania, UCLA and Tokai University, among others.*

[kiyoshikurokawa.com/en/](http://kiyoshikurokawa.com/en/)

significantly since 2000, proving that concerted, multi-stakeholder health interventions can conquer intractable diseases. But global health problems are dynamic and forever evolving, and so need constant attention from world leaders.

### **Maintaining Japan's legacy**

As health and poverty are central to today's inherently unstable globalisation, improving human health is a major global challenge that will benefit all humankind. This potential is recognised by the Hideyo Noguchi Africa Prize introduced by Japan in 2005. Furthermore, new international medical science prizes, such as the Lasker and Gairdner awards, are rewarding public service and global health. The 2015 Nobel Prize in Physiology and Medicine was awarded to Satoshi Omura and William Campbell for discovering avermectin and to Youyou Tu for discovering artemisinin. As well as official development assistance and funding from multilateral agencies such as the UN and World Bank, novel forms of private-public partnerships have appeared nationally and internationally, with the Gates Foundation playing a big role.

For 20 years, existing and emerging health challenges, including ageing, polio and influenza epidemics, have received significant G7/8 consideration. Recent summits have continued to address infectious diseases including dengue and Ebola, anti-microbial resistance (AMR), ageing, dementia and vaccination programmes (including eradicating polio).

The Japanese government must try hard to maintain its credibility and legacy on health at the G7. It should lead the discussion on universal health coverage, ageing and dementia, epidemics and AMR. Promises to fight devastating diseases and procure the necessary financial resources must be executed despite big challenges including the sluggish economy and huge sovereign debt. Innovative financial mechanisms, such as those employed by Gavi (which receives about 20% of its funding from the United Kingdom, France, Italy, Norway, Australia, Spain, the Netherlands, Sweden and South Africa), may offer a new model for using national bonds as a critical source of funding for protecting health and human security. Japan must uphold its pledges made at the summit and continue to strive to be a leader in global health. **G7**



**I am pleased  
that the G7  
remains engaged  
on the critically  
important topic of  
energy efficiency**



Fatih Birol

*Executive Director, International Energy Agency*

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# Energy security

## COMPLIANCE SCORE

*The average level at which G7 members have complied with their priority energy security commitments from the 2015 Schloss Elmau Summit, eight months later*



Energy: support for vulnerable countries in reforming systems

+0.50

75%

## KEY TAKEAWAYS

Energy that is not used is the most secure supply of all

10.2 gigatonnes of carbon emissions have been saved since 1990



# Energy security through efficiency

*Increasing energy efficiency offers the greatest opportunity to reduce carbon emissions, improve energy security and enhance economic growth*

Discussions of energy security often focus on security of supply. Where will we get our energy? How can we ensure that fuel supplies will cover shortfalls during disruptions? Are our infrastructure and policies adequate to take advantage of shifting market conditions? How can countries work together to ensure collective energy security in times of geopolitical instability? These are important questions, and for over four decades have formed the bedrock of the International Energy Agency's (IEA) mandate on energy security. In recent

years the IEA has put this expertise to work in support of the G7. One current focus concerns gas supply security; in particular, the IEA is providing advice on options to strengthen the resilience and flexibility of gas markets. Another is electricity security, a pressing topic in a time of decarbonisation.

### **The importance of energy efficiency**

However, this focus on security of supply should not overshadow another, potentially greater concern: using less energy through increased efficiency. Energy that is not used is the most secure supply of all. Attention paid to energy efficiency by countries and international forums has grown steadily over the past decades. It is now recognised as a central and critical component of the global energy transition. Of all available options, energy efficiency offers the greatest opportunity to reduce carbon emissions, improve energy security and enhance economic growth.

The virtual supply of energy saved from efficiency generates multiple integrated and holistic benefits to governments, businesses and households that reach far beyond the

## The G7 remains engaged on the important topic of energy efficiency

*Thermal imaging is used to research ways of reducing energy wastage*

energy sector, including macroeconomic development, industrial productivity, and health and the environment. Since 1990, energy efficiency investments in IEA countries have saved a cumulative 10.2 gigatonnes of carbon emissions from fossil fuel combustion. This is an important number to remember as governments work to implement the Paris Agreement: of the options in the IEA Bridge Scenario to achieve a peak in global emissions around 2020, almost half of all energy savings come from efficiency.

### Untapped economic potential

Despite the key strategic role of energy efficiency, the vast majority of economically viable investments will not be made under existing policies. Relative to the opportunities, inadequate attention is paid to energy efficiency investments both by public and private stakeholders. Unless policy activity increases, two thirds of the economic potential to improve energy efficiency remains untapped in the period up to 2035. This is unfortunate: from a market perspective, energy efficiency services are a commodity – for all types of energy consumers and producers – equal to any other energy resource.

Thankfully, governments today are seeking advice. The next step will require leadership and investment, necessary for energy efficiency to realise its potential and help the world meet its collective climate goals.

The IEA is a central voice in this discussion, increasingly focusing on energy efficiency and the ways it intersects with the rest of the energy mix. Since 2013 the IEA's *World Energy Outlook* has featured a chapter on energy efficiency on an equal footing with other fuels. In 2013, the IEA added energy efficiency to its suite of fuel market reports, alongside traditional fuels such as coal and oil. And in 2016 the IEA created a dedicated energy efficiency division.

## The IEA is positioning itself to lead in global analysis of energy efficiency policy

This growing expertise is being acknowledged. As one outcome of the G7 Hamburg Initiative for Sustainable Energy Security in 2015, the IEA, in collaboration with the International Partnership for Energy Efficiency Cooperation, is working on a comprehensive analysis of key energy efficiency measures, focusing on market mechanisms. We look forward to sharing this work with the G7 in 2017.

The IEA already works closely with the United Nations Environment Programme, Sustainable Energy for All, the World Bank and several other international agencies. It also engages with the G20, supporting its broadening discussion on the importance of energy efficiency. The IEA Energy Efficiency in Emerging Economies programme has already built strong collaborations with the largest emerging economies, working on analysis, measurement, and policy design and implementation.

### Analysis, guidance and monitoring

Conscious of the central role of business in energy efficiency, the IEA has established an industry advisory board involving the CEOs of major private sector organisations interested in energy efficiency. This includes technology companies, energy service companies and utilities.

Rooted in these strong networks and broad expertise, and supported by its rich data and modelling capabilities, the IEA is positioning itself to lead in global analysis of energy efficiency policy. It can offer guidance on designing and delivering energy efficiency policies and programmes, from initial analysis of the opportunity to ongoing monitoring and evaluation.

I am pleased that under the Japanese presidency the G7 remains engaged on this critically important topic, and look forward to continuing our work to provide the highest quality data, analysis and advice to help countries deliver on the tremendous potential of energy efficiency. **G7**

## Fatih Birol



### Executive Director International Energy Agency

*Birol became Executive Director on 1 September 2015. Previously he was the IEA's Chief Economist and Director of Global Energy Economics, with responsibilities that included directing the IEA's flagship World Energy Outlook, recognised as the most authoritative source of strategic analysis on global energy markets. He is also the founder and chair of the IEA Energy Business Council, which provides a forum to enhance cooperation between the energy industry and energy policymakers.*

[@IEABirol](https://twitter.com/IEABirol)  
[www.iea.org](http://www.iea.org)

OPEC's estimation of demand increase between 2014 and 2040

18 MB/D



# Stable oil prices and stocks are key to economic growth

*Against a backdrop of falling investment and increased supply, this key commodity merits discussion by G7 leaders*

*It is in the interests of everyone to see balance restored to the market and inventories come down*



Since mid 2014, the oil market has been going through a period of significant readjustment. The impact is being felt across the global oil industry. Crude oil prices fell by more than 70% by March 2016, many investments have been deferred and some cancelled, workers have been laid off, supply has exceeded demand, stocks have risen above their five-year average, and the market has been searching for balance.

It is another cycle in the history of the modern oil industry. These cycles can be traced as far back as the first successful oil drilling by Edwin Drake in Pennsylvania in 1858, and the booms and busts that followed. However, it is also a story of resilience, and there is no doubt the industry will recover. But given the intensity of the current cycle, it is important to recognise the effects this is having on consumers and producers today, and the potential future impacts.

## Income versus investment

For countries that are large importers of crude and products, the price fall no doubt benefits their economies. Less revenue spent on petroleum imports means more revenue available for other economic sectors. For people in these countries, lower fuel prices should also leave them with more disposable income. However, pump prices have not dropped as much as those for crude oil.

For major oil producers and exporters, lower prices obviously mean re-evaluating budgets and investments. This has created incentives to implement sustainable policies for more diversified and less energy-dependent economies. But it has also led to lower revenues and, for many, a scaling back of investments.

Generally, the short-term view is that low oil prices are good for consumers and bad for producers. However, it is important to look beyond the near term. Low prices are bad for producers today, but often lead to situations that are bad for consumers tomorrow. On the flip side, high prices are bad for consumers today, but may lead to situations that are bad for producers tomorrow.

In today's environment, a major medium- and longer-term issue relates to investment. There is no doubt that the world desires more oil, which means more investment. OPEC sees oil demand increasing by around 18 million barrels a day (mb/d) between 2014 and 2040, reaching close to 110 mb/d. This demand growth is driven by developing countries, as they continue to industrialise and develop their infrastructure, and as billions seek access to modern energy services for the first time. In terms of oil-related investment, an estimated \$10 trillion is required over the period to 2040. Huge investments need to be made.

However, today's market situation puts this future at risk. Oil market investments are dramatically dropping. From 2014 to 2015, investment in exploration and production fell by around \$130 billion – around a 20% drop. A further 15% drop is expected in 2016.

Marginal cost, price and investments are closely linked. Are current prices at a

## KEY TAKEAWAYS

Crude oil prices have fallen by more than 70% since mid 2014

An estimated \$10 trillion in oil-related investment is needed from 2014 to 2040

The market must address the issue of stock overhang

\$130 BN

20%

Fall in investment in oil exploration and production between 2014 and 2015

SAMUEL KUBANI/AFP/GETTY IMAGES



level that will see all the necessary future investments take place? Clearly they are not. At current price levels, not all the necessary future investment is viable. Moreover, new barrels are needed not only to increase production, but also to accommodate for declining rates from existing fields.

### Restoring the balance

If the necessary new capacity does not come online in the coming years, the market could move from one of too much supply to one of not enough. The previous high oil-price cycle was the outcome of a lack of investment in more supply. And today's low oil-price environment is the result of too much investment in high-cost production during that period.

It is essential to return balance to the market, and provide the stability and market conditions that allow for future investments. This is something that OPEC is continually striving for.

The market is already showing signs that supply and demand fundamentals will start to correct themselves in 2016. But the issue of expanding inventories remains a significant concern. Since the end of 2015, the five-year average for commercial stocks among members of the Organisation for

## Abdalla Salem El-Badri

Secretary General  
**OPEC**

*El-Badri has been Secretary General of the Organization of the Petroleum Exporting Countries (OPEC) since 2007. In 1977, he joined the board of Libya's Umm Al-Jawaby Oil Company, and in 1980 was appointed Chair of the Waha Oil Company. He became Chair of the Libyan National Oil Company (NOC) in 1983 and Libya's Minister of Petroleum in 1990. He subsequently served as Libya's Minister of Energy, Oil and Electricity, and Deputy Prime Minister, before returning to NOC until 2006.*

[www.opec.org](http://www.opec.org)

Economic Co-operation and Development (OECD) has risen from a negative level of 85 million barrels to a surplus of well over 300 million barrels at the start of 2016. This development continues to affect crude prices significantly. Moreover, for the same period there has also been a rise in non-OECD inventories, plus an expansion in some non-OECD strategic petroleum reserves.

The market must address the issue of the stock overhang to bring further balance. And, given that non-OPEC members increased supply by more than 5 mb/d between 2013 and 2015, compared to OPEC keeping supply fairly stable over this period, this is an issue that all major producers should tackle together.

It is hoped that G7 leaders at the Ise-Shima Summit in Japan discuss the current oil market environment, given the industry's global economic impact. Specifically, it is in the interests of everyone to see balance restored to the market and inventories come down to levels that allow prices to recover and investments to return. As OPEC often says, extreme prices – either too high or too low – are not in the interests of either producers or consumers. **67**

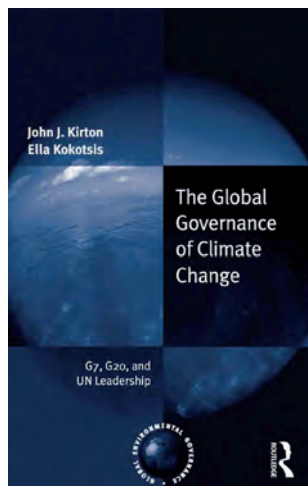
# From Routledge...

## **The Global Governance of Climate Change**

G7, G20, and UN Leadership

*John J. Kirton and Ella Kokotsis*

An analysis of four decades of intergovernmental regimes for controlling global climate change from its 1970s origins to the present and demonstrates the effectiveness of the G7/8 and G20 summit alternative to the United Nations.



## **The G8-G20 Relationship in Global Governance**

*By Marina Larionova and John J. Kirton, editors*

If the growing demand for global governance breathed new life into the G7/8 and the G20, it raised questions about the evolving relationship between them. This volume considers the rough division of labour and the interconnections between them – and how that relationship can be improved for today's tightly wired world.

## **G20 Governance for a Globalized World**

*John J. Kirton*

Follow George Bush and Barack Obama, Gordon Brown and David Cameron, Stephen Harper, Angela Merkel and other key leaders as they struggle to contain the worst recession since the Great Depression of the 1930s. This book provides a full account of the first four G20 summits from Washington to Toronto and beyond.



## **China's G20 Leadership**

*John J. Kirton*

A comprehensive examination of China's diplomacy and influence on the G20 since the group's start as a forum for finance ministers and central bankers in 1999 through its elevation to the leaders' level in 2008. It examines China's role in the summits and its plans and prospects for the summit it will host in September 2016.

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# Climate change and the environment

## COMPLIANCE SCORES

*The average level at which G7 members have complied with their priority climate change commitments from the 2015 Schloss Elmau Summit, eight months later*



Climate-considerate Growth

+0.63 **81%**

Copenhagen accord

+0.75 **88%**

Low-carbon strategies

+0.38 **69%**

Support for Vulnerable countries

+0.50 **75%**

+1 means full compliance, 0 means work in progress or partial compliance, and -1 means no compliance or action antithetical to the commitment.  
Based on a study by the G7 Research Group

## KEY TAKEAWAYS

G7 members can trigger four key actions to ensure 2-1.5°C is on track

Cities, companies and investors are supporting governmental efforts

# PUTTING THE WORLD ON A 2-1.5°C PATHWAY

*G7 members must act immediately to ensure the global temperature rise is kept below 2°C, writes Christiana Figueres, Executive Secretary, UN Framework Convention on Climate Change*

Six months after the landmark United Nations climate change agreement in Paris, the world's richest countries will meet in Ise-Shima, Japan, to take forward these historic outcomes.

The G7 members can congratulate each other for the strong political impulse they sent from their last summit, held in Germany in 2015. Their commitment to foster national, low-carbon pathways while supporting decarbonising the global economy was among the positive announcements that lifted the Paris outcome beyond many expectations.

Today, the challenge is to translate intent into action and propel the huge momentum that has already been building at a speed and scale that does justice to the extraordinary ambition enshrined in the Paris Agreement, including its two critical temperature goals.

Countries across the globe committed to achieve, by the second half of this century, a world where emissions will be low enough to be safely absorbed by the Earth's nature-based infrastructure such as forests and soils. Specifically they committed to keeping the global temperature rise well under 2°C. They also agreed to pursue efforts to keep that rise at an even safer level of 1.5°C –

a lifeline for many vulnerable countries that are already suffering the impacts of climate change.

But there is a sobering reality that speaks to urgency not next week, next year or in the next decade, but today.

The world has already pumped so much pollution into the atmosphere that many estimate that two-thirds of the space has been 'used up'. The remaining third may soon be filled unless the emissions curve is swiftly, decisively bent down.

Global emissions need to peak by 2020 and decline rapidly thereafter.

Delaying transformative action beyond 2030 could imperil even the below-2°C goal, triggering economically damaging extreme weather events and other impacts such as sea-level rise.

### **Urgent need for positive action**

The G7 members, by virtue of their size and carbon footprint, can play a pivotal role in bringing the Paris Agreement into force as early as possible – at least 55 parties to the Framework Convention on Climate Change representing at least 55% of global emissions are needed to do this.

Simultaneously, they can use their influence to trigger actions that can put the world firmly onto the 2-1.5°C pathway. First, they can focus →



Time is of the essence: 2015 was the hottest year ever recorded

*A message of freedom and sustainable energy from Paris during its UN Climate Change Conference last December*



MARTIN BUREAU/AFP/GETTY IMAGES

# Christiana Figueres



Executive Secretary  
**UN Framework  
Convention on  
Climate Change**

*Figueres was appointed Executive Secretary in 2010 and reappointed for a second three-year term in 2013. Initially a member of Costa Rica's negotiating team, she was also on the executive board of the Clean Development Mechanism and Vice President of the Bureau of the Conference of the Parties in 2008-09. In 1995, she founded the Center for Sustainable Development of the Americas. Figueres began her life of public service in 1982, and held several positions in the Government of Costa Rica.*

🐦 @CFigueres  
🌐 [www.unfccc.int](http://www.unfccc.int)

→ sharply on overseas development assistance and the lending policies of the multilateral development banks, including the World Bank. No project – be it developing energy infrastructure or investing in urbanisation, transport, forestry or agriculture – should go ahead if it flies in the face of the Paris Agreement's objectives and the new Sustainable Development Goals. Second, they can support developing countries' climate action plans. For many, these Intended Nationally Determined Contributions are also blueprints for sustainable development. Many developing countries are determined to realise their ambitions, but they will go faster and further with the right kind of financial, technical or policy support.

Third, G7 members can, through forward-looking policy innovations and standards-setting, liberate far greater private financial flows into the green, cleaner investments needed to rapidly peak and then cut global emissions. Innovations are needed to assist in building more shock-resistant economies everywhere, able to handle the climatic impacts already stored in the Earth's systems as a result of some two centuries of high-carbon industrialisation.

Fourth, greater partnerships between companies, central and local governments can also fast-track action nationally. Many cities, provinces, regions and corporations are already demonstrating their enthusiasm and willingness to act.

### Before and after Paris

In the run-up to Paris, this broad and cooperative action agenda found expression in a huge range of initiatives, most captured in the Non-State Actor Zone for Climate Action (NAZCA) portal supported by scrutiny and data from bodies including the Carbon Disclosure Project and C40, the cities alliance. More than 10,000 commitments have been made by cities and companies, often in collaboration with governments, the UN and other international organisations. Almost 60 companies, including Unilever, Swiss Re, IKEA, Infosys and Walmart, have pledged to be powered by 100% renewable energy under the RE100 initiative. Around 450



cities, through the Compact of Mayors, are also moving on initiatives to cut pollution and build urban resilience.

Yale University's analysis, released in December 2015, shows that:

- 15 of the world's 20 largest banks totalling close to \$2 trillion in market value have made commitments, and green bonds worth almost \$50 billion are financing climate projects;
- 111 Global 500 companies with a collective \$6.7 trillion market capitalisation are making reduction pledges on NAZCA;
- 97 of the top 300 cities by gross domestic product (GDP) using purchasing power parity (PPP) are engaged on NAZCA, with a total GDP PPP close to \$20 trillion; and
- more than one-third (609) of the 2,000 largest companies by Forbes 2000 are engaged on NAZCA and represent aggregate revenue of \$19.2 trillion, equivalent to the combined GDPs of China, Japan and Germany in 2014.

Action by cities, companies and investors is continuing since Paris, underlining a determination to support governments in operationalising the new agreement.

- Tata Motors of India and BMW in Germany recently joined RE100;
- 17 US governors have agreed to jointly pursue clean energy goals, including



COP21/ALAMY STOCK PHOTO

Figueres celebrates adoption of the Paris Agreement with fellow dignitaries in December 2015

improving energy efficiency and rates of renewable energy, modernising the electricity grid, and promoting electric and alternatively fuelled vehicles under the Accord for a New Energy Future; and

- Apple has announced \$1.5 billion in green bonds offering to finance clean energy across its global operations.

### Government action

Governments are also moving ahead: Norway's \$800 billion sovereign wealth fund pulled out of more than 40 firms linked with either coal or tropical deforestation; China will close 1,000 coal mines in 2016 in its plan to shut as much as 500 million tonnes of surplus production capacity in the next three to five years; Canada and the US have agreed to jointly reduce methane emissions by 40-45% below 2012 levels by 2025 from the oil and gas sector; Australia announced a A\$1 billion (\$760 million) Clean Energy Innovation Fund to support renewable energy investments; Sri Lanka announced it is targeting 100% renewable energy for electricity production by 2030; and the United Kingdom will enshrine net zero emissions into domestic law in line with the Paris Agreement long-term goals.

The World Meteorological Organization pronounced 2015 as the hottest year on

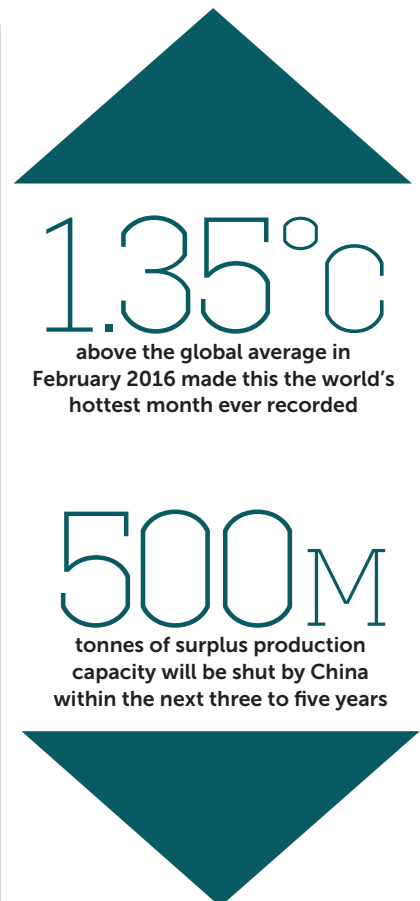
record. February 2016 was, at a sobering 1.35°C above the global average, the hottest month ever recorded.

Time itself is becoming the limiting factor in global efforts to address dangerous climate change. The Paris Agreement at its core is about decoupling emissions from growth. The International Energy Agency has shown that for the past two years the world economy has grown while emissions have been flat.

Many of the biggest, richest economies are already on their way to breaking the growth-emissions link, so the next step – fast-tracking full decarbonisation – is decidedly doable.

Paris is also about urgently decoupling the impacts of climate change from lasting economic damage. In a globalised world of interconnected supply chains, this is in all countries' interests, beyond the moral imperative of our shared humanity. With global growth slowing across economies and traditional stimulus responses running out of steam, there is an increasing urgency for new and fresh answers to regenerate stable and steady growth.

Greening infrastructure from transport to buildings to power generation provides proven answers to the challenge while also catalysing a rapid peaking of global missions in line with the promise and pathways laid out from the Paris Agreement. **G7**





# Safeguarding the global commons is the wisest investment we can make

For the first time in seven years, environment ministers from G7 countries are meeting as part of the preparations for the G7 leaders' summit. This is a clear recognition that environmental issues are increasingly being mainstreamed into economic decision-making. There are very good reasons for world leaders to take the global environment seriously.

Scientists tell us that the biophysical processes that determine the stability and resilience of Earth, our 'planetary boundaries' that allowed our societies to thrive during the past 10,000 years, are being pushed to their limit. Evidence is mounting that the miraculously favourable Earth conditions that scientist call the Holocene – the only conditions we know can support a human population of 7.4 billion and more – risk coming to an end.

We are at a defining moment for the future of our planet and its peoples. The greenhouse gases that cause climate change are at higher levels than



**NAOKO ISHII**  
CEO and Chairperson  
Global Environment  
Facility

*The G7's renewed focus  
on the global environment  
could not be more timely*



The world's governments took the first steps in that direction last year. In September, nearly 200 nations, gathered in New York, pledged their commitment to 17 sustainable development goals (SDGs) to guide growth over the next 15 years in ways designed to end poverty and ensure prosperity while respecting planetary boundaries. Three months later in Paris, the same governments adopted an agreement to combat climate change, committing to achieving zero net emissions of greenhouse gases in the second half of the century.

Shifting to a low-carbon and resilient trajectory will require coordinated, integrated solutions to catalyse the transformation of three key economic systems: energy – how we power our homes, offices and industry, and move goods and people; urban – how we live in cities and build new ones; and land use – how and where we produce food, and what we eat.

As an institution dedicated to ensuring the health of the global environmental commons, we at the Global Environment Facility recognise that while we have won some battles, the war to maintain the conditions for future prosperity and well-being is still being lost. There have been many good individual actions, but they have not added up to the systemic changes that are needed.

Transformational change will require actions on multiple fronts and at all levels of society. It will require political and social mobilisation and bold leadership.

**Creating lasting prosperity**

It is our hope that this new effort will lay the foundation for a new paradigm for the global commons. We need a new way of thinking that enables transformational change, new alliances, social and economic opportunities, and provides the stable conditions necessary for sustainable growth, poverty reduction, peace and security.

It will be a journey not just to avoid disaster, but to build lasting prosperity. Operating within the planetary boundaries is not just the only way to ensure healthy economies, but has the potential to provide much greater and better shared growth than sticking to business as usual. Safeguarding and enhancing the global commons is therefore the wisest investment we can possibly make. The G7's renewed focus on the global environment could not be more timely.

at any time in at least 800,000 years. Last year was the hottest on record, and 2016 may be hotter still. Globally, species are being lost at a rate only seen before during mass extinctions. The health of our oceans is declining rapidly.

The alarm bells are ringing. On its current trajectory, the worsening global environment will be an ever-increasing threat to our global aspirations for economic growth, jobs, security and prosperity. There is an enormous amount of work to be done, and success remains far from certain, but now is the time to tackle the world's most pressing environmental and social problems.

Our fate is in our own hands. As the world moves out of the Holocene into what is being gradually recognised as a new Anthropocene epoch – one where humans are the largest driving force of change on planet Earth – it is our common responsibility to change our ways of operating to ensure that this vital system continues as our essential 'global commons'.



[www.thegef.org](http://www.thegef.org)



ILLUSTRATION: STUDIO NIPPONJIT

IN CONVERSATION



**The first  
priority for  
the G7 must  
be to follow  
up on its own  
commitments**



Achim Steiner

*Under-Secretary-General, United Nations, and  
Executive Director, United Nations Environment Programme*





**What are the next steps needed on climate finance?**

**A** The financing challenge is the key to whether the Paris Agreement can be implemented or whether it will fail. That concerns public finance at the level of national commitments – particularly from the point of view of developing countries – as well as the fulfilment of pledges by industrialised countries to co-invest with developing countries in making the transition to low-carbon economies more effective and faster. The Green Climate Fund is a critical part of this international financing toolbox and everyone was pleased to see the \$10 billion pledge before Paris. But very careful attention needs to be paid to whether it can transact a volume of finance that will actually grow with pledges. So bilateral cooperation and the Green Climate Fund are critical.

The United Nations Environment Programme has been working for many years directly through its UNEP Finance Initiative with the financial sector, investors, funds, banks and financial institutions to bring to their attention the vital role of the finance sector in enabling these investments. One particular initiative was related to the commitment by pension funds to begin to decarbonise their portfolio. We set out a year in advance with the hope of having a commitment from pension funds in the range of \$100 billion by the time Paris was to convene. The response was so significant that the commitment made by pension funds at Paris exceeded \$600 billion in terms of moving investments out of carbon-intensive investment portfolios.

We also need to look at private sector finance, again both at the national and global levels. The kinds of investment needed dwarf everything that could be financed through public finance and government budgets. Indeed, regulators need to incentivise the financial and capital

markets to shift their investments so that they underpin the energy sector, transport sector, buildings, the restoration of forests and other ecosystems.

**Q** How can the G7 leaders help in implementing the Paris Agreement and the Sustainable Development Goals (SDGs)?

**A** The first priority for the G7 must be to follow up on its own commitments. The Schloss Elmau Summit was historic: for the first time the G7, under Germany's presidency, articulated an outlook for decarbonising our economies. The concept set out in the Elmau communiqué needs to be refined, particularly with respect to industrialised countries following through, at the Ise-Shima Summit in Japan. The G7 should further refine the strategies that will allow its members to be among the leaders of the industrialised countries to move in that direction.

That concept is inextricably related to the SDGs. Virtually every SDG carries within it an element – whether on cities, food security and agriculture, ecosystems and natural resources, industrialisation, transport – that will either contribute to or detract from making a transition towards a low-carbon economy or indeed decarbonising our economies. We have the Paris Agreement from the climate change convention and the SDGs and the 2030 Agenda for Sustainable Development endorsed by the United Nations General Assembly, and these two tracks are inextricably linked. Therefore, the Ise-Shima Summit is a timely opportunity for G7 members to clarify that link and how it will influence their own macroeconomic policy. The developing world expects G7 members to represent the leadership in mobilising both public and private finance, and green finance in general. In Japan we will see clearer discussions on mobilising financing both to fulfil the

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\$600bn

The sum pension funds plan to move out of polluting portfolios

annual \$100 billion pledge that underpins the climate agreement by 2020 and within the G7 economies themselves, because without significantly scaling up investments, G7 members will not achieve their own commitments.

**Q** Could you see the G7 setting an even stronger aspirational target than the one from Elmau?

**A** A very pertinent question, particularly since the Mauna Loa Observatory in Hawaii recently measured carbon dioxide concentrations hitting record levels again.

The urgency of decarbonisation is clearly registering on the political and economic radar across the globe. The challenge is to have a process that is equitable, fair and accelerated. It is difficult to second guess whether the G7 can commit to a 2050 timeline at the Ise-Shima Summit. The most logical next step would be for the G7 to agree on allowing a target to be adopted and endorsed by the G7, whether it is in Japan in 2016 or with Italy in the 2017 presidency. We are already keenly aware that time is truly running out. Paris signalled a 1.5°C scenario as something the world should aspire to. We struggle to see how to stay within that margin of warming. It is therefore imperative that industrialised countries continuously review their strategies for bringing down emission levels.

The rapidly emerging consensus on direct and short-lived climate pollutants (SLCPs) will be tested later this year when the Montreal Protocol convenes. We have an enormous opportunity to use the dual track of the Montreal Protocol and the climate change convention to significantly reduce SLCPs and even prevent their growth. The G7 would send an extraordinarily important signal if it were to commit to the SLCP agenda, and particularly the work of the Climate & Clean Air Coalition in addressing these pollutants. **G7**



# Our green journey

We are committed to tackling climate change by pioneering our industry in high-energy-efficient home appliances and production processes. As a trailblazing home appliances company our entire value chain is crafted with efficiency, innovation and sustainability. While expanding our global presence, we strive to leave a better world for future generations, true to our corporate vision: “Respects the Globe, Respected Globally”.

The United Nations has set new Sustainable Development Goals in order to help the world combat massive challenges. Guided by the UN Global Goals, we are passionate in protecting our planet's depleting resources. We aim to increase energy and material efficiency throughout our product life cycle.

Water scarcity affects more than 40% of the global population and this burden is projected to escalate. By 2050, at least one in four people is likely to live in a country affected by chronic or recurring shortages of fresh water. As one endorsement of our passion, we developed a dishwasher to consume only 5,5 liters of water per wash.

Energy demand is estimated to increase by 50% towards 2030. Given this scenario, energy efficiency stands out as one of the most efficient methods to contain carbon emissions. Knowing that energy consumption during the use phase accounts for 95% of carbon emissions in the total life cycle of household appliances, Arçelik rigorously invests in R&D and innovation for superior energy and resource efficiency. Some of our best examples are refrigerators 20% and washing machines 70% more efficient than A+++ class.

## Among Europe's leading green companies

There is a huge potential for energy saving by increasing energy efficiency through industrial electric motors too. We strongly support the idea to introduce only high-energy-efficient industrial motors to the market.

Arçelik can proudly say that our efforts in energy efficiency have positioned us among Europe's leading green companies.

Taking an active role in global initiatives is another pillar in our strategy to combat climate change. As a manufacturer servicing 130 countries, we are fully aligned with energy efficiency limits relevant to our industry. Arçelik sits on the board of CECED and supports EU regulations for ensuring better implementation and enforcement.

Arçelik is one of the first signatories of the 2°C climate communiqué. We reaffirmed our strong commitment to the new universal climate agreement at COP21 in Paris, as the sole representative of Turkey's white goods industry. We are privileged to be part of the United for Efficiency (U4E) initiative, a key project under the SE4ALL programme, which aims to make sustainable energy for all a reality by 2030.

We also collaborate with local authorities and advocate policy changes for transforming markets with energy-efficient appliances. To promote the transition to energy-efficient refrigerators in South Africa and Thailand, we have become a partner of U4E, the Efficient Appliances and Equipment Global Partnership Programme led by UNEP. In South Africa, only 47% of the population has access to the power grid. This scenario has triggered Arçelik to develop and produce a refrigerator that runs on solar energy for South African provinces without electricity.

Furthermore, we believe that incentivising energy-efficient products is the key to achieve energy efficiency in home appliances at a global level.

As set out in Paris, in order to hold global temperature increases below 2°C the climate plans of developing countries need finance. Promoting energy efficiency and low-carbon solutions can only be achieved through integrated policies and multi-stakeholder initiatives.

Arçelik is progressing steadily on a global path and aspires to be a truly global player in its industry. Over the past decade we have expanded our production network to 15 manufacturing facilities worldwide. Currently, we have 10 brands in our portfolio with 27,000 employees operating globally. With 60 years of corporate legacy, we are poised to expand our global market presence and break new ground via continuous innovation and technological know-how, coupled with competence to serve different markets.

Believing that gender equality is not only a fundamental human right, but a necessary foundation for a prosperous and sustainable world, Arçelik firmly supports gender equality and the empowerment of women, which also is part of the SDG agenda. Following the footsteps of our parent company Koç Holding, Arçelik has supported global initiatives and implemented a series of programmes to strengthen the gender-sensitive work environment for women. Arçelik wholeheartedly supports the “HeforShe” solidarity movement kicked off by UN Women, the UN Entity for Gender Equality and the Empowerment of Women, with all its employees, authorised dealers and services.



**HAKAN BULGURLU**  
CEO

## KEY TAKEAWAYS

Japan is supporting climate change countermeasures at home and afar

The Paris Agreement requires constant implementation of domestic policies



# Japan: a powerhouse of sustainability

*The G7 host has enacted a range of measures to support the global response to environmental issues such as climate change*

The year 2015 was one of great progress on international environmental policies, including the adoption of the 2030 Agenda for Sustainable Development in New York in September and the Paris Agreement in December. This year, 2016, is the year of implementation to move forward by taking concrete actions based on these remarkable agreements.

In this important year, Japan hosts the G7 summit. The G7 Toyama environmental ministers' meeting on 15-16 May affirms the momentum for implementation among the G7 ministers.

Important environmental issues discussed at the meeting include the 2030 Agenda for Sustainable Development; resource efficiency and the 3Rs of reduce, reuse and recycle; biodiversity; climate change and related measures; chemical management; the role of cities; and marine litter.

### **Paris Agreement on climate change**

The Paris Agreement, a new legal agreement that is now in effect and applies to all countries, marks a turning point in the global challenge of tackling climate change. It is the beginning of the world's commitment to long-term efforts to create a low-emission and climate-resilient society.

The facilitation of the agreement's early entry into force with the participation of major parties is important. In addition, to implement it meaningfully, major emitters must steadily implement their climate change policies. More specifically, parties need to continuously implement the domestic policies and measures towards achieving the contributions they have presented to the international community, and then move forward with enhanced contributions to achieve the long-term goals.

## The environmental ministers' meeting gives an opportunity for further cooperation



*Toyama, host city to the environmental ministers' meeting on 15-16 May*

Japan will proceed with the necessary steps for signing and joining the Paris Agreement, and will also contribute actively to detailed rule-making under it.

We will continue the steady and concrete international support to address climate change globally, in cooperation with other countries and organisations that are actively working on countermeasures. We have supported others, for instance with our 'Daichi' satellite (an advanced land-observing satellite), which has contributed to reducing illegal logging in the Amazon in Brazil. We have also provided various capacity-building opportunities, including seminars on the diffusion of low-carbon technologies in Thailand.

### Further developments

Japan has been implementing the Joint Crediting Mechanism whereby emission reduction credits are counted under its nationally determined contribution, by reducing greenhouse gas emissions through the diffusion of low-carbon technologies in developing countries. There are currently 16 partner countries, and a variety of projects are ongoing, including power generation from waste heat recovery in Indonesia and high-efficiency transformers on the power grid in Vietnam.

Through Japan's National Plan for Adaptation to the Impacts of Climate Change, we are supporting developing countries in strengthening, facilitating and developing capacity for assessing the impacts of climate change, with the view to creating national and local climate change adaptation plans and strategies. We will continue to work on sharing technologies and capacity-building programmes, by utilising our leading technologies, experiences and human resources in environmental management.

Japan will work steadily to achieve its goal to reduce greenhouse gas emissions by 26% by 2030, compared to 2013. On 15 March, Japan drafted the Plan for Global

## We will continue the steady and concrete support to address climate change globally



Warming Countermeasures, its national comprehensive plan to combat climate change. The plan identifies three main principles. First, Japan will steadily achieve the 2030 target through the implementation of policies and measures listed in the plan as well as conduct a robust annual review of progress. Second, it aims at an 80% reduction of greenhouse gas emissions by 2050 as its national long-term goal. Finally, Japan fully contributes to global emission reductions by making use of its leading low-carbon technology. Japan will work proactively to tackle climate change through the innovation of technologies, social structures and lifestyles with the participation of all relevant actors.

In this plan, Japan's aims by 2030 are the dissemination of net zero energy buildings and net zero energy houses, the diffusion of household fuel cells up to a 10% share of all households, an increase in the diffusion rate of LED lights to 100% and a rise in the rate of next-generation vehicles to 50-70% of all new vehicles. In addition, the Ministry of the Environment will initiate discussions by summer 2016 to develop a long-term low-carbon vision. Looking at global trends as well as a vision for society in 2050, Japan will deepen the discussions of necessary policies to realise long-term and steady emission reductions.

It is meaningful for Japan to welcome the G7 ministers and others to Toyama, a city in harmony with its environment, to discuss issues including climate change at the G7 environmental ministers' meeting. Toyama is surrounded by natural beauty, and has adopted advanced environmental policies such as compact city planning with light rail transit. I very much hope that the meeting in Japan further facilitates actions in cooperation among G7 members and others towards a sustainable society. I believe that many countries will steadily promote domestic measures as well as cooperate globally to respond to environmental problems. **G7**

## Tamayo Marukawa



Minister of the Environment  
**Japan**

*Marukawa has held the position of the Minister of the Environment and Minister of State for Nuclear Emergency Preparedness since 2015. After graduating from the University of Tokyo with Bachelor of Economics, she was a broadcaster for network television for 14 years. In 2007 she was elected a member of the House of Councillors of the National Diet and served as the Parliamentary Vice-Minister of Health, Labour and Welfare from 2012 to 2013.*

## IN CONVERSATION



# Current efforts will not be sufficient to achieve all biodiversity targets. I am optimistic we can do better



*With serious threats to global biodiversity, governments must respond by enacting the necessary legal frameworks, as Braulio Ferreira de Souza Dias explains to editor John Kirton*

**Q** What are the major benefits from enhancing global biodiversity?

**A** We are talking about all forms of life on Earth. Biodiversity is perhaps the biggest wealth the planet has, because it provides the diversity of species, genetic resources and ecosystems that allow all of us to have a good quality of life and engage in economic activities. It provides for the availability of clean water and air, food and medicines. It enhances our resilience against disasters. It provides capacity to adapt to climate change. We need to eat, we need to breathe, we need to drink and, often, we need to take medicines. All that comes from biodiversity.

**Q** How can boosting biodiversity contribute more specifically to controlling climate change?

**A** Around 20% of all greenhouse gas emissions come from land use: how we manage our forests, wetlands, savannahs, grasslands and agriculture. Managing biodiversity more sustainably, enhancing its conservation and reducing its loss and its degradation will reduce those emissions. Perhaps the biggest potential to sequester greenhouse gases is associated with opportunities to restore degraded ecosystems and increase forest areas, which are major sinks for carbon and other greenhouse gases. We are still not fully utilising all this potential.

Agriculture will certainly be among the most affected economic sectors. A critical way to adapt agriculture to climate change is through biodiversity: for instance, by using genetic resources to develop new cultivars or breeds better adapted to future conditions, and by enhancing the role of ecosystems in landscape management to build resilience against extreme weather events, such as floods, droughts and sea storms as well as against tsunamis.

**Q** What do you see as the major threats to global biodiversity?

**A** These are associated with the unsustainable use of natural resources, the degradation and depletion of ecosystems, pollution, the expansion of invasive alien species and now climate change on top of all this. We know all these factors.

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# Braulio Ferreira de Souza Dias

*Executive Secretary, Secretariat of the Convention on Biological Diversity (CBD)*

Unfortunately, these drivers of biodiversity loss continue strong. Of course, there are places where we are doing better at reducing some of these threats. But most have a global dimension. Unless we can scale up actions to improve the global situation, we will not face these challenges.

Globally, we have lost about 50% of all our forest cover and more than 90% of our wetlands. Most major fisheries all over the world are either over-exploited or at their limit, and some have already crashed. Coral reefs will probably be the first ecosystem to disappear due to climate change unless we reduce greenhouse gas emissions. Global warming causes coral bleaching, when algae living symbiotically in coral die. The loss of algae can be reversed if conditions are reversed, but if not, it is a permanent loss and leads to the death of the corals. Ocean litter is an increasing problem. As plastic particles break down, they get into the food chain because animals mistakenly take them for food and eventually die.

We know the problems and we already know many possible solutions. We need appropriate levels of governance that include the different stakeholders.

In fisheries management, one solution is TURFs: territorial use rights for fisheries. Governments can work with fishing communities to establish fishing zones and give them exclusive rights. This solves the problem of the tragedy of the commons because then there are groups who own the resources, and it is in their interest not to overexploit them and to restore depleted stocks. This is happening in many parts of the world. But many countries do not have the adequate legal framework to allow for governance models that restrict such access to resources.

**Q** How is the CBD secretariat working to enhance the benefits of biodiversity and overcome the obstacles?

**A** We are providing guidance and actual capacity to developing countries, especially least-developed countries and small island developing states. It is a long-term effort. For example, governments need to →

90%  
of wetlands across  
the world have  
been lost

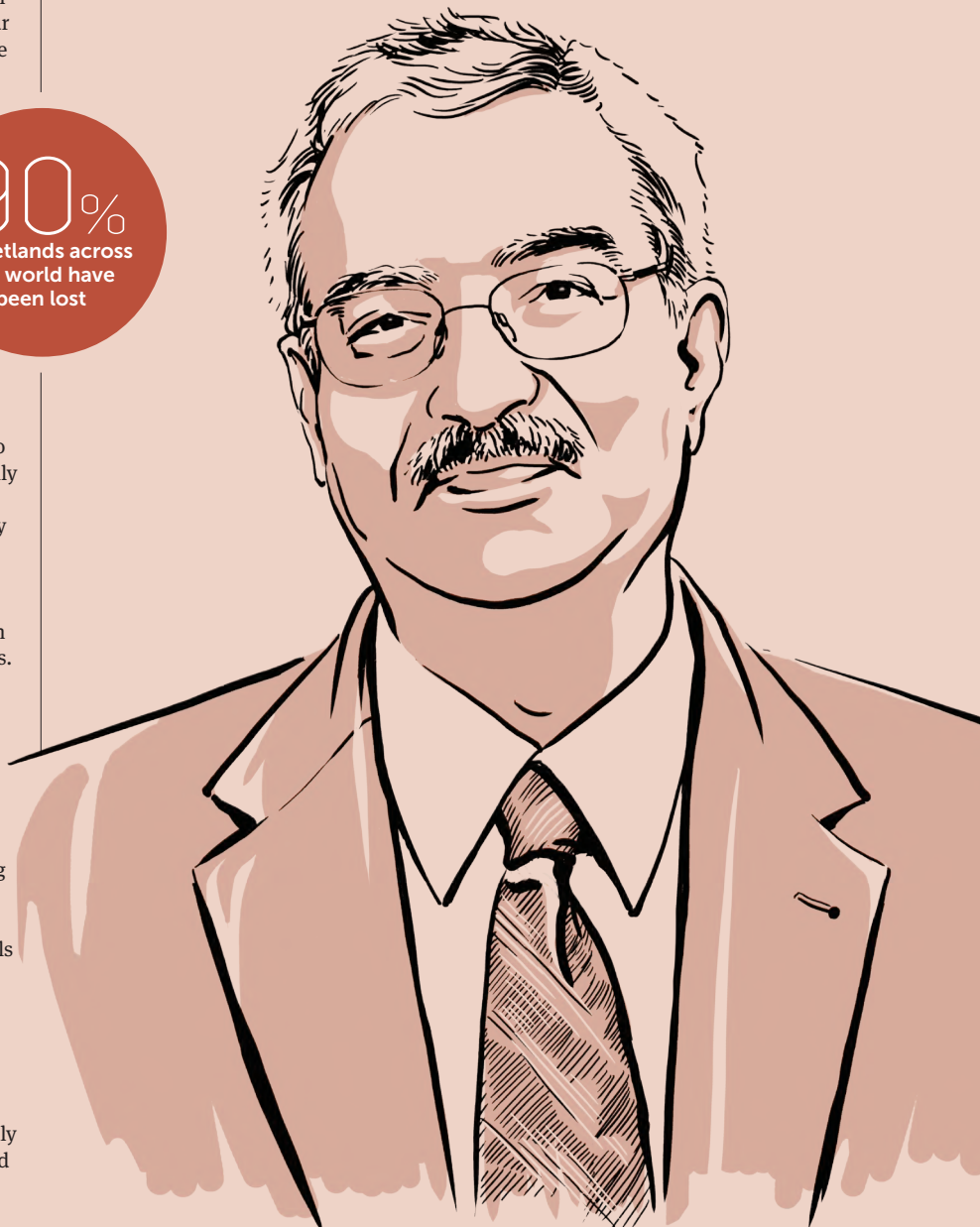


ILLUSTRATION: STUDIO NIPPOLDT



## *I am hopeful that Japan will lead its G7 partners to making significant commitments to biodiversity*



→ upgrade their legal, governance and policy frameworks and mechanisms.

While international financial support remains essential for many developing countries, the United Nations Development Programme's Biodiversity Finance Initiative provides technical expertise to developing countries to strengthen its domestic resource base for biodiversity, including by identifying and harnessing opportunities for new financial sources and mechanisms for biodiversity. Developing countries are very keen to accept that support. We also help countries raise their level of ambition for their national strategies and action plans, because currently those goals and targets fall very short of the global ones. This is similar to the Paris Agreement on climate change, where countries agreed to assess every five years how they are fulfilling the global goals and targets, and, if there is a gap, come up with enhanced measures and pledges. We are discussing something similar at the CBD.

It is unreasonable to expect that all countries get it right all at once. We try to help countries understand that expenditures on biodiversity are an investment, not just a cost. They need a better understanding of the returns from investing in biodiversity for the well-being of their people, their economy and the sustainability of their agriculture, fisheries and so on. Most decision-making that leads to unsustainability is governed by short-term interests.

**Q** Are the members on track to meet their Aichi targets by their 2020 deadline?

**A** We see an increasing effort to implement the Aichi targets in all countries. Some targets have received more attention than others, and priorities vary from country to country. In our regional workshops to assess progress in implementation on targets 11, on protected areas, and 12, to avoid extinction, we have seen some good progress. Governments themselves are recognising that there are opportunities to do even more. With our support, they are preparing roadmaps that will help them to achieve those two goals. We hope to get

political support for those roadmaps at our Conference of the Parties (COP) in Cancun in Mexico in December.

But current efforts will not be sufficient to achieve all 20 Aichi biodiversity targets. I am optimistic we can do better, and I see interest among the countries. It will be a big challenge to implement these targets by 2020 – which are only interim global targets. We will need even more ambitious targets for the future. First we need to make good progress in implementing the existing Aichi targets.



**Q** How have your efforts been reinforced by the adoption of the Sustainable Development Goals (SDGs)?

**A** The 17 SDGs adopted last September have two goals dedicated to biodiversity: 14, for oceans, and 15, for terrestrial ecosystems. But the role of biodiversity is also recognised in the other goals: on food security, water, sustainable cities and several others. Last year in Sendai, Japan, at the Third UN World Conference on Disaster Risk Reduction, governments recognised for the first time the role of ecosystems in reducing vulnerability to disasters in the Sendai Framework for Disaster Risk Reduction. We also had a good outcome of 2015 COP of the Convention to Combat Desertification in Turkey, which agreed to a global goal of land degradation neutrality – to reduce degradation and increase restoration.

And the Paris Agreement produced some good commitments that, while still insufficient, if implemented will bring us closer the 2°C limit of global warming.

G7 members play a critical role. As part of their summit in Heiligendamm, Germany, in 2007, they adopted the Potsdam Initiative on Biological Diversity, which pushed for biodiversity implementation and recognised the economic values of biodiversity that resulted in the Economics of Ecosystems and Biodiversity initiative. Also, in 2009, there was the G8's Siracusa Charter on Biodiversity that led to the current strategic plan and the Aichi biodiversity targets agreed at Nagoya in 2010. Japan is one of the largest funders for biodiversity globally, since the beginning of the CBD and during its presidency from 2010 to 2012. In 2011 it established the Japan Biodiversity Fund, to provide capacity building for developing countries. Japan established the Global Platform on Business and Biodiversity, and its business community is very active in drawing attention to biodiversity.

**Q** What do you hope the G7 leaders will do for biodiversity this year?

**A** I am hopeful that Japan will lead its G7 partners in making significant commitments to biodiversity. Especially since the global financial crisis in 2008, we have experienced a continuous decrease in voluntary contributions for the biodiversity agenda and for the CBD in particular since 2010, despite the agreed target adopted under the CBD to double international flows to developing countries by 2015, compared to average flows between 2006 and 2010. I am very aware that each country is facing its own difficulties and having to reduce budgets. But more than 80% of global biodiversity is in developing countries, especially tropical and subtropical developing countries. If world leaders do not find ways to prioritise global funding for biodiversity, in times when all attention goes to climate change and immigration, we will fail in helping these countries to face the challenges, and all of us will suffer the consequences. **G7**

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# Development challenges

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## COMPLIANCE SCORES

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*The average level at which G7 members have complied with their priority development commitments from the 2015 Schloss Elmau Summit, eight months later*



Combating trafficking of migrants

+0.75      88%

Promoting infrastructure investment

+0.75      88%



ILLUSTRATION: STUDIO NIPPOLDT



IN CONVERSATION



**It is critical  
that G7 leaders  
take the 2030  
Agenda for  
Sustainable  
Development  
seriously  
at home**



Helen Clark

*Administrator, United Nations Development Programme*





*If the global agenda can get into a country's national policy, development plan and budgets, there is a real chance to move forward*



What are the next steps to implement the Sustainable Development Goals (SDGs)?

**A** Unless it is implemented at home, a global agenda is words on paper. The next steps are about governments looking at how to internalise the 2030 Agenda for Sustainable Development at home. Already more than 80 developing countries have approached their United Nations country teams for support on domesticating the agenda. If the global agenda can get into a country's national policy, development plan and budgets, and delivery systems can act on it, there is a real chance to move forward. For us at the UN Development Programme (UNDP), the action now is about supporting countries to mainstream the 2030 Agenda.

We're off to a great start. The Millennium Development Goals came out of the Millennium Declaration in 2000, which had been negotiated in New York. There was nothing like the level of ownership at the outset that we see now with the SDGs. This process was preceded by three years of intense consultation and outreach, and more than two years of member states' discussions. So we start the SDG era with a high level of engagement and awareness by countries and civil society.

**Q** What are the biggest obstacles to implementation?

**A** There are several overarching obstacles. Some of the major emerging economies that bolstered global growth after the global financial crisis are now experiencing slower growth. And slower growth in China has implications for Africa, which has been supplying extractive industry products to China. The slow global economy has a ricochet effect in Africa, which is still primarily a region of low-income countries. Instead of experiencing the 5% or 6%

growth of recent years, they are now looking at figures of 3% or 4%.

We are also seeing more widespread, severe impacts from weather-related disasters and climate change. El Niño is compounding existing weather and climate change challenges, and drought- or cyclone- or flood-prone

countries' normal problems. This is not a good year for food production in Africa, and we are already seeing mega storms in the Pacific.

In addition, we are experiencing a surge in conflicts, the effects of which spill over national boundaries, not just for the near neighbours but, as with the migration crisis, all the way to Europe. This is draining budgets to meet many large humanitarian needs.

So those overarching factors are putting pressure on the resources available.

At the national level, the key is to build capacity to implement the new agenda and get resources and partnerships behind it. Official development assistance (ODA) is important, particularly for the most fragile and poorest countries. Resourcing will come overwhelmingly from domestic resource mobilisation and a country's ability to generate the confidence that draws investment and enables trade.

The private sector has been factored into the SDGs as a critical partner. Private sector investment and how business does business will have a huge impact — because of the ecological footprint and because it enables broad-based, inclusive growth with decent work and livelihood.

Civil society organisations want to be part of implementing, monitoring and ensuring accountability. So building broad partnerships across governments, development partners, the private sector and civil society will drive progress.



**Q** Are you encouraged by your success in mobilising the private sector?

**A** There are pioneers. H&M has signed an agreement with trade unions to protect the right to decent work with its suppliers around the world. When we think of the garment sector and offshore production, the ghastly image that comes to mind is the building collapse in Bangladesh that killed many workers. In the palm oil industry, Unilever says it will eliminate deforestation in its supply chain — it matters to Unilever to have an ethical product that does not deforest the world's tropical forests. The challenge is to make these best practices by significant companies the norm.

**Q** How can the G7 leaders help at the Ise-Shima Summit?

**A** First, it is critical that G7 leaders take the 2030 Agenda seriously at home. The Nordic countries are assigning responsibilities to ministries and involving the private sector and civil society. It would be tremendous to see that also coming from the G7 members because of their economic weight and importance. Second, I would like G7 leaders to focus on their level of ODA. Not all have, like the British, reached the internationally accepted target of 0.7% of gross national income. It would make a huge difference to our ability to move development along, especially with the most fragile and poorest countries.

Third, I would ask them to look at the quality of their development assistance. UNDP was set up to be a coherent UN presence supporting strategic broad-based development. It becomes hard to do that without core funding, and funding earmarked to many small projects. For developing countries, donor coordination, funding quality, use of national systems, national ownership and leadership are all important principles of aid effectiveness. Having the G7 fully behind these principles is very important. **67**



## G7 Research Group

In the rapidly globalizing world of the 21st century, the Group of Seven major market democracies serves as an effective centre of comprehensive global governance. G7 members – the United States, Japan, Germany, the United Kingdom, France, Italy, Canada and the European Union – contain many of the world’s critical capabilities and are committed to democratic values. At its annual summit and through a web of G7-centred institutions at the ministerial, official and multi-stakeholder levels, the G7 does much to meet global challenges, especially in the fields of security, sustainable development and economics.

The G7 Research Group is a global network of scholars, students and professionals in the academic, research, media, business, non-governmental, governmental and intergovernmental communities who follow the work of the G7, the G8 (with Russia) and related institutions. The group’s mission is to serve as the world’s leading independent source of information, analysis and research on the G7/8. Founded in 1987, it is managed from Trinity College and the Munk School of Global Affairs and the Department of Political Science at the University of Toronto. Professional Advisory Council members, Special Advisors and participating researchers span the world. Through the G7 Research Group, Trinity’s John W. Graham Library has become the global repository of G7/8 documents, transcripts, media coverage, interviews, studies, essays, memorabilia and artifacts.

### **The G7 Information Centre at [www.g7.utoronto.ca](http://www.g7.utoronto.ca)**

The online G7 Information Centre ([www.g7.utoronto.ca](http://www.g7.utoronto.ca)) contains the world’s most comprehensive and authoritative collection of information and analysis on the G7 and G8. The G7 Research Group assembles, verifies and posts documents from the meetings leading up to and at each summit, the available official documentation of all past summits and ministerial meetings (in several G7/8 languages), scholarly writings and policy analyses, research studies, scholarship information, links to related sites and the “briefing books” for each summit published by Newsdesk Media. The website contains the annual reports on G7/8 members’ compliance with their summit commitments, produced by the G7 Research Group as well as other research reports.

### **Books on the G7, G8 and Related Issues from Routledge**

*The Global Governance of Climate Change*

John Kirton and Ella Kokotsis

*The G8-G20 Relationship in Global Governance*

Marina Larionova and John Kirton, eds.

*G20 Governance for a Globalized World*

John Kirton

*The European Union in the G8*

Marina Larionova, ed.

*Securing the Global Economy*

Andreas Freytag, John Kirton, Razeen Sally & Paolo Savona, eds.

*Global Financial Crisis*

Paolo Savona, John Kirton & Chiara Oldani, eds.

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## KEY TAKEAWAYS

4.8 million Syrians now live in external exile

One in four people living in Lebanon today is a refugee

# ADDRESSING FORCED DISPLACEMENT

*Levels of population upheaval are at their highest for decades, creating misery for millions. **Filippo Grandi, United Nations High Commissioner for Refugees** discusses the root causes and the actions needed to prevent further disruption*

Many people will remember 2015 as the year of Europe's refugee and migration crisis, when more than a million people arrived by boat and made their way north under chaotic conditions – climbing over fences, sitting for days at railway stations, waiting in the rain to be registered at border checkpoints.

For the first time in many years, refugees became the centre of international attention. Countries en route imposed restrictive measures and closed borders with the result that tens of thousands of refugees and migrants are now stranded in Greece, living in dire conditions.

But this is not only a European phenomenon, nor is it a recent one. The refugee crisis has been growing in scale and complexity for years. Over the past 10 years, forced displacement figures jumped from 38 million in 2005 to over 60 million in 2015.

In the past five years alone, at least 15 conflicts have erupted or reignited: eight in Africa, three in the Middle East, one in Europe and three in Asia. As the world's most protracted crises continue to fester without lasting solutions, more and more people are stuck in exile for years on end, living half-lives: more than 4.8 million Syrians, 2.5 million Afghans, one million Somalis, to name a few. Third-generation refugees are born in countries such as Algeria, Kenya, Pakistan or Sudan, facing uncertain futures. The Palestinian refugee question remains unresolved 68 years after its beginning.

Today's massive population movements must be seen in a broader context. The world is undergoing profound geopolitical, environmental and technological transformations. While violent conflict is the most important reason behind displacement, many other, increasingly interlinked causes also drive people from their homes. These range from human rights abuses, poor governance, impunity, ethnic marginalisation and extremism of all sorts, to environmental degradation, water scarcity, food insecurity and competition over resources – with climate change a force multiplier. The list grows as new causes for displacement emerge, as in Honduras, El Salvador and Guatemala, where organised crime and gang violence have reached such shocking proportions that tens of thousands of people now seek asylum abroad.

At the same time, globalisation is asymmetrical. Money, goods and services move freely, but people face enormous obstacles. This is a cruel paradox: few movements are as restricted as those of human beings, but conflict and violence force more and more people to flee. This leaves many with no other option but to put their lives into the hands of smugglers. Around the world, criminal gangs are making billions out of this desperate situation, in complete disregard for human lives and dignity.

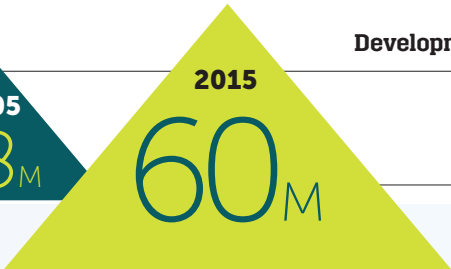
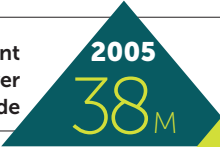
### Root causes: the Syrian example

The Syria conflict has accounted for the single biggest increase in global forced displacement →

FATH AKTAS/ANADOLU AGENCY/GETTY IMAGES



Forced displacement  
has increased over  
the past decade



A Syrian child who fled Aleppo takes refuge in a tent city on the Turkey-Syria border. More than 4.8 million Syrians are now living in exile



## Filippo Grandi



United Nations High  
Commissioner  
for Refugees  
**United Nations**

*Filippo Grandi became the 11th United Nations High Commissioner for Refugees (UNHCR) on 1 January 2016. He served as Commissioner General of the United Nations Relief and Works Agency for Palestine Refugees, UNRWA, from 2010 to 2014, after having been the organisation's Deputy Commissioner General since 2005. Previously, Grandi served as Deputy Special Representative of the UN Secretary General in Afghanistan, following a long career first with non-governmental organisations and later with UNHCR in Africa, Asia, the Middle East and Geneva.*

 @RefugeesChief  
 [www.unhcr.org](http://www.unhcr.org)

→ in decades. More than 4.8 million Syrian refugees are registered in neighbouring countries; many have moved to Europe and beyond; and some 6.6 million Syrians are internally displaced, meaning that nearly half the pre-war population of the country has been uprooted.

Syrians are the largest group arriving in Europe today, making up nearly half of the arrivals. The huge spike in Syrians coming to Europe caught many unprepared, but the main reasons behind it are no big surprise.

The first is desperation. After five years of conflict, Syrians are losing hope, observing with growing pessimism the slow and frequently interrupted progress of the peace negotiations. Nearly two thirds of those coming to Europe today arrive straight from Syria, only transiting through the neighbouring countries for the time it takes to organise their onward journey.

A second factor is poverty. A recent study by the World Bank and the United Nations High Commissioner for Refugees (UNHCR) in Lebanon and Jordan noted that Syrians were essentially stuck in a poverty trap with grim prospects for improvement. Nine in 10 Syrian refugees in Lebanon and Jordan were living below the respective national poverty lines. This leads families to adopt negative coping strategies, ranging from child labour to early marriage and often exploitative informal employment. The lack of education for their children is one of the main motivations cited by Syrian refugees for making the onward journey to Europe.

The third aspect contributing to the increase in secondary movements is a significant funding shortfall affecting humanitarian agencies. With most refugee assistance programmes barely funded at 50%, aid organisations have been unable to meet even the most basic needs.

The effects of all these factors, very significant by themselves, are amplified by the smuggling rings preying on the despair of people who have already lost so much.

### The challenges of the response

Last year, the European Union made some sound decisions in trying to manage the refugee and migration flows in a manner

*This remains a manageable crisis, provided there is a common response from EU members*



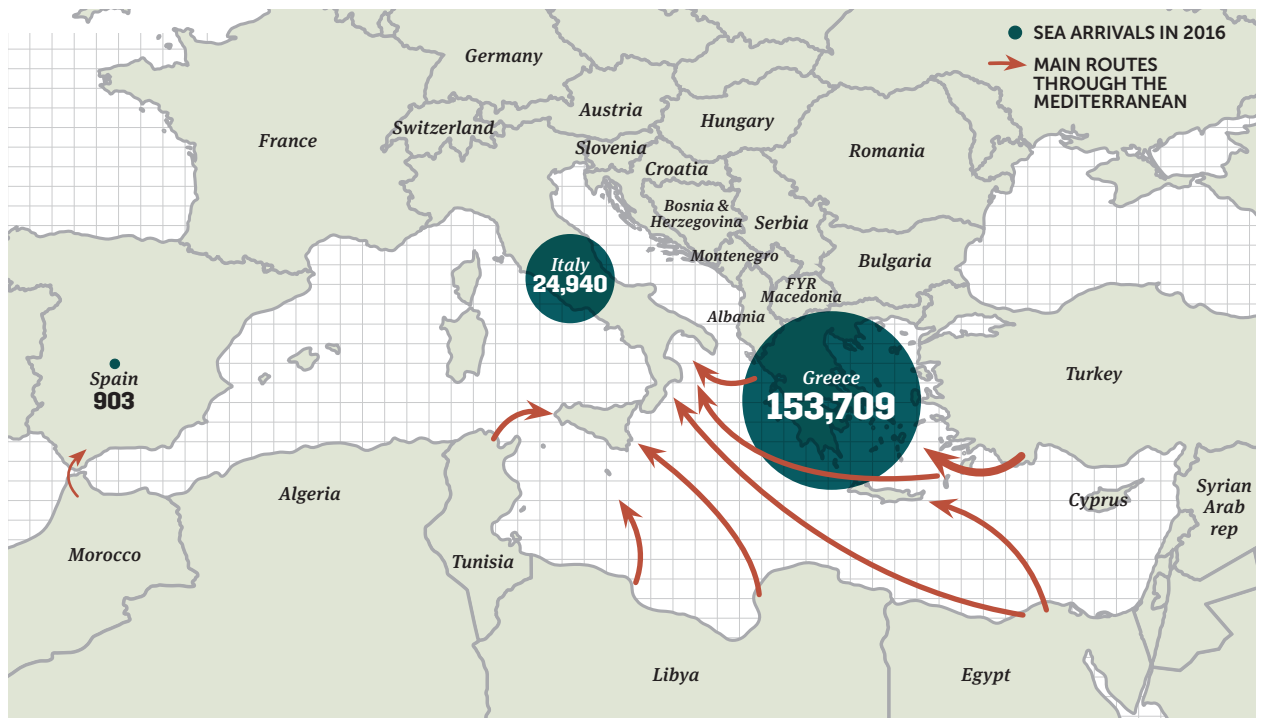
that was both orderly and principled. But some members did not show the required solidarity to share this responsibility, and to distribute refugees and asylum seekers evenly. The movement was left unchecked, and there were major flows to only a few countries: Austria, Germany and Sweden. With public opinion in Europe becoming increasingly alarmed, the focus shifted from welcoming refugees to tightening restrictions and closing borders.

It is worth recalling the impact of these population movements in countries such as Lebanon (population 4 million) or Jordan (6 million), which between them have received some 1.7 million Syrian refugees, but have nowhere near the same resources to assist them. One in four people living in Lebanon today are refugees. To such demographic and social shocks are added the economic impact, estimated by the World Bank at \$7.5 billion in losses for the Lebanese economy alone. With vastly overstretched public infrastructure in the health, education and sanitation sectors, as well as significant additional strain on government budgets, both Jordan and Lebanon face serious consequences for the very fabric of their economies and societies.

In Europe, the influx has highlighted shortcomings and strained public resources, but this remains a manageable crisis, provided there is a common response from EU members. UNHCR has advocated for a joint, comprehensive approach, based on solidarity and responsibility sharing. The most important elements are a significant increase in the capacity to receive, register and screen the new arrivals at the European Union's borders and to identify those in need of protection, including for relocation to other EU countries. To ensure the credibility and effectiveness of the asylum system, effective and dignified return mechanisms must be set up for people who are found not to have protection needs. Tougher measures to crack down on smugglers and traffickers must be accompanied by an increase in safe and regular avenues to find protection in Europe, such as resettlement, humanitarian admission or humanitarian visas, private sponsorship programmes,

# REFUGEE AND MIGRANT FLOWS ACROSS THE MEDITERRANEAN

1 JANUARY TO 19 APRIL 2016



as well as academic scholarships or family reunion opportunities.

There has been a welcome increase in the recognition that to address the refugee movements, Europe and other regions must step up their engagement with the first countries of asylum, especially those neighbouring Syria, and also those bordering other conflict areas.

In February, the international community pledged \$12 billion at the Supporting Syria and the Region international conference in London for humanitarian aid inside Syria and neighbouring countries, and to improve education and socio-economic opportunities for refugees and support their hosts.

At UNHCR's High-Level Meeting on Global Responsibility Sharing through Pathways for Admission of Syrian Refugees, states announced important alternatives that could provide a solution and serve as a model to help other refugee populations.

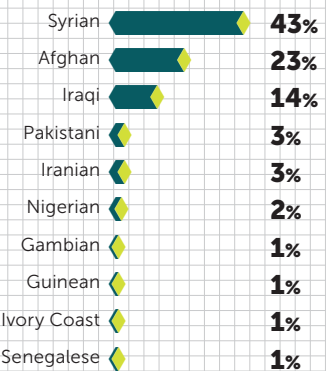
The focus on Syria's refugee crisis and its ramifications in Europe must not obscure the many other examples of forced displacement. Ethiopia, Kenya, Pakistan, Iran and other countries have hosted large numbers of refugees for decades, and they need more and better support to shoulder this responsibility. The millions of internally displaced people in countries as diverse as Colombia, South Sudan and Afghanistan, should not be forgotten.

The next milestone on the road to addressing forced displacement is the World Humanitarian Summit in May in Istanbul. UNHCR has welcomed the United Nations Secretary-General's strong call for political leaders to take responsibility for preventing and solving conflicts. Addressing the root causes of conflict would go a long way in ending forced displacement.

Here is where the G7 can play an important and catalytic role. Immediately after the World Humanitarian Summit, G7 leaders will meet in Ise-Shima, Japan. The 2030 Agenda for Sustainable Development and the Sustainable Development Goals, promising "to leave no one behind", feature prominently on the G7 agenda.

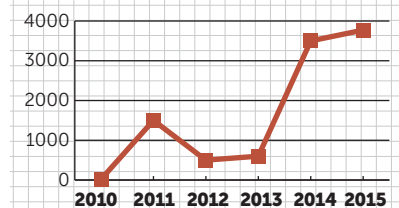
Preventing conflict and ending forced displacement are key objectives of the 2030 Agenda. It is my hope that the G7 will provide the necessary leadership to transform them into action. Other opportunities to show such leadership will be at the United Nations General Assembly in September, where the High-Level Summit on Addressing Large Movements of Refugees and Migrants will convene, and the US Presidential Summit on Strengthening the International Response to the Global Refugee Situation. Leadership and political will are essential to end the violent conflicts that keep millions in exile. This, together with genuine political efforts to address the root causes of conflicts, must be everyone's priority. **67**

Top 10 nationalities of Mediterranean sea arrivals



Note: based on arrivals between 1 January and 18 April 2016

People dead or missing in the Mediterranean



Source: UNHCR

## IN CONVERSATION



# For 2017, we will start fundraising all over again



*Ertharin Cousin talks to Editor John Kirton about the complex challenge of eliminating hunger and how the international community can help*

**Q** How challenging is the task of freeing the world from hunger, in the face of climate change, conflicts in the Middle East and elsewhere, and natural disasters?

**A** In 2015, the global community came together to endorse the Sustainable Development Goals (SDGs) and at the United Nations climate change conference in Paris in December and recognised that we must address the challenges of the furthest behind first if we are going to achieve our climate goals, which will ensure our ability to achieve the SDGs.

Today, 80% of the people the World Food Programme (WFP) serves live in marginal or climate-affected areas. When we talk about adaptation strategies, we are talking about addressing the challenges of these people in order to achieve the climate goals, the SDGs and Zero Hunger.

**Q** How is the WFP working to meet these challenges?

**A** First, we must save lives. We must enable access to nutritious food so people can meet their dietary intake requirements

for healthy and productive lives. WFP must also have agile programming to provide food when none is available or provide interventions that support market development. For example, in Lebanon, our cash-based transfer supports retailers so refugees and poor people have access to cheaper food, because our market power puts money into the system to reduce the prices of commodities purchased by the people in those communities.

**Q** How are you working with your private sector partners?

**A** Agricultural food systems must be developed to support farmers, so we work directly with subsistence farmers. The Purchase for Progress programme helps organise cooperatives of smallholder farmers, with support from the Food and Agriculture Organization, seed manufacturers and others to improve yield quality and quantity. With our Patient Procurement Platform, WFP has committed to purchasing 10% of the \$1.2 billion we spend annually from

smallholder farmers. We have agreements with many private partners, including Rabobank, Yara International and IFC (the private sector arm of the World Bank), to help us create dependable supply chains. We want to connect farmers with purchasers beyond WFP, enabling farmers to develop and access a long-term, sustainable market. Bringing together all the private sector partners in an improved supply chain will provide these farmers with access to resources they would not otherwise have.

**Q** What about your work in and around Syria?

**A** Inside Syria, we are bringing in nutritious food to support four million people per month. With the cessation of hostilities in March 2016, we were able to support some 150,000 people we had been unable to reach for two years.

In Jordan, Lebanon, Turkey, Egypt and Iraq, food is available through retail systems using a cash-based transfer. With the success of the Supporting Syria and the Region Conference in London in February 2016, and Germany's generosity, two million people per month can shop for nutritious food and provide the hope they need from being able to feed their family a meal that says all is not lost.

The programme in Lebanon is a one-card solution, with WFP, UNICEF, UNHCR and the World Bank benefits all facilitated. We could not have implemented this efficient programme without the strong partnership of MasterCard.

**Q** Does WFP have sufficient funding to sustain its efforts for the whole year?

**A** We have sufficient resources to support our programme, including our school meals programme, until October. I am optimistic that we will receive the resources for all our programmes for 2016. WFP is 100% voluntarily funded, but most donors do not make multi-year commitments. One exception is Norway, which has very generously provided non-earmarked, multi-year commitments.

For 2017, we will start fundraising all over again. This annual fundraising cycle is a problem when seeking solutions to build resilience, be it agricultural development in Zambia or a nutrition programme for a child's first 1,000 days. If we cannot maintain our programmes, we



 @WFPertharin  
 www.wfp.org

will not build resilience in populations and systems. We hope that we can demonstrate the significance of having more than two or three months to plan. We can put enough money into a system to bring enough sales to reduce retail prices by 10% so we can significantly benefit those we are serving.

Imagine what we could do if we knew that we could not only provide support for a rainy season or drought, but also for a mother for the 1,000 days from the beginning of her pregnancy through to the first two years of her child's life. Then the real changes can be made that will help us achieve Zero Hunger.

**Q** How is WFP working with the G7 to turn last year's promises into action?

**A** We have had support from the G7 for the African Risk Capacity (ARC), the African Union's risk management facility that WFP helped develop. Senegal, Mauritania and Niger received the first payouts. During last year's drought season, Mauritania did not have to wait for the international community to procure commodities for its most vulnerable people. As more donors come on board, more countries will use the ARC to support smallholders' ability to implement plans and to bring in food so no one falls further behind.

The G7 is interested in funding the Food Security Climate Resilience Facility (FoodSECuRE), a weather index insurance tool we developed to work with governments before a natural disaster. Too often funds come in during the peak impact and then drop off afterwards, so we cannot do disaster risk reduction or management.

The G7 can help governments address climate challenges, particularly this year with El Niño. It can champion investments in agricultural diversity that will ensure a country's ability to leverage support from a G7 member against its own investments. The same is true with humanitarian or emergency responses: getting G7 members to commit to not just encouraging countries to invest in their own food security but also to use bilateral contributions or official development assistance (ODA) to leverage investments in humanitarian assistance or agricultural development. Wouldn't it be good if G7 donors could leverage Ethiopia's own response to the drought by targeting their ODA into the programmes that need scaling up to support even more people? **G7**

# Ertharin Cousin

*Executive Director, United Nations  
World Food Programme*



ILLUSTRATION: STUDIO NIPPOLDT



# On the front line of sustainable development

When Kuwait became independent in 1961, its leaders quickly established the Kuwait Fund for Arab Economic Development – the first institution in the Middle East to play an active role in international development. Initially, the Fund's activities were restricted to Arabic countries. But in 1974 it began financing projects in all developing countries.

Now celebrating its 55th anniversary, the Fund continues to be governed by its founding strategy of offering both real financial resources and

advisory services to developing countries. To this end, the Fund is staffed with experts in the fields of economics, finance, engineering and law, who provide advice to recipients, and consult with them on all aspects of the project cycle.

In pursuing its objective of economic and social development, the Fund focuses on those projects that recipient countries consider the most important.

However, to ensure that projects are technically and environmentally sound, only those that are based on feasibility studies and pass the Fund's staff appraisals are given funding.

Once a project is approved, the Fund aims to spare recipients the burden of unduly rigid

operational guidelines by applying simple procedures and transparent practices.

Between 1961 and 2016, 902 concessional loans worth more than \$18 billion were issued by the Fund, benefitting 105 countries, including 16 in the Arab world; 41 in Africa; 19 in East and South Asia and the Pacific; 17 in Central Asia and Europe; and 12 in Latin America and the Caribbean. It has also made contributions on behalf of the State of Kuwait to regional and international development institutions.

Its development operations have reached sectors including agriculture, communications, energy, industry, transport, water and sanitation, education, and health. It also supports small and medium private sector projects through lines of credit extended to national development banks and social development funds.

## Renewed impetus

Following the adoption of the Sustainable Development Goals during the United Nations post-2015 development summit in September, the Fund's impetus will only grow. As His Highness the Amir of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, said during the summit, "The state of Kuwait has spared no effort in its attempts to provide development aid to developing countries and least developed countries through its various institutions, most notably The Kuwait Fund for Arab Economic Development by providing loans and grants to establish the infrastructure projects for these countries."



*Between 1961 and 2016, concessional loans of more than \$18 billion were issued*



## 55 YEARS OF SOCIAL AND ECONOMIC DEVELOPMENT

**1961**

On 31 December the Kuwait Fund for Arab Economic Development is established with KD 50 million of capital.

**1962**

The first loan agreement is signed with the Republic of Sudan to help finance Sudan Railways.

**1975**

- The first agreement is signed with an African nation, the Republic of Rwanda.
- The first agreement with an Asian nation, Malaysia.



1960

1970

1980



In addition the Amir also noted the leading role Kuwait has played in humanitarian affairs: “It is a matter of pride that Kuwait, even though it is a developing country, has assumed a top position in the provision of humanitarian assistance in 2014... with total aid [accounting] for 0.24% of GDP, the highest rate among donors countries in the world.”

**Humanitarian leaders**

In 2014, the UN officially recognised the humanitarian leadership of the Amir, who UN Secretary General Ban Ki-moon described as a “great humanitarian leader of our world”. Ban went on to laud the pledging conferences that



*UN honours  
HH Amir of  
Kuwait as  
humanitarian  
leader*



Kuwait has hosted in order to raise money for the people of Syria and neighbouring countries. Kuwait’s leadership and funding, he said, has “saved tens of thousands of lives, and has galvanized others to participate in coordinated international action”.

The Kuwait Fund has supported this humanitarian work through grants worth \$90 million in 2016 alone. The money has gone to projects supporting refugees in Turkey, Lebanon, Egypt and Jordan, where health, education, social affairs and water services are being improved in host communities.

In the words of Ban Ki-moon, “Kuwait may be a small country in size, but she has a big and broad and compassionate heart.”



**1990**

During the Iraqi invasion of Kuwait, the Fund continued to perform its duties, signing seven loan agreements.

**1992**

The first agreement with a Latin American country, the Republic of Honduras.

**2004**

The Kuwait Fund launched a training programme for newly graduated Kuwaiti Engineers and architects.

**2016**

Projects signed by Kuwait Fund reached 900.

1990

2000

2010

2020

## KEY TAKEAWAYS

— Asia and the Pacific generate 37% of global greenhouse gas emissions

— Asian Development Bank to double climate financing to \$6bn by 2020

## Takehiko Nakao



President  
**Asian Development Bank**

*Nakao assumed the presidency of the ADB in 2013 and chairs its board of directors. Previously, he was Vice Minister of Finance for International Affairs at Japan's Ministry of Finance. In a career spanning more than three decades, Nakao has held other senior positions in the Ministry of Finance, including Director General of the International Bureau, where he fostered close ties with G20 members and leading figures in the Asia-Pacific region. He also served as an economist and adviser at the International Monetary Fund.*

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🌐 [www.adb.org](http://www.adb.org)



# Reduce Asia-Pacific poverty by developing critical infrastructure

*International private and public organisations need to work together to tackle the borderless challenges of climate change and energy deficits*

**I**nsufficient infrastructure development critically impedes economic growth and poverty reduction in Asia and the Pacific. The G7 Ise-Shima Summit is an opportunity for leaders to communicate the economic importance of quality, sustainable infrastructure investment.

Infrastructure investment is key for the Asia-Pacific region to tackle the challenges of unprecedented urbanisation, population growth, ageing populations and climate change. Millions of Asians still have no access to basic infrastructure, including 518 million people who still lack electricity.

On the climate change front, Asia and the Pacific generate 37% of global greenhouse gas emissions. This will rise without aggressive intervention, including shifting to cleaner technologies such as solar, wind and geothermal, to sustainable transport and to smarter, greener cities. Asia needs about \$1 trillion each year for electricity, water, transport, and better telephone and internet services to spur and sustain development.

### Filling the funding gap

Governments and multilateral agencies will remain important funders of infrastructure,

\$1TR

Needed annually by Asia for energy, water, transport and telecoms

518M

People in Asia without access to electricity



A core mission for the Asian Development Bank is the increasing use of high-level technology in projects such as this solar power scheme in Uttar Pradesh, India

2014 RAKESH SAHA | FOR ADB

even if budgets are stretched, but more private sector participation is needed. The Asian Development Bank (ADB) has a three-pronged response to help fill the infrastructure gap.

First, ADB promotes public-private partnerships (PPPs). These are valuable vehicles for governments to secure financing and expertise. Technical support and advice, in addition to traditional government and development partner financial support, catalyse private investment. ADB's support for PPPs also includes championing support as a facilitator and developer. The organisation has committed to raise private sector lending to 50% of the total by 2020, and is well on track to meet this target. It needs to promote an enabling environment for PPP projects with maximum public benefit. Projects in Bangladesh, Papua New Guinea, the Philippines and Vietnam are doing this – including drafting basic laws and setting up special government agencies. ADB has established the Office of Public-Private Partnership to coordinate support and provide transaction advisory services directly to government clients. The organisation is working on four landmark projects as transaction adviser: the

Combined Heat and Power Plant 5 in Mongolia, the Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline, the North-South Railway Project South Line in the Philippines and the Colombo Port East Container Terminal in Sri Lanka. ADB also launched the Asia-Pacific Project Preparation Facility (AP3F) with Japan, Canada and Australia to support preparation of infrastructure projects with private sector participation.

Second, ADB will use more high-level technology in infrastructure investments to maximise development impacts and sustainability of ADB investments. ADB will pursue quality infrastructure investment that adds value and innovates, such as cleaner or more advanced technology, new business models and innovative financing. This includes moving to cost-effective options and providing opportunities for the private sector to offer technical alternatives to improve the costs of technology over its life cycle, durability and long-term performance efficiency. High-level technologies may include climate mitigation, adaptation and resilience to disaster risk such as smart grids, renewable energy, offshore wind, concentrated solar and early warning systems.

In Indonesia, an ADB-supported geothermal power project will enhance energy security and offer a blueprint for the next generation of plants. In the highly vulnerable Maldives, innovative hybrid solar systems are being built in 160 inhabited islands to reduce emissions, cut electricity costs and enhance energy security.

ADB is planning to institutionalise a systematic approach to integrate high-level technology in ADB projects. Plans include a system to classify projects by technology level and green content, technical designs and procurement actions before approval to increase project readiness, implementation methods including a turnkey or engineering-procurement-construction modality, putting life-cycle benefits of high-level technology as a core part of economic and financial evaluations of projects, and procurement methods to reflect criteria for technical proposal quality. Priority will be placed on recruiting consultants with familiarity with new technologies, stronger staff technical expertise and a resource pool of technical experts.

Third, ADB has committed to climate finance and the Sustainable Development Goals (SDGs). In 2015, it was among the first multilateral development banks to commit to a sizeable target. ADB will double its annual climate financing to \$6 billion by 2020: \$4 billion for mitigation through scaling up support for renewable energy, energy efficiency, sustainable transport and smart cities and \$2 billion for adaptation and enhanced resilience.

### Climate change actions

ADB has also issued its first green bond and approved its first policy-based loan in China to improve air quality in the Beijing-Tianjin-Hebei region. The organisation was the first multilateral development bank accredited to access the Green Climate Fund, with the November 2015 approval of a \$31 million climate adaptation grant for the Fiji Urban Water Supply and Wastewater Management project. ADB is developing a new corporate strategy to respond more effectively to the 2030 Agenda on Sustainable Development and the fast-changing regional landscape and in keeping with the SDGs.

At the Ise-Shima Summit, the G7 needs to create a vision for implementing the SDGs. Individual governments cannot meet the challenge – collaboration is needed. We must work together to ensure that Asia's development agenda starts with closing infrastructure gaps in Asia and addressing climate change challenges. **G7**

## KEY TAKEAWAYS

The IsDBG has pioneered Islamic finance as a tool to fund development

Islamic finance is an innovative and complementary financing option

# The building blocks of development in the Islamic world

*For 40 years, the Islamic Development Bank Group has worked with its members to improve economic and social development. It is now calling on the G7 to help mainstream Islamic finance*

The Islamic world is facing unprecedented challenges in economic and social development. In addition to domestic problems such as poverty, illiteracy, poor healthcare, youth unemployment, income inequality and infrastructure deficits, it has been affected by global headwinds in the wake of the economic slowdown, volatile commodity prices and the recent divergence in monetary policies among the major industrialised countries. These challenges – most of which are shared by developing countries elsewhere – have prompted the international community to launch important initiatives, including the United Nations 2030 Agenda for Sustainable Development, the Paris Agreement on climate change and the Nairobi Package agreed by the World Trade Organization’s 10th ministerial conference with the aim of reviving the Doha Round of trade talks.

To address these challenges, the Islamic world needs to undertake a comprehensive economic and institutional transformation by deepening structural reforms in order to build more resilient and diversified economies, improve macroeconomic stability, strengthen economic institutions, and improve the overall quality of the business environment. By doing so, it can make good progress towards achieving inclusive and sustainable development.

Since its inception in 1975, the Islamic Development Bank Group (IsDBG),

a South-South and solidarity-based institution, has been addressing the Islamic world’s challenges in cooperation with its member countries, multilateral development institutions and philanthropic organisations. It consists of the Islamic Development Bank, the Islamic Research and Training Institute, the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and the International Islamic Trade Finance Corporation (ITFC).

### A pioneering presence

The IsDBG has pioneered Islamic finance as a tool to fund development projects and operations in key areas of sustainable development. Islamic finance has now gained global traction due to its distinctive features, such as sharing risk and requiring all financial transactions to be backed by assets, which links the financial sector and



Construction workers in the UAE, a member of the IsDBG

the real economy in ways that promote economic growth while improving overall stability. During the first wave of the global financial crisis in 2008-09, for instance,

Islamic financial institutions were largely unaffected. To date, the IsDBG has used a range of Islamic financial instruments to finance projects and mobilise resources in infrastructure, energy, healthcare, education, water, sanitation, trade and many other sectors. Investments in key sectors are critical for accelerating

growth and sustainable development in the Islamic world. The IsDBG has been a catalyst in promoting such investments and attracting capital flows through various programmes, funds, initiatives and activities. It provides financial and technical support for projects and operations in member countries and Muslim communities in non-member countries across the different priority areas of sustainable development. The IsDBG has now financed more than 8,000 projects and operations in excess of \$114 billion,





URBANMYTH/ALAMY STOCK PHOTO

in addition to its insurance activities, through the ICIEC, which exceed \$50 billion.

The IsDBG has been assisting members using its own internal resources and through mobilising resources from domestic and international sources, including the issuance of sukuk (Islamic bonds), co-financing with other development partners, particularly the Arab Coordination Group, and philanthropic foundations. It has developed innovative mechanisms such as the 'Triple-Win', whereby the IsDBG partners up with a member country and a third party to gain additional concessionary financing for developmental interventions in the social sector. The Triple-Win holds great promise for millions of people, as more concessionary financing is made available to governments facing severe development challenges.

To build opportunities for the poor, the IsDBG has established the Islamic Solidarity Fund for Development (ISFD), in the form of a waqf (a trust fund or endowment), with a target of \$10 billion in capital. The ISFD is dedicated to reducing poverty in the Islamic world, particularly

the least developed members, by providing concessionary loans and grants to promote inclusive growth and human development. In addition, the IsDBG entered into a partnership with the Bill & Melinda Gates Foundation in June 2015 to launch the \$500 million Lives & Livelihoods Fund, to support poverty-alleviation programmes worth \$2.5 billion over the next five years in primary healthcare, disease control, smallholder agriculture and basic rural infrastructure in member countries.

To address the challenge of unemployment, the IsDBG has schemes including the Youth Employment Support programme, aimed at employment generation, capacity building and skill adjustments for job markets in Arab member countries. Meanwhile, the Education for Employment programme, implemented jointly with the International Finance Corporation of the World Bank Group under the Deauville Partnership, focuses on retraining unemployed youth in the construction sector in the Middle East and North Africa.

The Education for Competitiveness programme, in partnership with the World Bank, is pushing forward with a full educational spectrum from early childhood development to tertiary education and job training. All these programmes, along with the activities of the ICD, ITFC and the ISFD, also support the development of small and medium-sized enterprises in member states.

### Ready for new challenges

In terms of promoting foreign investment, the IsDBG has set up the Group Business Forum (Thiqah), which is a platform for maximising cross-border investments and is supported by the IsDBG's financial products and services. The IsDBG has also established the Investment Promotion Technical Assistance Programme to build the capacity of investment promotion agencies in individual members and, in turn, assist them in improving their investment climate and in identifying and promoting new investment opportunities.

The IsDBG would like to thank the G20 for including Islamic finance on its agenda and wishes to call on it, as well as the G7, to move forward the proposal to mainstream Islamic finance in the global financial system. We are ready to work with individual countries and development institutions, as well as private-sector organisations wishing to introduce or further develop Islamic finance as an innovative and complementary financing tool. **67**

## Dr Ahmad Mohamed Ali Al Madani



### President Islamic Development Bank Group

*Dr Ahmad Mohamed Ali Al Madani has been President of the IsDBG since 1975. A Saudi Arabian national, he began his career as Director of the Scientific and Islamic Institute in Yemen, before returning to Saudi Arabia to assume the position of Acting Rector of King Abdulaziz University from 1967 to 1972. Dr Ali served as Saudi Arabia's Deputy Minister of Education from 1972 to 1975. Upon the initiative of the late King Faisal Bin Abdulaziz, when the Organization of the Islamic Conference established the IsDBG, he was chosen as its first president.*

[www.isdb.org](http://www.isdb.org)

## KEY TAKEAWAYS

International tourist arrivals grew by 4.4% year on year in 2015

Today, tourism represents nearly 10% of global gross domestic product

### Taleb Rifai



Secretary-General  
**World Tourism  
Organization**

*Rifai has been Secretary-General of this United Nations agency since 2010 and was re-elected to serve a second four-year term starting in 2014. He has served as Assistant Director General of the International Labour Organization and held several ministerial positions in the Government of Jordan, including Minister of Planning and International Cooperation, Minister of Information, and Minister of Tourism and Antiquity. Previously, he was Director General of the Investment Promotion Corporation of Jordan.*

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## New heights: how tourism helps developing countries

*With consistent year-on-year growth, the industry is often one of the leading export sectors, and its inclusion in the Sustainable Development Goals highlights its significance*

Last year, 2015, marked the sixth consecutive year of growth for the tourism sector. According to the latest World Tourism Barometer produced by the World Tourism Organization (UNWTO), international tourist arrivals grew by 4.4% in 2015 to reach a total of 1,184 million, some 50 million more tourists than in 2014. Furthermore, UNWTO forecasts international tourist arrivals to grow by another 4% worldwide in 2016 and to continue this upward trend to reach 1.8 billion international tourist arrivals by 2030.

But besides these impressive numbers, tourism increasingly plays a significant role in driving sustainable development and building a better future for all. Today, tourism represents nearly 10% of global gross domestic product (direct, indirect and induced effects considered), one in 11 jobs and 6% of global trade. Moreover, tourism is more and more relevant for developing countries, where it is often among the leading export sectors.

Indeed, as evoked by the G20's tourism ministers at their meeting in Antalya in October 2015 during Turkey's

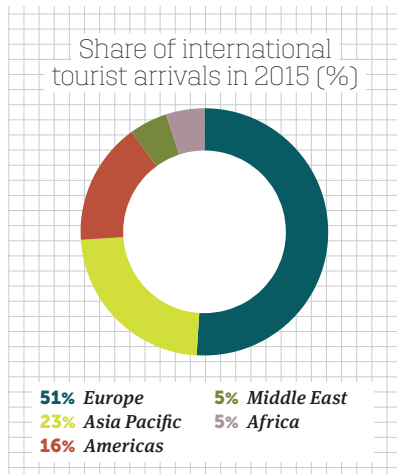


Tourism can be one of the building blocks of the 2030 Agenda

Higher prioritisation of tourism in international aid flows is needed



A traveller looks across Longji Rice Terraces in Guianxi Province, China. Tourism deserves a higher priority in international aid flows in order to maximise its growing contribution to socio-economic development



Source: World Tourism Organization (UNWTO) 2016

of the oceans, seas and marine resources. In this context, and at a time when global leaders look to strengthen the foundations of the global economy – an economy that is today more than ever interconnected – tourism can be one of the building blocks of the 2030 Agenda.

We are, therefore, at an unprecedented moment for increasing the support to the sector by developing appropriate policies as well as mobilising private sector investment in tourism and related infrastructure and services. Parallel to this process, tourism should be a priority at the highest political level both nationally and internationally so that its potential can be realised.

**Assisting rural development**

As an example, currently tourism receives only 0.78% of the total aid-for-trade disbursements and a mere 0.097% of total official development assistance, although its relevance in the economies of the least developed countries reaches as much as 6% of their global trade. UNWTO will continue to call for a higher prioritisation of tourism in international aid flows in order to maximise the growing contribution of the sector to socio-economic development.

In that sense, UNWTO welcomes decisions such as the recent pronouncement of the China National Tourism Administration and the State Council Leading Group Office of Poverty Alleviation and Development of China to promote rural tourism as an effective means to fight poverty. Tourism is indeed well positioned to contribute to rural development, by providing a wide range of job and entrepreneurship opportunities in areas where other economic activities are often limited or in decay. Furthermore, tourism provides these opportunities locally, helping to curb rural migration.

As we celebrate the adoption of 2017 as the International Year of Sustainable Tourism for Development, I trust that the efforts of all actors engaged in the sector as well as the commitment of so many world leaders will finally give tourism the position it deserves so that its potential can be fully maximised. **G7**

presidency of the G20, “tourism is a key sector to support robust and inclusive growth across the world”.

**Sustainable Development Goals**

It is thus no coincidence that tourism is included in the 2030 Agenda for Sustainable Development in three of the Sustainable Development Goals (SDGs) – 8, 12 and 14. The SDGs highlight in particular the capacity of the sector to contribute to economic growth, job creation, sustainable consumption and production, and the conservation and sustainable use





Forecast number of international tourist arrivals by 2030

# Andreas Schleicher



Director  
**Directorate for  
Education and  
Skills, OECD**

*Alongside his role as Director for Education and Skills, Schleicher is Special Advisor on Education Policy to the Secretary-General at the OECD. In addition to policy and country reviews, the work of the Directorate includes the Programme for International Student Assessment, the Survey of Adult Skills, the Teaching and Learning International Survey, and the development and analysis of benchmarks on the performance of education systems. Schleicher was previously Director for Analysis at the International Association for Educational Achievement.*

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## A study in a new kind of education

*A fresh approach to education is required to ensure the future success of students in an increasingly digital, mobile and ambiguous world*

Prior to the industrial revolution, neither education nor technology mattered much for most people. But when technology raced ahead of education, many were left behind, causing unimaginable social pain. It took a century for public policy to respond with the ambition of providing every child with access to schooling. That goal is now within reach for much of the world.

But the quality of schooling is as, if not more, important. If the largest G7 economy, the United States, were to ensure that all students meet the Sustainable Development Goal of universal basic skills – such that every student would at least complete the lowest level of proficiency in the Programme for International Student Assessment (PISA) of the Organisation for Economic Co-operation and Development (OECD) – the economic gains could reach over \$27 trillion in additional income for the US economy over the working life of these individuals. But the future of the G7 may be shaped even more by the quality of education outside its members' borders in the developing world. And for lower- and middle-income countries, the discounted value of attaining the goal of basic skills would exceed 13 times their current gross domestic product.

Yet in the decades to come, much more will be at stake for the G7 than providing more of the same education. Through the digital revolution, technology is once more racing ahead of education. Those who do not acquire the right skills are left behind. That thousands of university graduates are unemployed at the same time as employers cannot find people with the skills they need shows that more education does →

**\$27 TR**

The potential extra income for the US economy from students completing the lowest PISA level

## KEY TAKEAWAYS

Education is now about helping individuals to find their own way

G7 members must refine their curricula objectives accordingly

New methods to measure 'global competence' are required

→ not automatically translate into better skills, better jobs and better lives. In the past, education was about transferring knowledge; now, it is about ensuring individuals develop a reliable compass and the navigation skills to find their own way through an increasingly uncertain, volatile and ambiguous world.

The kinds of skills that are easiest to teach and test are also those that are easiest to digitise, automate and outsource. The world no longer rewards people just for what they know – Google knows more – but for what they can do with it. Education thus needs to become much more about ways of thinking, involving creativity, critical thinking, problem-solving and decision-making; about ways of working, including communicating and collaborating; about tools for working, including the capacity to recognise and exploit the potential of new technologies; and about the character qualities that help people live and work together.

### Innovation requires collaboration

In today's schools, students typically learn individually; and at the end of the school year, we certify their individual achievements. But the more interdependent the world becomes, the more we rely on collaborators and orchestrators who can join others in life, work and citizenship. Innovation, too, is now rarely the product of individuals working in isolation; instead, it is an outcome of mobilising, sharing and linking knowledge. Schools need to prepare students for a world in which people need to collaborate with others of diverse cultural origins and appreciate different ideas, perspectives and values; a world in which people need to develop trust to work across such differences; and a world in which

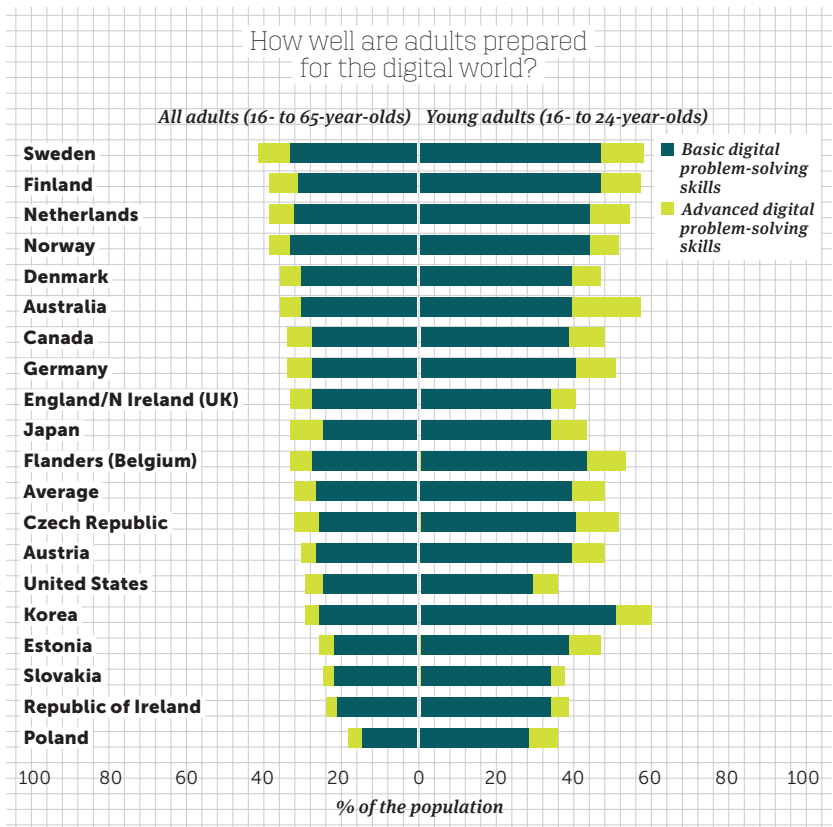
people's lives will be affected by issues that transcend national boundaries.

These objectives already feature in the curricula of G7 members, but they need to be refined and developed. First, given the complexity and inter-relation of global developments, the knowledge and understanding that young people need will have to be at once comprehensive, subtle and interdisciplinary. Second, education researchers and practitioners will have to

move quickly to identify the skills, attitudes and values that young people will need to play a role in solving emerging global problems, particularly those related to such systemic issues as equity and social cohesion. Third, the next generation will need to reconcile sustainability – putting the world back in balance – with resilience – managing in an unbalanced world.

### Measuring global competence

It will be important to be able to measure and assess the multiple components of this kind of 'global competence' and here again substantial new thinking will be required. This is where the OECD intends to work over the years ahead, starting in 2018. The triennial PISA survey will include a first attempt to measure and assess 15-year-old students' global competence. The target population is far larger than that of the G7: more than 80 countries and economies will be involved. In today's hyper-connected world, that makes sense: our 'community' has become truly global. We all need to adjust to this new reality, to learn new ways of working with others, so that we can be more informed, engaged and tolerant citizens of the world. **G7**



Source: OECD Survey of Adult Skills

# Race to the bottom: big data and teacher evaluation frameworks

Education as a public good currently faces serious challenges on a global scale. National tax regimes are struggling with – or exploiting – elements of economic globalisation such as aggressive tax planning by large corporations and rampant tax avoidance by the rich and powerful. It is unfortunate and seems all too predictable that with the resulting shift from a tax state towards a debt state, public goods such as quality education are increasingly viewed as unaffordable across the globe.

This state of affairs raises the stakes for decision-makers in terms of how tax revenues are spent on education. What areas are to be prioritised and for what reasons?

All too often, money from the public purse is spent on activities that are ineffective. Take the example of accommodating big data analysis within the education sector. Today, there is a burgeoning global industry profiting from the technical allure that comes with offering products and services concerned with big data analysis. It is clear that the use of big data could help improve education. At the same time, it is possible to get carried away by the number-crunching capacities of giant databases.

## Missing the bigger picture

The case of Value-Added Modelling (VAM) in the United States shows how tax revenues are easily misdirected when new technology-based tools are put on the market. VAM is used to measure a teacher's performance, in order to calculate pay, in a particular school year against a bank of student data on aggregated averages of movement that may or may not be based on the actual students that are being taught. Its use in teacher evaluation frameworks has exploded across US states recently in ways that tend to be misguided from a research as well as economic and societal perspective. Although the US is the hotspot for VAM excess, debate on the tool is going on elsewhere, such as in England, the Netherlands, Spain, and Chile.

In the US, VAM tends to be used in ways that are deeply flawed from a research point of view. VAM has been incorporated in evaluation frameworks that



*Dogs chasing a lure at a race – just as chasing after ineffective approaches leads to money being wasted that could be invested in students, teachers and schools*

arbitrarily punish or reward teachers and schools without pointing out areas of potential improvement. As a result, numerous court cases have been taken by teachers and their unions across the US. Both the American Educational Research Association and the American Statistical Association have issued authoritative statements warning that VAM has been used far too widely.

Moreover, the current uses of VAM for teacher evaluation in the US do not promote system improvement. They skew performance monitoring towards identifying the “good” and “bad” teachers and school leaders, rather than assessing the impact of policies on system performance. VAM's narrow focus distracts from the fact that the most serious challenges to ensuring educational opportunities are related to poverty and disadvantage, issues beyond the control of schools and teachers.

Rather than putting too much trust in numbers, policy design needs to include school leaders and teachers in the debate and concrete measures to improve education as a public good. Otherwise, resources are simply wasted. The uses of VAM in the US are likely to further corrode public trust in education and become part of a broader trend that makes education defensive rather than bold and innovative.

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**G7 leaders,  
under Japan's  
presidency, could  
help reignite  
growth through  
policies to boost  
trade and  
investment**



Angel Gurría

*Secretary General, OECD*

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# Growth, jobs and structural reform

## COMPLIANCE SCORE

*The average level at which G7 members have complied with their priority growth and financial regulation commitments from the 2015 Schloss Elmau Summit, eight months later*



Fostering growth by promoting education

+0.88 **94%**

Working with developing countries on the international tax agenda

+0.13 **56%**

+1 means full compliance, 0 means work in progress or partial compliance, and -1 means no compliance or action antithetical to the commitment.  
Based on a study by the G7 Research Group

## KEY TAKEAWAYS

Investment in infrastructure projects would raise short-term growth

G7 members could adopt a joint plan to address gender gaps in STEM fields

Angel  
Gurría



Secretary General  
**OECD**

*Gurría has been Secretary General since 2006, having been reappointed in 2010. He served as Mexico's Minister of Foreign Affairs from 1994 to 1998 and Minister of Finance and Public Credit from 1998 to 2000. Gurría has participated in various international organisations, including the Population Council and the Center for Global Development. He chaired the International Task Force on Financing Water for All and was a member of the United Nations Secretary General's Advisory Board on Water and Sanitation.*

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## Shared solutions to shared problems

*The OECD is eager to assist G7 members in three key agenda areas: trade and investment, gender equality and ageing societies*

The G7 and the Organisation for Economic Co-operation and Development (OECD) are active partners in combining their efforts to strengthen the global economy. The OECD has been proud to support the Japanese G7 presidency and substantively contribute to the G7 agenda, particularly as the global economy is facing multiple challenges.

Stronger global growth remains elusive, according to the OECD's latest projections. The world economy is expected to expand by just 3% in 2016, its slowest pace in five years, and pick up only slightly to 3.3% in 2017. Growth rates remain significantly below long-run averages of 3.75%. The recovery in advanced economies is sub-par, many labour markets still feature poor job creation and slow wage growth, and productivity gains

remain weak. Meanwhile, growth has also slowed in emerging market economies. Although trade flows have recovered somewhat from the sharp decline in the first half of last year, weak trade and investment continue to hinder the global recovery.

Financial markets have regained most of the ground lost earlier this year, yet market and capital flow volatility remain elevated and risks to global growth prospects are still tilted down. There has also been rapid growth of private sector debt in emerging markets, with several economies vulnerable to exchange rate shocks with large shares of foreign currency debt. Although current vulnerabilities remain lower than in periods preceding past crises, with higher reserves and more macro-prudential buffers, there could still be serious financial and economic



Countries should share learning on financing universal healthcare in ageing societies



Freight transportation in Gdansk, Poland. World Trade Organization members recently agreed on new disciplines relating to agriculture exports

*Swift ratification and implementation of the Trade Facilitation Agreement is crucial to cutting unnecessary costs and boosting trade and investment*

consequences if these risks materialise. Global macroeconomic policy must therefore support demand and efficient resource reallocation. Reliance on monetary policy has been insufficient to deliver stronger and sustained growth, so greater use of fiscal and structural policy levers is required. Collective fiscal action, focusing on investment spending in quality infrastructure projects, would raise short-term growth and potential output. Greater ambition and momentum on structural reforms would be conducive to much-needed private investment.

#### **Boosting trade and investment**

G7 leaders, under Japan's presidency, could help reignite growth and improve living standards through policies to boost trade and investment. Global value chains

(GVCs) are a dominant feature of world trade, whereby the process of producing goods is carried out wherever the necessary skills and materials are available at competitive cost and quality. This fragmentation of production across borders, with intermediate goods crossing borders multiple times, highlights the need for open, predictable and transparent trade and investment regimes. Tariffs and other restrictive measures – including non-tariff barriers and behind-the-border obstacles to trade – not only impose unnecessary costs on foreign suppliers, but also undermine the competitiveness of domestic producers.

The 'first best' option to achieve this openness is at the multilateral level. World Trade Organization members recently agreed to new disciplines on export competition measures in agriculture. OECD analysis estimates the potential cost reduction from fully implementing the Trade Facilitation Agreement to be in the range of 11.8% in OECD countries and 17.4% in lower- to middle-income countries. Clearly, swift ratification and implementation of the agreement is crucial to cutting unnecessary costs and boosting trade and investment.

The challenge now is to find a flexible pathway to resolve the outstanding issues of most concern to businesses, from market access to restrictions on services trade, investment and the digital economy. Countries are also increasingly turning to regional and plurilateral approaches to address these issues, such as the Trans-Pacific Partnership.

In addition, G7 leaders can individually spur economic growth through an ambitious structural reform agenda. Well-functioning transport, logistics, communication and finance services help ensure a coordinated flow of goods and services along GVCs. The OECD Services Trade Restrictiveness Index highlights that significant restrictions exist in all countries, and that no single country is always the most or least restrictive in all sectors. All countries have much to gain from opening services markets.

#### **Gender equality**

Closing gender gaps would help mitigate the impact of ageing in G7 members and promote more sustainable and inclusive growth. OECD projections show that full convergence in the labour force participation rate between men and women in OECD countries could raise annual gross domestic product (GDP) per capita growth by 0.6 percentage points, which corresponds to an extra →

12%

The potential extra GDP for OECD members achieving full male and female convergence in the labour force



SEBASTIAN KAHNERT/DPA/PA IMAGES

An engineer for medical technology manufacturer Carl Zeiss in Jena, Germany, works on a biometry device

→ 12% of GDP by 2030. Nevertheless, simply bringing more women into the workforce will not achieve gender equality.

Great progress has been made in terms of access to education. In G7 members, young women reach higher levels of educational attainment than young men. But young women are less likely to study and work in science, technology, engineering and mathematics (STEM). Just 31% of bachelor's degrees in science and engineering are awarded to women in OECD countries, compared to around 80% in education, health and welfare – hence the relevance of Japan's G7 presidency stressing this issue.

OECD evidence shows that gender differences in fields of study are not related to inherent abilities, but rather to attitudes, behaviour and stereotyping. In most countries, girls have less confidence than boys in their ability to solve maths or science problems, and few contemplate a career in engineering or computing. Furthermore, these preferences are related to parents' expectations, with parents in some countries more than twice as likely to expect their sons rather than their daughters to be engineers.

These differences mean women do not benefit from the increases in educational attainment they have achieved. G7 members could adopt joint policy principles and an action plan to address gender gaps in STEM, such as those in the OECD recommendations on Gender Equality in Employment, Education and Entrepreneurship.

### Healthcare in ageing societies

Finally, ageing populations and the growing prevalence of people with chronic health conditions pose significant challenges for health systems and budgets in many countries. The supply of healthcare services is often fragmented, with little coordination between providers and varying levels of care.

Strong primary care systems are crucial to improve the coherence and coordination of care. But in many countries these have yet to fully realise their intended functions as the first point of care and coordinator of services and to communicate effectively with patients. Many OECD countries are shifting away from hospitals and experimenting with new, innovative models to encourage integration between hospitals, primary care and community services. The OECD strongly supports a leading role for the G7 in this area – for example, through a platform for countries to share learning on financing universal health coverage in ageing societies.

The OECD stands ready to continue supporting G7 leaders' efforts to boost growth and trade, promote gender equality, improve healthcare provision and address other global challenges – as per the priorities of the Japanese presidency of the G7. These challenges constitute the facets of an ambitious G7 agenda, requiring innovative policy solutions. The OECD is well suited and eager to work with the G7 to design, develop and deliver better policies for better lives. **G7**



## G20 Research Group

The G20 Research Group is a global network of scholars, students and professionals in the academic, research, business, non-governmental and other communities who follow the work of the G20 leaders, finance ministers and central bank governors, and other G20 institutions. It is directed from Trinity College and the Munk School of Global Affairs and the Department of Political Science at the University of Toronto, which also hosts the G7 Research Group and the BRICS Research Group.

Our mission is to serve as the world's leading independent source of information and analysis on the G20. As **scholars**, we accurately describe, explain and interpret what the G20 and its members do. As **teachers and public educators**, we present to the global community and G20 governments the results of our research and information about the G20. As **citizens**, we foster transparency and accountability in G20 governance, through assessments of G20 members' compliance with their summit commitments and the connection between civil society and G20 governors. And as **professionals**, we offer evidence-based policy advice about G20 governance, but do not engage in advocacy for or about the G20 or the issues it might address.

**Briefing Books and eBooks** With Newsdesk Media in the United Kingdom, for each summit the G20 Research Group produces a "briefing book," freely available in print and online, outlining the perspectives of the leaders and key stakeholders and offering analysis of the major issues by leading global experts. It also works with Newsdesk Media to produce free eBooks and analysis available at [G7G20.com](http://G7G20.com).

**Compliance Assessments** For each summit the G20 Research Group, working with the Russian Presidential Academy of National Economy and Public Administration (RANEPA), assesses each G20 member's compliance with its previous summit priority commitments. Cumulative compliance reports are also compiled on key issues.

**Pre-summit Conferences** With a local partner in the country hosting the summit along with a core group of international partners, the G20 Research Group produces a conference in the lead-up to each summit analyzing the institutional workings of the G20 and the issues, plans and prospects for the summit.

**Field Team** The G20 Research Group sends a field team to each summit and some ministerial meetings to assist the world's media, issue its own reports and analyses, allow students to witness world politics at the highest level at close hand, and collect the documents and artifacts uniquely to the summit to build the G20 archives at Trinity College's John Graham Library.

**G20 Information Centre @ [www.g20.utoronto.ca](http://www.g20.utoronto.ca)** The G20 Information Centre is a comprehensive permanent collection of material available online at no charge. It complements the G7 Information Centre, which houses publicly available archives on the G20 as well as the G7 and G8, and the BRICS Information Centre, as well as Newsdesk Media's [G7G20.com](http://G7G20.com).

**Speaker Series** The G20 Research Group hosts occasional speakers in its efforts to educate scholars and the public about the issues and agenda of the G20. Past speakers have included senior officials of the International Monetary Fund and the World Bank and scholars and policy makers from Turkey, China, Australia, Brazil, Italy and elsewhere.

**Research** The G20 Research Group conducts research on the causes of summit and system performance and the G20's relationship with the G7/8, BRICS, United Nations and other formal multilateral institutions.

### Publications include:

- *Mobilising Climate Finance*, by John Kirton (Newsdesk Media)
- *The G8-G20 Relationship in Global Governance*, edited by Marina Larionova and John Kirton (Routledge)
- *G20 Governance for a Globalized World*, by John Kirton (Routledge) (also available in Chinese)
- *The G20: Evolution, Interrelationships, Documentation*, by Peter I. Hajnal (Routledge)

### G20 Research Group

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## KEY TAKEAWAYS

G7 leadership is required to reduce the effects of increased uncertainty

Increasing spending power for low- and middle-income groups will spur growth

# Strong growth requires strong leadership

*With income inequality and joblessness on the rise, it is incumbent on governments to address weak growth and ensure a decent future for the world's citizens*

Current trends of rising inequality and slowing growth must be quickly reversed by concerted action to reduce inequality, generate decent jobs and invest in the infrastructure for faster, greener and more inclusive growth. G7 leadership is vital to help diminish the social and political tensions in many parts of the world that are both a cause and a consequence of increased uncertainty.

The growth of the global economy has steadily slipped to the weakest pace since the financial crisis. There are more than 70 million people not in work today who would have had a job if pre-crisis growth had resumed. With the latest downward revisions in growth prospects, the jobs gap could rise above 80 million by 2020.

Unemployment remains high in many advanced countries and is starting to rise in some emerging economies. Participation rates are falling in many countries. Of the 200 million unemployed worldwide, more than 70 million are young women and men. Two in five economically active youth are jobless or working yet living in poverty.

Weakening growth has slowed the transformation of low-productivity, poorly remunerated jobs into better work opportunities. Earlier improvements in reducing the numbers of people living and working in poverty have stalled. In 2015, an estimated 327 million employed people were living in extreme poverty and 967 million in moderate and near poverty.

There is a broad trend towards rising inequality and declining labour income share, although it varies across countries. In most advanced economies, income

inequality has risen significantly and reached a historical high in some countries. The effect is most dramatic at the top end, with increasing concentrations of income at the very top of the distribution. The bottom 40% has fallen significantly behind in many countries, particularly since the crisis.

### Cumulative effects

High income inequality has adverse consequences for economic growth and leads to large gaps in educational outcomes and weaker social mobility. Similarly, the decline of labour income shares limits household consumption and reduces overall aggregate demand, since the evidence from most advanced economies is that redistributing income to capital does not increase investment.

Because these trends of high un- and under-employment, depressed wages and widening income inequality are occurring in many countries at the same time, they lower household spending and depress global aggregate demand. The global demand deficit is deterring private investment, especially in advanced economies, notably the euro area, despite extraordinarily low interest rates and accommodating monetary policies. As a result, cyclical weakness is feeding into structural constraints with weak investment inhibiting productivity growth.

The global economy's underperformance, especially in terms of jobs and wages, is a major cause of heightened political and social tensions and great political uncertainty. People increasingly question the capacity of the institutions and actors of public life to offer solutions to their most



pressing concerns or even the sincerity and legitimacy of their attempts to do so. New approaches and simple answers to complex questions are in demand, and some of these do violence to the values of democracy, human rights, tolerance and solidarity.

The world needs strong frameworks for collective action more than ever. But many political leaders seem to be turning inward, making it difficult to construct a concerted international programme to break out of the slow-growth trap.

### Sustainable Development Goals

The 2030 Agenda for Sustainable Development adopted in September 2015 is a beacon of hope. It addresses the major global challenges that must be tackled by 2030 if our societies are to hold together and offer a decent future for the world's citizens. Implementing the Sustainable Development Goals (SDGs) will require mobilising the full multilateral system in support of countries' national strategies.

A key driver of progress across the SDGs is a shift towards more inclusive growth patterns that generate decent work and decouple economic growth from environmental degradation. Investing in new infrastructure for greener growth,

Access to decent work must be part of the response to the refugee crisis

Failure to act in 2016 will make it harder to escape the slow-growth trap

Workers install panels at a solar farm in Thailand. Low interest rates enable investment in green infrastructure



SHUTTERSTOCK

327M

employed people lived in extreme poverty in 2015, with 967 million in moderate and near poverty

coupled with policies to increase the spending power of low- and middle-income groups and increase employment, will both rekindle growth and transform the dynamics of growth for sustainability and a just transition in line with the Paris Agreement on climate change adopted in December 2015.

The global refugee crisis has highlighted the importance of filling the gap between the international community's efforts to alleviate humanitarian crises and longer term development strategies. Forced displacement of large numbers of people leads inexorably to the issue of how these women and men can provide for themselves. Access to decent work must become part of the international approach to the crisis. This in turn requires detailed work on appropriate labour market policies that enable both refugees and host communities to have access to decent work opportunities.

#### The onus is on governments

With private investment and household consumption weak and unlikely to revive enough to reinvigorate growth in the near term, governments must take the initiative.

Low interest rates permit the financing of growth-enhancing sustainable infrastructure investments such as communications, low carbon emissions transport, renewable energy, fuel-efficient housing and public buildings, and clean water and sanitation systems.

Narrowing income inequalities and boosting household consumption can be realised by:

- strengthening labour market institutions, such as collective bargaining;
- reducing wage inequality, as through minimum wages;
- improving employment outcomes for vulnerable groups;
- improving job quality by fostering the transition of workers from the informal to the formal economy and tackling labour market segmentation;
- ensuring equality of opportunities to participate in quality education, training and lifelong learning; and
- promoting universal social protection.

The consequences of inaction in 2016 will make it more difficult to escape a slow-growth trap and will put at risk the world envisioned last September in *Transforming our world: the 2030 Agenda for Sustainable Development*. **G7**

Guy  
Ryder



Director General  
**International Labour  
Organization**

*Ryder has been Director General since 2012, having held various senior positions in the ILO from 1999 to 2002 and again since 2010. He leads the organisation's action to promote job-rich growth and to make decent work for all a keystone of strategies for sustainable development. He has a background in the trade union movement and is the former General Secretary of the International Trade Union Confederation.*

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# Changes in money and banking: what the G7 should do

*A monetary and banking revolution is imminent, and the major governments must consider how to manage a world in which currency is electronic and markets are run by robots*



After the global financial explosion of 2008, which crowded out fiscal policies and shook the traditional role of monetary policy, the world is now on the threshold of a new revolution in the banking sector. Indeed, we may have already entered it – and the G7 needs to understand it and urgently set guidelines.

Today's global economy mixes production excesses and aggregate demand shortages, which generate deflation. Monetary creation chases two objectives – financial stability and increased real investments – with a single instrument. Finance reacts with widely fluctuating stock prices. Consequently, increased unemployment and immigration flows (multiplied by military conflicts) undermine social stability. Central banks, even more than governments, keep juggling these hot potatoes, hoping they cool enough to reduce their institutional challenges without serious consequences for savings and employment.

### The right tools for the job

Tools used in the past are no longer helpful to economic policymakers. Econometric models no longer forecast accurately, and authorities can hope only to commit fewer errors. But this requires even greater ability than was needed before. It is thus necessary to use the artichoke technique – eat it leaf

by leaf. This means splitting the mix into its component parts, analysing each and then seeking an integrated conclusion.

One exercise from the method of successive approximations offers some solutions the G7 should consider. The care of global demand should be entrusted to investment expenses: it was understood in the mid-20th century that if private interests do not invest, the state must step in. Excess production must be absorbed by creating purchasing power in countries with low consumption, and by increasing wages, which quickly affects prices, and by fighting deflation. Monetary policy must focus on financial and banking stability, protecting savings and returning to stimulating real growth. This division of labour would allow the market to orient choices better, instead of suffering from unsatisfactory real growth and excessive monetary creation, especially as monetary creation is ineffective when finance can earn more quickly and better than if it supports investments and production. This is nothing new and it requires only reordering the geopolitical economy upset by the financial crisis.

However, the monetary and banking revolution looms in initiatives to replace legal currency with private currencies such as bitcoin. Electronic money already exists but has not spread due to fears arising from limited knowledge of how it works and the conviction that operators need less

## KEY TAKEAWAYS

Legal currency is being replaced by private currencies such as bitcoin

Banks' quasi-monopoly in payment processing is destined to become obsolete

The world's major governments must act now to avoid being displaced

protection than when using legal currency. The risks of penetration by hackers or ill-intentioned people are null, but the possibility remains high that states, deprived of monetary sovereignty, will interfere – even though electronic money is more efficient and less expensive than the current payment system. Banks profit from a quasi-monopoly in payment processing, which is destined to become obsolete, and, with few exceptions, do not move in this new direction.

But the revolution extends to a different kind of trading and another income source through artificial-intelligence models that deal with big data. Models based on chart data or econometric treatments are turning into neuronal models that simulate the reactions and conduct of the human mind in reaction to stimuli, enabling operations on stock exchange prices, exchange rates, commodity price trends and other variables. This development is already operational and promises better performance than old trading methods. Recent gains are still positive despite the big losses associated with other traditional tools.

### Markets ruled by robots

The G7 should analyse these developments since the new instruments affect how governments must make decisions. Indeed, the traditional Westphalian nation-state is

## Paolo Savona

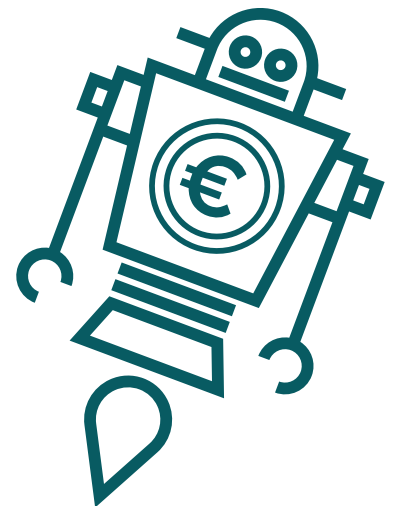


former Minister  
for Industry  
**Italy**

*Savona is a professor emeritus of political economy. A former Minister for Industry in Italy, he served as Secretary General for Economic Planning in the Ministry of the Budget, Chief of the European Policy Department of the Prime Minister's Office and Chair of the Italian Bank Deposit Protection Fund.*

being undermined: the ether becomes the territory; people are geographically dispersed; laws, at least economic ones, may come from outside nation-states. The foundations of democracy are shaken: the global market needs to establish how to distribute income equitably to correct the distribution produced by an uncompetitive market. Moreover, organisations that fight crime would be bypassed by electronic money and their costs increased by the greater trade liberalisation being negotiated for the Atlantic and Pacific regions.

These are just some of the implications of the monetary and banking revolution that would deserve more attention from the world's major governments so that they do not find themselves displaced, as occurred with the spread of the derivatives market. On the cultural level, they risk believing the erroneous hypothesis that markets left to themselves can self-regulate. On the practical level, the concentration of wealth as the basis of social stability would be reinforced. The problem is not strictly an economic one but a political one: how to organise economies and societies when currency becomes electronic and markets are ruled by robots. We thus face an epochal change. The G7 should, if not govern that change – which may be impossible and perhaps not desirable – at least identify the common lines of orientation. **G7**



## IN CONVERSATION



# We have seen many efforts to put structural reforms on the table, but without the political will to follow through



*Robert Fauver, former adviser to US presidents on economic affairs, speaks to editor John Kirton about the policy measures available to G7 leaders facing a weak economic outlook*

**Q** What is the state of the global economy that G7 leaders will confront at their Ise-Shima Summit in May?

**A** Once again, the leaders are facing a weak outlook complicated by both policy factors and events in the world economy. In the fourth quarter of 2015, growth was below expectations, and forecast rates of growth in the G7 countries have been lowered for 2016.

In the United States our headwinds are more domestic than international. We have received a substantial injection from lowering oil prices and our own competitive advantage given domestic supplies of energy, oil and gas. We are lacking confidence and people are saving rather than spending. But the external sector does not play as big a role as in other countries. Lower commodity prices and lower energy prices help our domestic economic situation.

**Q** What policy responses should the G7 leaders or their finance ministers collectively produce?

**A** We are at negative interest rates in some European countries and some parts of Japan. We have barely positive rates in the United States. The quantitative easing (QE) in Europe, the United States and Japan may have helped resist a further slowdown but has done nothing on the positive side. Raising interest rates is proving much more difficult than expected. Our Japanese and European colleagues have not yet faced the question of how to pull out of QE and negative interest rates.

Given large debt build-ups since the global recession, there is very little room for fiscal policy, and none for monetary policy. This brings us to the structural reforms, the third arrow in Japanese Prime Minister Shinzo Abe's quiver. We have seen many efforts over 35 years to put structural reforms on the table, but without the political will to follow through. The leaders all need to work on structural reforms domestically, because the regulatory rigidities in labour, capital and product markets have stifled growth.

**Q** Would coordinated fiscal stimulus by the G7 be desirable, if it could be done?

**A** It would not be politically feasible in the United States to find agreement in the Senate or the House on any fiscal stimulus. Without the United States, it would be extremely difficult to find a coordinated



# Robert Fauver

*Former US G7/G8 Sherpa*

strategy. Japanese fiscal balances are in terrible long-term shape. European fiscal balances, aside from Germany, are in bad shape. So while the general view is that we need an approach like the one proposed by Lawrence Summers and Joseph Stiglitz, I am not sure it would help.

**Q** Could trade policy help?

**A** There is very little trade liberalisation to be done among the G7 members. The barriers across their borders are very small. The Trans-Pacific Partnership would boost general confidence, but the macro effects of trade liberalisation – other than effects on expectations – would be very small on aggregate growth rates.

**Q** What are the key structural reforms in each of the G7 countries that are most needed and most feasible?

**A** In the United States, efforts are needed to reduce the excessive use of regulations of the past seven years. Restrictions on small business and healthcare reform have made it more difficult for small businesses to start up new jobs. The banking regulations have been particularly painful, especially as small- and medium-sized banks are the engine of new business creation.

In Japan capital market reforms are needed on mergers and acquisitions, anti-monopolisation and the labour market. In Europe, it is mostly labour markets. France's President François Hollande has been trying to do the right thing, but more political will is needed in Europe. Financial market reform would also assist in creating new jobs, but without labour market flexibilities, the rest has a diminishing marginal return.

**Q** What might the prospects be for a financial crisis of some sort capturing the attention of the leaders at Ise-Shima?

**A** The financial situation in the seven major economies is stable compared to eight or 10 years ago. The external effects of China's significant slowdown have made it much more difficult for China to engineer a slowdown. The relative effect of Latin America or China on the world economy is relatively small, however. Financial flows into and out of China are not as large as into and out of Europe or Japan. So the effect on the world economy, while significant in terms of expectations, will not be very large on the macroeconomic side. **G7**



ILLUSTRATION: STUDIO NIPPOLDT

## KEY TAKEAWAYS

Promotion of women in the workforce is now a key focus

G7 leaders recognise that discrimination obstructs growth



# Gender still high on the G7 agenda

*G7 members are well placed to take the lead on issues of empowering women, and to build on the significant advances already made. The issue will be a priority at this year's summit*

**F**or the second year in a row, the G7 host has made the empowerment of women a priority on the summit's agenda.

At Ise-Shima this May, Japan will ask the other G7 members to act on empowering women through education, particularly in the fields of natural sciences and technology. Fresh from hosting the World Assembly for Women this past year, Prime Minister Shinzo Abe hopes to build on the work done by Chancellor Angela Merkel at her G7 summit in Schloss Elmau

in 2015. In recent years, the G7's approach to gender equality issues has shifted slightly, from focusing on protecting women and girls from threats such as disease and conflict, to promoting greater participation of women in the workforce as a means to achieve inclusive economic growth and stability. There are now big shoes to fill following last year's German summit, which produced a record 29 commitments on gender equality.

### Significant advances

The G7/8 first began making commitments related to the education, training and advancement of women in the workforce at the Canadian-hosted 2002 Kananaskis Summit. The three commitments made there were part of a larger effort to fast-track the Education for All Initiative, aimed at furthering progress on the Millennium Development Goal of universal primary education by 2015. By 2015, net enrolment rates for primary education had reached 91% in developing regions. In 2004, at Sea Island, G8 leaders reinforced the Kananaskis educational commitments

**G7 members are equipped to move on full economic inclusion of women**

*Students in the nutrition technology department at the Beuth technical college in Berlin*

and added more on increasing financing opportunities for female entrepreneurs, support for vocational training and internship opportunities for women. These commitments were aimed specifically at women in the Broader Middle East and North Africa. From 2006 to 2014, the G7/8 commitments related to women focused almost exclusively on health issues, such as HIV/AIDs, maternal health and sexual and reproductive health, and the rights of women in Arab countries in transition.

Then in 2015, G7 members made a significant advance in promoting women's economic empowerment. Among the 29 Schloss Elmau commitments was one to increase the number of women and girls who receive technical and vocational training in developing countries by one-third by 2030. Leaders also committed to counter gender stereotyping by developing measures to encourage girls to enrol in science, technology, engineering and mathematics – a move that will be reinforced at Ise-Shima.

### **Discrimination impedes growth**

The commitments made at Schloss Elmau and the declarations released there indicate that G7 leaders recognise the discrimination that women face, and that it not only violates their human rights but also significantly impedes economic growth overall. Leaders acknowledged that the economic empowerment of women is not just needed in developing countries but in their own as well.

They have indicated that advancing a successful strategy must include countering gender stereotypes that discourage women and girls from entering certain disciplines, improving visibility for successful female entrepreneurs to encourage others to follow suit and, perhaps most importantly, improving policies that reconcile the imbalances between men and women with respect to unpaid care work. G7 leaders also

## *The 2015 G7 summit produced a record 29 commitments on gender equality*

reaffirmed their commitment to achieving inclusive growth for women in the Middle East and North Africa, particularly through the Transition Fund and providing funding for grants and technical cooperation projects in finance, trade and governance.

### **Building on commitments**

Based on initial observations of G7 compliance data with gender-related commitments made from 1996 to 2014, certain variables seem to correlate with G7 members' high compliance scores in respect of these commitments. These variables are a high number of gender commitments in the same year, the 'compliance catalysts' of specific targets and timelines within the commitments, and the mutual reinforcement of the gender equality agendas and commitments of outside institutions. It may be helpful for G7 leaders to build these elements into their communiqué in Japan to advance their overall strategy. Also useful would be a progress report on compliance with the commitments made at Schloss Elmau. This would be particularly helpful, as many of the gender equality priorities outlined by the Japanese presidency will build on what was promised at Schloss Elmau. A progress report would improve accountability and transparency, and inspire more confidence that promises made are promises kept.

G7 members tend to be high compliers with their gender equality commitments. They are also among the high compliers in relation to the G20's gender commitments. They are usually backed by high rates of public support for the issue, high rates of female labour force participation and high proportions of parliamentary seats held by women. They are therefore well equipped to make real progress on removing the barriers for women's full economic inclusion and helping those countries that may be further behind in ending discrimination against women. **G7**

Julia Kulik



Senior Researcher  
**G7 Research Group**

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**Measuring how  
much and how  
well leaders  
implement the  
commitments  
they make is one  
way of assessing  
summits' value**



Caroline Bracht

*Senior Researcher, G7 Research Group*

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# Strengthening G7 summitry

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## COMPLIANCE SCORE

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*The average level at which G7 members have complied with their priority commitments from the 2015 Schloss Elmau Summit, eight months later*



Average compliance with priority commitments

+0.60 **80%**



+1 means full compliance, 0 means work in progress or partial compliance, and -1 means no compliance or action antithetical to the commitment.  
Based on a study by the G7 Research Group

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# David Welch

*CIGI Chair of Global Security, Balsillie School of International Affairs, and Senior Fellow, Centre for International Governance Innovation, Waterloo, Canada*

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**Q** What can the G7 leaders do at the Ise-Shima Summit to secure the outcomes that Japan and its Asian neighbours want?

**A** East Asia is home to four of the most dangerous geopolitical flashpoints in the world: the Korean Peninsula, the East China Sea, the Taiwan Strait and the South China Sea. Practically speaking, there is little that the G7 can do all by itself other than show solidarity, a commitment to a rules-based order and (where possible) the peaceful settlement of disputes, and a determination to work with others in the region to solve security challenges. In every case China is a key player, and progress will be difficult or impossible without China's cooperation. We have seen signs that China is beginning to rethink its obstructionist behaviour on one issue: namely, the North Korean nuclear threat.

## IN CONVERSATION



# Progress will be difficult or impossible without China



*The efforts of G7 members to reduce tensions in parts of East Asia can only go so far without cooperation from Beijing*

Beijing is not quite psychologically or materially ready to put the economic headlock on Pyongyang, but if Kim Jong-un does not begin to whistle at least a somewhat different tune, expect China to come closer and closer onside with G7 members – provided that they (and South Korea) can assuage its very visceral fear of a North Korean collapse that results in a united Korea with American troops on the Yalu River.

With respect to other regional security challenges, China shows little sign of coming in from the cold. The East China Sea, at least, has settled into a modus vivendi, albeit one with distressingly frequent encounters between Chinese and Japanese vessels and distressingly frequent Japanese fighter scrambles from Okinawa.

Since the election of Tsai Ing-wen as President of Taiwan, Beijing has gone quiet

on cross-strait relations, indicating that some re-evaluation of Beijing's strategy is under way. Given that engagement has clearly failed to woo Taiwan back, I fear the next strategy will involve fewer carrots and more sticks.

In the South China Sea, matters appear to be coming to a head. Beijing's refusal to clarify its precise claims, its breakneck land reclamation programme, its militarisation of artificial islands, its refusal to move forward on a code of conduct, its insistence on bilateral solutions and its hysterical reaction to the Philippines arbitration case have triggered balancing behaviour by others and have weakened China's hand rather than strengthened it. Here, Chinese behaviour is not driven by assertiveness, aggressiveness or confidence, but by fear: it is caught between domestic expectations

of inflexibility and a deteriorating security environment at a time when the regime is becoming increasingly aware of its shaky legitimacy. It is hard to imagine how we get from here to a happy ending.

**Q** What role has the G7 played in the past in managing these challenges?

**A** Not much, frankly. Others have taken the lead on major security issues to this point. The defunct Six-Party Talks took the point position on North Korean nuclear weapons; the United States and Japan, through their bilateral security treaty, have taken the lead on the East China Sea; the United States has unilaterally taken the lead on backstopping Taiwan against China (largely informally, but nevertheless very seriously); and the Association of Southeast Asian Nations has tried – but failed miserably – to take the lead on the South China Sea.

The G7 has never been in a position to assert leadership on these issues because only two members (Japan and the United States) are major stakeholders, and they are on the same side of every issue. But the G7 may begin to speak in a louder voice, as it did recently in the foreign ministers' Hiroshima Statement on Maritime Security.

**Q** Will any of these issues escalate into military conflict?

**A** There is always that potential. The good news is that nobody wants a shooting war. The bad news is that sometimes you get a shooting war when absolutely no one wants one. The chief danger of military conflict on the Korean Peninsula lies either in a desperate gamble by Kim Jong-un to stave off collapse, or in a new American administration that runs out of patience with diplomatic tools and reaches for the military hammer before North Korea masters ballistic missile technology.

In the East China Sea, the problem is an inadvertent clash – which, with luck, everyone will seek to contain as quickly as possible. With Taiwan we probably have some time, but since Taiwan will never willingly return to the fold, the big question is whether China will lose patience before it loses interest.

In the South China Sea, inadvertent conflict is always a danger, but if the Philippines arbitration case goes in Manila's favour we may see more assertive military action in defence of claims.

**Q** Which issues are most likely to become acute in the coming months?

**A** Keep an eye on both North Korea and the South China Sea. **G7**



# Matthew Goodman

*Senior Adviser for Asian Economics,  
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**Q** To what extent does the Trans-Pacific Partnership (TPP) promise to benefit the United States, Japan and other G7 members?

**A** First, according to Peter Petri, the global income gains are substantial – \$357 billion over baseline projections by 2030. These benefits are mostly due to increased export opportunities and efficiencies at home, as well as increased investments around the region and beyond. The world will gain from this agreement. The gains are substantial for countries such as Japan, seeking growth. For the United States, TPP will have significant economic benefits.

Second, TPP benefits rule-making. It updates the 20th-century trade agreements, which addressed barriers at the border. It also addresses the realities of the 21st-century international economy, which is based on global supply chains. As you move along the supply chain, you may encounter friction not typically addressed in traditional trade agreements, such as investment rules, competition policy, intellectual property protection and the role of the state in the economy. TPP breaks new



## IN CONVERSATION



# One welcome addition to the G7 agenda is infrastructure investment



*Investing in infrastructure offers demand and supply benefits. It is one of several issues that host Japan is particularly interested in*

ground, for example in establishing rules and discipline on state-owned enterprises.

Third, TPP has strategic benefits for all its members. It embeds the United States further in the Asia-Pacific region as a champion of a rules-based order and thus complements our security presence in Asia, which is desired by our partners there. For Japan, there is strategic significance in being embedded in the region as a leader of a rules-based system. You can say the same about other members.

But only three G7 members are in the TPP: the United States, Canada and Japan. The European members are interested observers. With all the other issues to discuss, there will not be much bandwidth for the G7 summit to do much on TPP.

**Q** Which issues on the Ise-Shima Summit agenda are you particularly pleased to see?

**A** All G7 hosts try to balance their role as stewards of an existing institution and agenda with their own priorities, plus the pressing issues of the day. Against that backdrop, the Ise-Shima Summit has

a credible agenda, covering the global economy, many foreign policy issues, development, health, climate change and the empowerment of women.

One very welcome addition to the agenda is infrastructure investment. There is a global need for this in the advanced world. It provides both demand- and supply-side benefits to our economies. There is also a new great game under way in Asia, whether it is One Belt One Road in China, Japan's Quality Infrastructure Initiative or variations on Silk Road funds, including one the United States has focused on rebuilding Afghanistan. There is a place for the G7, and the G20, to have a conversation about appropriate standards of social and environmental safeguards, debt sustainability and open procurement practices and how to harmonise these where possible.

**Q** Could we see the G7 move up the Elmau decarbonisation promise to 2050 instead of the end of the century?

**A** I am not a climate change expert, but

I like the approach of setting an ambitious objective and then using each summit to make small but significant progress towards that objective, rather than arriving at the middle ground. Mushy action plans to do broad things are significantly less useful than trying to break off pieces of the agenda that are good in and of themselves. They may not solve every problem, but they can be meaningful steps. I am all for moving forward on pieces of the agenda where the G7 can provide some political commitment and direction, then trying to expand that to other countries, and then taking the next cut at the agenda next year. That approach to summitry is the most effective, I believe.

**Q** What does Japan bring to G7 summitry?

**A** Japan has always been a good steward of the forum. It moves the existing agenda forward while bringing its own priorities. Prime Minister Shinzo Abe is talking about universal health coverage, as his take on the health debate. Everyone is worried about pandemic crises from Ebola to Zika. Abe will want to get some kind of G7 endorsement on the issue of women.

As the world's third largest economy, Japan has an important voice in the global economic debate. It will both tout what it is trying to do under Abenomics and get some outside pressure to help, and then hopefully encourage others to pursue similar economic reforms. Japan has a particular interest in infrastructure because it feels it is competing with China over leadership in Asia.

Behind closed doors, Japan will want to have a quiet conversation about China with its G7 partners. There are obvious anxieties about both a weak and strong China. The Japanese are worried about an assertive China, economically but especially militarily in the East and South China Seas. The Europeans look at Asia and China predominantly as a commercial opportunity. Everyone rightly wants to engage with China, but we need to understand the risks and opportunities of a re-emerged China. That is where the G7 has a role.

Prime Minister Abe feels there is a special role for the G7, as a group with shared values and interests, to talk about not just China but all the common challenges. There is a place for the G7 alongside the G20, as a place where a group of countries with a shared set of interests, values and approaches should talk about these global challenges. There is still an important place for that kind of conversation among that group, even in a world that also needs a G20 to bring a broader group into the conversation. **G7**

## KEY TAKEAWAYS

Monitoring helps to answer questions about the legitimacy of summits



The average rate of compliance between 1975 and 2014 was 76%

Caroline  
Bracht



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## From promise to practice

*The G7 Research Group monitors the extent to which leaders follow up on their summit commitments*

Various groups of leaders congregate at annual summits to make progress on persistent complex global problems. They agree on actions to resolve immediate crises and establish work plans to deal with longer-term challenges and threats. Summits can be expensive and disruptive to the host country, leading to public debates over the value, legitimacy and productivity of the gatherings. Such discussions have become more important, as the number of summits has increased with the introduction of the G20 and BRICS in 2008 and 2009 respectively. One way to begin to answer the questions of legitimacy and effectiveness is to measure how much and how well the leaders implement the commitments they make.

The G7 Research Group, a global network of scholars, students and professionals based at the University of Toronto, has produced annual compliance reports on

G7 and G8 summits since 1996 as well as commitment-specific studies going back to the first summit in 1975. These reports measure the extent to which G7/8 members have implemented the priority commitments made at each summit on a range of issues. The reports rely on publicly available information, and are distributed to a broad stakeholder community for feedback to ensure comprehensive and accurate data collection and assessment.

### Four decades of statistics

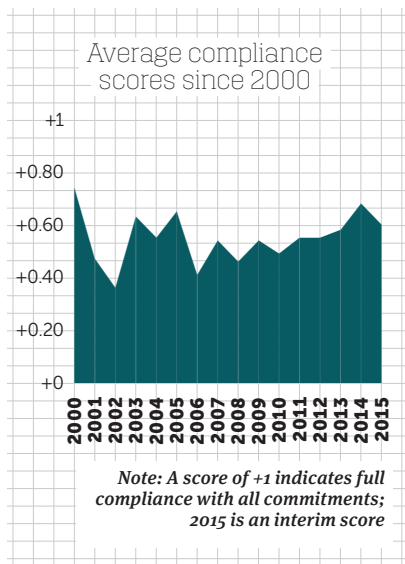
We have monitored 451 commitments in total. Across all issue areas and all countries from 1975 to 2014, average compliance was 76% (data on compliance with the 2015 commitments will be available at [www.g7.utoronto.ca/compliance](http://www.g7.utoronto.ca/compliance) on the eve of the Ise-Shima Summit). From 1975 to 1996, compliance from the seven original members (excluding Russia and the European Union) was low – at 62%.

'Catalysts' are identified to help predict the likelihood of compliance

These catalysts could be useful to leaders when crafting commitments



G7 leaders at the Brussels Summit in 2014. Their average compliance with commitments made that year was 84%



Source: G7 Research Group

From 1997 to 2013, average compliance including data on all eight countries and the European Union increased by 15% to 77%. The average for 2014, which again excluded Russia (suspended from the G8 due to its annexation of Crimea), was 84%.

Compliance originally peaked at 86% in 1992 and again in 1994. It then reached an all-time high (87%) at the Japanese-hosted Okinawa Summit in 2000. Since 2003, the average has remained at a moderate to high level (between 71% and 83%), with little variation since 2011.

**Compliance catalysts**

While compliance with G7/8 commitments has increased annually since 1996, it varies by issue and by member. Commitments on macroeconomic and social policy have the highest average at 86%. The lowest-scoring issue is trade, averaging 64%. To understand the drivers of this variation by issue, the G7 Research Group analysed its dataset of

451 assessments to determine predictors. These 'compliance catalysts' are words, phrases or factors that are embedded in and guide a commitment and can thus increase the likelihood of compliance with the commitment. We have identified 21 possible compliance catalysts that can appear in a commitment and, at times, more than one catalyst can be included.

One compliance catalyst that has been found to have a positive effect is a reference to a core international organisation. This is when a commitment refers to a separate international organisation that focuses specifically on the issue in the commitment. Other catalysts with a positive impact include setting a distinct target, indicating a one-year timetable or giving the commitment priority placement in the summit declaration.

As with compliance, the impact of a compliance catalyst also varies by issue and by member. On the issue of climate change, the compliance catalyst of specifying a country or region had a strongly negative impact on average compliance from 1985 to 2003, and on the overall compliance of Canada, Japan, Germany and the UK. It had a strong positive impact from 2004 to 2012 and in general on the compliance of the United States, Canada and Japan. On development, naming a regional organisation (not used in any commitment on climate change) had a negative although not very significant impact. On trade that catalyst had no impact. On the whole, regional organisations had no effect.

Overall, compliance with summit commitments could be improved further by crafting commitments that contain the specific catalysts known to improve compliance and avoiding those that lower it. With summits occurring only once a year but complex global issues needing continuous attention, the identification of a capable, issue-specific institution can help to ensure sustained implementation and monitoring. Coupling a core international organisation with a one-year target and a monitoring mechanism will likely increase compliance with summit commitments and ensure continued progress. **G7**

451

Total number of commitments since 1975 monitored by the G7 Research Group

# Meet the leaders



**Justin Trudeau**  
Canada

Justin Trudeau was elected Prime Minister of Canada on 19 October 2015. He was elected as the Member of Parliament for the Montreal riding of Papineau in 2008, and re-elected in 2011 and 2015. He has served as the Liberal Party of Canada's Critic for Youth and Multiculturalism, Citizenship and Immigration, and for Post-Secondary Education, Youth and Amateur Sport. He was elected leader of the Liberal Party of Canada in April 2013. Before entering politics, he taught French and mathematics in Vancouver. Born on 25 December 1971 in Ottawa, he holds a BA from McGill University and a BEd from the University of British Columbia. He and his wife, Sophie Grégoire-Trudeau, have three children. Ise-Shima is his first G7 summit.



**François Hollande**  
France

François Hollande was elected President of France on 6 May 2012. He served as First Secretary of the Socialist Party from 1997 to 2008. He was the Deputy of the National Assembly of France for Corrèze from 1988 to 1993 and from 1997 to 2012. Hollande also served as the Mayor of Tulle from 2001 to 2008. He joined the Socialist Party in 1979, and was an economic adviser for François Mitterrand. Born in Rouen on 12 August 1954, Hollande holds degrees from the Ecole nationale d'administration (ENA) and the Institut d'Etudes Politiques de Paris (Sciences Po). He has four children with his former partner, Ségolène Royal. Hollande has participated in every G7 and G8 summit since 2012.



**Angela Merkel**  
Germany

Angela Merkel became Chancellor of Germany in November 2005 and was re-elected in October 2009 and September 2013. Merkel was first elected to the Bundestag in 1990 and has held the cabinet portfolios for women and youth, and the environment, nature conservation and nuclear safety. Before entering politics, Merkel worked as a researcher and physicist. Merkel was born in Hamburg on 17 July 1954 and studied physics at the University of Leipzig, graduating in 1978. She was awarded a doctorate in 1986. She is married to Joachim Sauer and has no children. Merkel has been at every G7 and G8 summit since 2006, hosting the Heiligendamm Summit in 2007 and the Schloss Elmau Summit in 2015.



The combined years of summity experience of the current leaders



**Donald Tusk**  
European Union

Donald Tusk became President of the European Council on 1 December 2014. Born on 22 April 1957 in Gdansk, he was active in Poland's Solidarity movement and, following the collapse of communism, became leader of the Liberal Democratic Congress. Tusk was elected to parliament in the 1990s. In 2001, he was a founding member of the Civic Platform party and became its leader in 2003. In 2007, he was elected Prime Minister of Poland, remaining in office until 2014. Ise-Shima will be Tusk's second G7 summit.



**summit  
attended**



**Jean-Claude Juncker**  
European Union

Jean-Claude Juncker has been the President of the European Commission since November 2014. He was born on 9 December 1954 in Redange, Luxembourg. From 1995 to 2013, he was Prime Minister of Luxembourg, and has held positions as Minister of Labour, Minister of Finance and Minister for the Treasury. In 2005, Juncker became the first permanent President of the Eurogroup, his second term ending in 2013. The 2015 Schloss Elmau Summit was his first G7 summit.



**summit  
attended**



**Matteo Renzi**  
Italy

Matteo Renzi became Prime Minister of Italy on 22 February 2014 after the resignation of Enrico Letta. He became Secretary of the Democratic Party on 15 December 2013. In 2004 he was elected President of the Province of Florence, and in 2009, having joined the Democratic Party, he won the election for Mayor of Florence, a position he held until March 2014. Before entering politics, Renzi worked in his family business and was active in Italy's Catholic scouts association. Born on 11 January 1975 in Florence, he graduated from the University of Florence in 1999 with a degree in law. He and his wife, Agnese Landini, have three children. He has participated in every G7 summit since the 2014 Brussels Summit, and will host the 2017 summit in Italy.



**summit  
attended**



**Shinzo Abe**  
Japan

Shinzo Abe was appointed Prime Minister of Japan on 28 December 2012 and re-elected in December 2014, having previously served from September 2006 to September 2007. Abe was elected to the first district of Yamaguchi Prefecture in 1993. In 1999, he became the Social Affairs Division Director and served in the cabinets of Yoshiro Mori and Junichiro Koizumi. In 2005, Abe was nominated Chief Cabinet Secretary in Koizumi's cabinet. Born on 21 September 1954 in Nagato, Abe studied political science at Seikei University and public policy at the University of Southern California. He is married to Akie Abe. Abe attended the 2007 Heiligendamm Summit and has been at every G7 and G8 summit since 2013. Ise-Shima is the first G7 summit that he has hosted.



**summit  
attended**



**David Cameron**  
United Kingdom

David Cameron became Prime Minister of the United Kingdom of Great Britain and Northern Ireland in May 2010 and was re-elected on 7 May 2015. He was first elected to parliament in 2001 as the representative for Witney, Oxfordshire, and has served as party leader since 2005. Before becoming a politician, Cameron worked for the Conservative Research Department and served as a political strategist and adviser to the Conservative Party. Born in London on 9 October 1966, he received a bachelor's degree in philosophy, politics and economics from the University of Oxford. He is married to Samantha and has three children; a fourth child died in 2009. Cameron has participated in every G7 and G8 summit since 2010, and hosted the Lough Erne Summit in 2013.



**summit  
attended**



**Barack Obama**  
United States

Barack Obama was re-elected President of the United States in November 2012, having been elected for his first term in November 2008. In 2005, Obama was elected to the Senate, after working as a community organiser, a civil rights lawyer and a state legislator for Illinois. He was born on 4 August 1961 in Honolulu, Hawaii, to a Kenyan father and an American mother. He received his bachelor's degree from Columbia University in 1983 and a law degree from Harvard University in 1991. He is married to Michelle and they have two children. Obama has been to every G7 and G8 summit since the 2009 L'Aquila Summit and hosted 2012's Camp David Summit.



**summit  
attended**

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