Statement by G-7 Finance Ministers and Central Bank Governors September 23, 2005

The global economy, as a whole, continues to expand and the outlook is positive for further growth, supported by the containment of underlying price pressures. However, higher energy prices, growing global imbalances, and rising protectionist pressures have increased the risks to the outlook.

We discussed high and volatile oil prices and agreed on the key steps that need to be taken. First, we welcome the action by members of the International Energy Agency and by oil-producing countries to make available additional oil and oil products to the market and we call for a sustained increase in supply by those with spare capacity. Second, significant investment is needed in exploration, production, energy infrastructure, and refinery capacity. Third, oil producing countries should ensure a favorable investment climate, open markets with transparent business practices, and stable regulatory frameworks. We stress the importance of improving the timeliness, quality, and transparency of oil market data and increasing medium-term energy supplies and efficiency. Fourth, we will enhance and expand our dialogue with oil producers. Fifth, we affirm that subsidies and artificial price caps which constrain the price of oil and oil products have an adverse effect on the global market and should be avoided. Sixth, we are committed to fostering and deploying technology and innovation. Seventh, we support energy conservation, renewable and alternative sources of energy as long-term solutions, and encourage the World Bank to promote investment in alternative energy sources and energy efficiency in developing countries. Finally, we commit ourselves to implementing policies and practices to improve the global energy outlook.

The challenge of addressing global imbalances over the medium term is a shared responsibility of the international community and must be undertaken in a way that maximizes sustained growth. The G-7 countries have a critical part to play, as do others. Vigorous action is needed to address global imbalances and foster growth; further fiscal consolidation in the United States; further structural reforms in Europe; and further structural reforms, including fiscal consolidation, in Japan. The G-7 held another outreach session today with Brazil, China, India, Russia, and South Africa. We reaffirm our support for the Agenda for Growth initiative. We agreed to meet again in December in the United Kingdom.

An ambitious outcome from the Doha Round by the end of 2006 is essential to enhancing global growth and poverty reduction. We call for a multilateral rules-based global market. We call for a strong WTO result by all members to substantially increase market access in agriculture, industrial products, and services, especially for developing countries; significantly reduce trade-distorting domestic support; eliminate all forms of export subsidies in agriculture; and make significant progress on services, including financial services, as liberalization in financial sectors is linked to increased growth.

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. We welcome the recent decision by the Chinese authorities to pursue greater flexibility in their exchange rate regime. We expect the development of this more market-oriented system to improve the functioning and stability of the global economy and the international monetary system.

We welcome the Managing Director's strategic review of the IMF and agree that maximizing the benefits while limiting the challenges of globalization should be a defining principle for the activities of the IMF. The increased integration of economies and the larger scale of private capital flows are critical to defining the priorities for the IMF. We stress the importance of modernizing the IMF's internal and external governance structure to reflect developments in the world economy. The Bank should strengthen its focus on poverty reduction through economic growth and broader access to economic opportunities, results measurement, and fighting corruption.

We reaffirmed our support for the G-8 proposal on debt relief for Heavily Indebted Poor Countries, while ensuring that the financing capacity of the IFIs is not reduced. This proposal will provide additional resources for countries' efforts to reach the goals of the Millennium Declaration, foster longer-term debt sustainability, and improve balance of payments positions. We call upon all shareholders of the IDA, African Development Fund, and IMF to expeditiously complete and implement this historic and crucial initiative. We remain committed to fully financing this relief on a fair burden share basis and stand prepared to demonstrate our Gleneagles financial commitments consistent with our individual budgetary and parliamentary systems. For the IMF, the G-8 will provide approximately $150 million to the Interim PRGF. The Fund should move forward immediately to implement the shocks window in the PRGF and the Policy Support Instrument. We invite oil producing countries to contribute to the shocks window that would help poor countries respond to commodity shocks, including oil prices. We endorse the Fund's estimate of the need for a self-sustained PRGF. We are committed, on a fair burden share basis, to cover the costs of countries that may enter the HIPC process based on their end-2004 debt burdens. We will review the Enhanced HIPC Initiative in 2006, including the application of the "sunset" clause, and the appropriateness of further action based on the future financing capacity of the international financial institutions.

The tragic events in London in July remind us of the continued threat posed by terrorism. As such, we renewed our commitment to fight terrorist financing through strengthening our asset freezing systems and actions, enhancing information sharing, and considering multilateral financial tools to disrupt criminal and illicit activity. We reiterate our support for the IFIs' continuing commitment to countering terrorist financing and illicit finance, including money laundering.