

Statement by G7 Finance Ministers and Central Bank Governors

Washington, April 13, 2007

We, Finance Ministers and Central Bank Governors, met today to evaluate the global economic outlook. Although risks remain, the global economy is having its strongest sustained expansion in more than 30 years and is becoming more balanced. In our economies, U.S. economic activity remains solid even as domestic demand moderates to a more sustainable growth path. The euro-area is experiencing a healthy upswing. UK growth remains robust and Canadian growth is accelerating. Japan's recovery is on track and expected to continue. We remain confident that the implications of these developments will be recognized by market participants and will be incorporated in their assessments of risks.

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Further strengthening and rebalancing of domestic demand is desirable to help ensure the global economic expansion remains robust. We continue to be committed to maintaining price stability as the best contribution that monetary policy can make to sustained global growth. We will do more to increase trend economic growth rates, especially through structural reforms such as improving labor markets and long-term fiscal sustainability. We are confident that the continuation of our policies will support economic growth and contribute to reduce international imbalances. We will continue to work together to support the global adjustment process and urge others to do likewise.

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 emerging economies with large and growing current account surpluses, especially China, it is desirable that their effective exchange rates move so that necessary adjustments will occur.

We believe that a successful conclusion of the Doha Development round is imperative. We are committed to resisting protectionist sentiment. Substantially lowering tariffs and other barriers is essential to spur new growth in global trade and reduce poverty. We welcome recent steps to intensify engagement, recognizing that substantive movement towards a comprehensive final outcome requires all parties to

make additional efforts. We expect spending on Aid for Trade to increase to \$4 billion, including through enhancing the Integrated Framework. We support initiatives to enhance cooperation to enforce intellectual property rights and combat counterfeiting which are crucial to our knowledge-based economies.

We continued our discussions on how to develop local currency bond markets to enhance the contribution of financial markets to sustainable economic growth and to reduce emerging market economies' vulnerability to external shocks and financial crises. We look forward to the results of the high level conference on May 9-10 in Frankfurt, which will help to identify concrete recommendations to sustain the momentum of reform.

We discussed recent developments in global financial markets, including hedge funds, which along with the emergence of advanced financial techniques such as credit derivatives, have contributed significantly to the efficiency of the financial system. We will continue to monitor the implications of these developments. Market-led and official initiatives focused on issues around private pools of capital intended to strengthen market discipline, risk management, market infrastructure, information and valuation practices, are essential contributions to global financial stability. In this context, we welcomed the work of the United States' President's Working Group on Financial Markets and its "Principles and Guidelines Regarding Private Pools of Capital" and look forward to the Financial Stability Forum's update of its 2000 Report on Highly Leveraged Institutions. We discussed the issue of mutual recognition of comparable regimes and look forward to further progress being made on cross-border access by investors to our securities markets.

We agree to push forward the ambitious package of bold and fundamental reforms in order to retain the IMF's relevance and legitimacy. Reforms should ensure that actual IMF quota shares, especially those of the most dynamic members, many of which are emerging markets, better reflect relative weights and roles in the global economy. We agree that the voice of low-income countries should be enhanced. A necessary element of IMF reform is improved surveillance over exchange rates. Surveillance must focus on external stability and be applied equally and even-handedly without creating new obligations. In this context, we welcome the Managing Director's proposals to update the 1977 Decision on Surveillance over Exchange Rate Policies and to develop a surveillance remit. We look forward to finalizing these proposals rapidly after the Spring Meetings. We took note of the work of the External Review Committee on IMF-World Bank Collaboration as well as of the report of the Committee to Study Sustainable Long-term Financing of the IMF. We agreed to consider the latter proposal in time alongside measures to further reduce administrative expenditures.

We encourage the use of the debt sustainability framework by all borrowers and creditors. We welcome continued work on principles for responsible lending and seek to involve other interested parties. We advocate a rapid resolution to Liberia's arrears to the international financial institutions. Available internal resources should be fully

used to this end. We are prepared to make additional financial contributions. We look forward to the forthcoming International Conference on Education in Brussels.

In order to ensure energy security and to address climate change, we consider energy efficiency and the promotion of energy diversification to be important issues for both developed and developing economies. Diversification can include advanced energy technologies such as renewable, nuclear, and clean coal. We agree that market based policy measures should be effectively designed to meet specific conditions in each country.

We commit to continue the fight against money laundering, terrorist financing, and other illicit finance that risks the stability and integrity of the global financial system. We call for the effective and timely implementation of UN Resolutions 1540, 1718, 1737 and 1747. We commend the Financial Action Task Force on its commitment to examine the risks of weapons of mass destruction proliferation finance. We urge that as it reviews its strategic direction, the FATF consider expanding its mandate, enhancing global implementation of its standards, improving its strategic surveillance, and examining ways to bolster accountability and outreach activities.

We look forward to the successful launch of the International Compact for Iraq in Sharm El Sheik on May 3. We discussed economic prospects in the West Bank and Gaza Strip, and agreed to keep this under review.