

G7

G7 Finance Ministers Meeting

Statement

Washington D.C., April 24, 2004

The global economic recovery continued to strengthen and broaden since we met in February. Prospects are favorable, and although risks remain, such as energy prices, overall the balance of risks to the outlook has improved. Additional pro-growth reforms are essential to deliver stronger and more balanced global growth, boost employment, and raise incomes. As part of the Agenda for Growth, we discussed our priorities for tax and labor market reform. We reaffirmed our commitment to sound public finances and monitored implementation of strategies for sustained medium term fiscal consolidation as economies recover. Progress in these fiscal areas and in the Agenda for Growth are key to addressing current global imbalances. To deliver faster and more widespread global growth, and to fight global poverty, rapid progress on and early conclusion of the Doha Round is imperative and will require action by all parties to resolve key outstanding issues.

We reaffirm that exchange rates should reflect economic fundamentals. Excess volatility and disorderly movements in exchange rates are undesirable for economic growth. We continue to monitor exchange markets closely and cooperate as appropriate. In this context, we emphasize that more flexibility in exchange rates is desirable for major countries or economic areas that lack such flexibility to promote smooth and widespread adjustments in the international financial system, based on market mechanisms.

Economic fundamentals have improved in many emerging market countries. Yet, sustained and sound policies are essential to support lasting growth and reduce external vulnerabilities. In the case of Argentina, progress has been made, but further progress is required.

In developing countries, the private sector is key to growth and poverty reduction. Small businesses play a critical role, but unfavorable business climates are often a constraint. We call on MDBs to accelerate the development of joint action plans with governments to improve investment climate and to scale up their support for small businesses with specific measurable results. The G7 met entrepreneurs from developing countries and reiterated support for their efforts. We urge private sector views to be consistently included in MDB assistance plans. On remittances, we will continue to work on our initiatives to reduce barriers that raise the cost of sending them and to integrate remittance services in the formal financial sector. We are committed to working with governments, the private sector, and MDBs to broaden the access for families and entrepreneurs to financial services.

Official development assistance, including more effective use of grants, will remain key. We reaffirm our commitment to fight global poverty and to help countries achieve the international development goals of the Millennium Declaration through

our work on debt sustainability, aid effectiveness, absorption capacity, and financing facilities.

As part of the preparation for the Sea Island Summit and to mark the 60th anniversary of the Bretton Woods Institutions, we continued our Strategic Review of these institutions. Our focus is on giving clarity to official sector policy and objectives, increasing accountability, and country ownership. We are committed to improving the delivery and results of their programs and policies.

We met again with Ministers from key countries to strengthen the fight against terrorist financing. We call on all countries to meet their commitments to tighten asset freezing regimes, to prevent abuse of non profit organizations, and to stop cash transfers used to finance terror. We strongly welcomed the IMF/World Bank commitment to comprehensive assessments. We reaffirmed our commitment to further enhance transparency and supervisory standards in financial markets, in particular non-compliant off-shore centers.

Economic growth and job creation in the greater Middle East are a shared priority. We will meet with regional Ministers this evening to discuss their reform efforts and regional economic integration including through financial reform and private sector growth. We stand ready to assist Iraq, Afghanistan, and West Bank and Gaza in their development efforts. We reviewed progress on the Afghanistan Action Plan, including the positive results of the Berlin conference. We call on others to join us in reducing the debt burdens of Iraq and Afghanistan.