G-7

Statement of G7 Finance Ministers and Central Bank Governors

London, February 4-5, 2005

G7 Finance Ministers and Central Bank Governors met in London. We are conscious of our responsibility to respond positively to the challenges and opportunities of the global economy. Recognising the need for greater and wider partnerships, we held an informal meeting with key global economies and continued our productive dialogue with the Chinese authorities.

Since our meeting in October the economic cycle has matured and global growth moderated, but is expected to remain robust for 2005. Risks are balanced, though global imbalances remain. Inflationary pressures remain subdued. We recognise that each of our countries must play its part to support long-term sustainable global growth: key priorities are that the United States has committed to fiscal consolidation; Europe and Japan to further structural reform. We agreed on the importance to global growth of an ambitious result at the Hong Kong WTO ministerial with a view to concluding the Doha Development Round, including financial services. We committed to provide support to build the infrastructure and capacity to enable developing countries to benefit from trade opportunities and called on the IFIs to play a major role in this.

We discussed medium-term energy issues and the risks of current oil prices. Market transparency and data integrity is key to the smooth operation of markets. We welcomed concrete actions in improving data provision to oil markets and encouraged further work, including on oil reserves data, by relevant international organisations. The Extractive Industries Transparency Initiative can increase fiscal transparency and help improve the use to which oil revenues are put. We call on international institutions to work with oil producing countries to ensure a climate conducive to investment. We recognised the importance of raising medium-term energy supply, of energy efficiency, and of the importance of technology and innovation in ensuring energy security.

We reaffirmed 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 emphasise 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.

Flexible economies with efficient labour markets are key to sustained economic success. In an increasingly integrated global economy, bringing more people into the labour market would raise living standards and play an important part in increasing the sustainability of public finances, as populations age. We reviewed our experience in this area and are committed to taking further reforms.

We reiterated our condolences and sympathies to all those directly affected by the tsunami disaster. We reviewed the substantial response to these tragic events and discussed reconstruction needs on the basis of the preliminary assessment by the IMF and World Bank. For affected countries that request it, we agreed exceptionally to defer debt payments up to the end of 2005 (consistent with national laws), without payment of interest during this period, and to promote this in the Paris Club. We will review at our next meeting the need for further assistance based on the full needs assessment.

We discussed the challenges of meeting the Millennium Development Goals and the opportunities in the coming year and have published our conclusions separately.

We also agreed to meet our counterparts from the Broader Middle East and North Africa region at the time of our next meeting.

The IFIs must adapt to meet the challenges of the modern global economy. We undertook to support World Bank and IMF management in their strategic reviews of their institutions. We look forward to discussing this topic further at the Spring Meetings.

Fuente: HM Treasury