

G7

G7 Finance Ministers Meeting

Statement

New York, May 23, 2004

We met to prepare for the annual economic summit of our leaders. The summit is taking place at a time when the world economy is strong. The recovery is proceeding rapidly, with global growth of around 4.25 percent in 2003-04, the best growth rate in the world economy in the last 15 years. Sound pro-growth policies in our countries have contributed to this recovery through such measures as tax reform, more flexible labor, product, and capital markets, reduced regulatory burdens, pension reforms, and strengthened financial sectors and macroeconomic policy frameworks.

There is now a strong foundation for our leaders to enhance their cooperation and to advance the Agenda for Growth initiative to bolster job creation and productivity growth. We will work to implement labor market reforms, reduce regulatory and legal burdens, support entrepreneurship and innovation, and pursue healthcare reform. We reaffirm our commitment to sound public finances.

Yet risks to the outlook remain. Lower oil prices would benefit the world economy. We welcome the recent announcements by some oil producers to increase production. We now call on all oil producers to provide adequate supplies to ensure that world oil prices return to levels consistent with lasting global economic prosperity and stability, in particular for the poorest developing countries. Progress on trade liberalization is also critical to an improving world economy. We reaffirm our commitment to rapid progress on and early conclusion of the Doha round.

Remittance flows at \$100 billion per year support families and finance small businesses in developing countries, making them a key factor for growth and poverty reduction in these countries. We are engaged in overcoming institutional impediments to the transmission and receipt of remittances, improving financial education, increasing the range of services, and promoting partnerships to strengthen their development impact.

Entrepreneurship is essential for development. Financial and technical assistance are core elements of our efforts to support small business, and we have asked the MDBs to scale up these programs. We urge MDBs to work with bilateral donors and developing countries to develop and implement action plans to remove legal and regulatory obstacles to investment.

Economic reforms are underway in the broader Middle East and North Africa. We discussed ways to support the region's initiatives to improve the investment climate, support private sector growth, and provide effective technical assistance. A policy dialogue, focused on economic and financial issues based on regional

ownership, is an effective mechanism to support reform in the region. We will meet again with regional Ministers this fall.

We discussed our Strategic Review of the World Bank and IMF and are gratified by the positive response we have received already. The goals of the Bretton Woods institutions are to promote economic and financial stability, raise economic growth, and fight poverty. We are pleased with recent reforms, including limits on exceptional access, enhanced surveillance, streamlined conditionality, collective action clauses, grants, and measurable results management. However, given the depth of change in the world economy, the institutions must reform further if they are to achieve their goals. At the time of their 60th anniversary, we believe that these reforms should be broadened on the basis of the principles of accountability and good governance, transparency, clarity of objectives and responsibility, and effective working with markets. We will continue to engage with the institutions and their shareholders on how they should best respond to these challenges.

We reaffirmed our strong commitment to debt sustainability in the poorest countries through debt relief and grants. We are committed to the full implementation of the HIPC initiative, including the provision of topping up relief where appropriate. We will bring forward proposals to address these issues.