

G7

G7 Finance Ministers and Central Bank Governors Meeting

Statement

Washington D.C., October 1, 2004

We thank the United States for presiding over the G7 this past year and we are gratified by the international economic cooperation that has resulted in new initiatives such as the Agenda for Growth, the Strategic Review, the Global Remittance Initiative, and new G7 outreach to both the Broader Middle East and North Africa countries and to China. We welcome the United Kingdom to the G7 presidency in 2005, and we will continue to work together on these and new initiatives.

Global economic growth is strong and the outlook for 2005 remains favorable. Inflation and inflation expectations remain low in our economies. However, this is not the time for complacency. Growth is higher in some regions than in others; imbalances persist. Oil prices remain high and are a risk. So first, we call on oil producers to provide adequate supplies to ensure that prices moderate. Second, it is important consumer nations increase energy efficiency. Third, it is important for consumers and producers that oil markets function efficiently and we encourage the IEA to enhance its work on oil data transparency. We will return to the issue of medium term energy demand and supply at our next meeting.

We reaffirmed our commitment to sound public finances and to strategies for sustained medium term fiscal consolidation. Today we released a new report on our Agenda for Growth in which we agreed to make pro-growth structural reforms a regular part of our work to create more jobs and increase productivity. We welcome recent progress on the Doha Development Round.

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.

We remain firmly committed to continue to cooperate in combating terrorist financing, which is essential for reducing the risks of terrorist attacks.

Emerging market economies generally face favorable financial conditions; interest rate spreads are low and volatility is down in many markets. We urge emerging market countries to take advantage of the favorable global economic conditions to lessen their vulnerability to external shocks. We urge the Argentine authorities to implement, as soon, as possible the prior actions required for the completion of the Third Review while fulfilling its current obligations fully and timely. Argentina's key

challenges remain structural reforms, building a sound fiscal framework, and achieving high creditor participation in a sustainable debt restructuring. We welcome the approval by the IMF of a sound and credible program for Iraq, which is an important step toward our commitment to resolve Iraq's debt before the end of 2004. We welcome the financial assurances given by Iraq's creditors that made this IMF program possible.

We continue to support efforts to increase economic growth and reduce poverty in poor countries. We welcome the agreement to increase funding for the Asian Development Fund and we look forward to new replenishments of the African Development Fund and IDA. 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. There is a need for additional financial aid grounded on the principles of good policies, debt sustainability, accounting for results, and enhancing predictability and aid effectiveness. We encourage the development banks to provide quantifiable indicators and results for all projects, and to make them publicly available. We are now committed to addressing the sustainability of debt of the poorest countries by making progress on debt relief and grant financing. We will prepare a progress report on these efforts by the end of the year.