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G7 Finance Ministers and Central Bank Governors

Agenda for Growth

Boca Raton, Florida, February 7, 2004

In September 2003, we adopted the Agenda for Growth initiative to focus our efforts on the need to undertake supply-side and structural policy changes to increase flexibility, raise productivity growth and employment, and achieve higher, sustained growth in our countries. Such reforms sometimes may entail short-term costs, but have proven critical to advancing long-term growth. We also committed to experience-sharing, to reviewing our results together, and to reporting on our progress. Our focus is on cooperation. Today, in Boca Raton, we reviewed our accomplishments thus far and outlined our future priorities. In this Progress Report, we list selected accomplishments since September 2003 — one for each country — and review upcoming reform plans.

Accomplishments since September. Germany enacted key elements of the reform Agenda 2010, including labor market measures that improve work incentives and further tax reduction. Canada completed the full implementation of its five-year, $100 billion tax reduction plan. Japan formulated a pension reform plan in December 2003 with a view to securing long-term sustainability of the pension system, and is preparing for legislation to implement the reform. France is implementing key provisions of its pension reform law that significantly improves the sustainability of its public finances. The United Kingdom announced new measures to help small business raise finance and to help promote a culture of enterprise, and to improve access to its R&D tax credit. Tax rate cuts in the United States worked their way through the economy to promote record growth. Italy's recent labor market reforms entered fully into force in October, contributing to the further reduction in the unemployment rate.

Upcoming Reform Plans. Our governments remain committed to pursuing additional pro-growth policies. The United States plans to spur saving by creating lifetime and retirement savings accounts and reducing the structural budget deficit, and to support job creation by making health care more affordable and pressing for tort reform. In an effort to raise productivity, the United Kingdom is targeting reductions in enterprise regulatory requirements including a collaborative initiative on regulatory reform across the EU over the next two years, establishing a long-term strategy for funding innovation and scientific research, and extended skills training programs. While continuing its steady reduction in the debt-to-GDP ratio, Canada will provide municipalities with the resources they need for infrastructure investment by exempting them from the Goods and Services Tax they now pay (worth $7 billion over the next decade) and examining other fiscal mechanisms to provide further predictable funding. Italy expects to push forward with its pension and corporate tax reform, including tax exemptions on dividends and capital gains, in 2004. France plans to advance health care reforms this year, while continuing to press for fewer labor market constraints. Japan will work on further fiscal expenditure and revenue reforms, including in social security, and will continue to address financial sector reforms. Pension and tax code reform remain key priorities in Germany, combined with further improvements in the framework for innovation.