

Statement by G-7 Finance Ministers and Central Bank Governors
Singapore, September 16th 2006

We, Finance Ministers and Central Bank Governors, met today to evaluate global economic outlook and discussed the ways to promote continued prosperity by addressing the opportunities and challenges lying ahead. In our economies, performance remains strong amid moderating growth in the United States, growth in the euro zone after accelerating should remain strong and more -balanced in the second half of the year, growth in the UK is becoming stronger and more-balanced, Canada remains on a strong balanced growth path, and Japan has exited the zero-interest rate policy and its recovery is now broadly-based. More widely, thanks partly to benign international financial conditions, emerging economies are broadly enjoying robust growth. The positive outlook, however, is not without potential downside risks, e.g., tight and volatile energy markets, rising inflation expectations in some economies, and the spread of protectionist tendencies. We will remain vigilant to these developments. We reaffirm our strong commitment to pursuing sound policies, and call on others to join us to meet the shared responsibility for orderly adjustment of global imbalances.

We are of the view that high energy prices reflect both rising demand from strong global expansion and concerns about current and future supplies, though the prices have eased recently. In addition to promoting greater transparency and reliability in energy market data, including through development of a global common standard for reporting oil reserves, we thus encourage investment in exploration, production, transportation and refinery capacity. At the same time we call for renewed efforts by consumers towards energy efficiency, conservation and diversification, and continued dialogue between the consumers and the producers. We stand ready to provide, in co-operation with the IFIs, technical assistance for this purpose to emerging economies and developing countries, and welcome the work on the Clean Energy Investment Framework.

We stress the importance of advancing multilateral trade liberalisation, which is essential to enhancing global growth and reducing poverty. We urge all parties to show political will and flexibility necessary to resume the Doha Development Round as soon as possible, in order to achieve a comprehensive package in agriculture, industrial products, services, including financial services, intellectual property and WTO trade rules. This must address the concerns of developing countries, in particular the least developed countries. We also emphasise the importance of delivering aid for trade to low-income countries, consistent with the principle of aid-effectiveness. We underline the need to combat counterfeiting and piracy.

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. Greater exchange rate flexibility is desirable in emerging economies with large current account surpluses, especially China, for necessary adjustments to occur.

We reaffirm our strong belief, in line with the IMF Managing Director's progress report, that fundamental reform is necessary for the IMF to maintain its legitimacy, relevancy, and credibility in the changing global economy. We welcome the resolution on quota and voice reform now being considered by IMF Governors, and urge all members to support it. We endorse the objectives of making IMF quota and voting shares more responsive to changes in global economic realities in the future, and enhancing the participation and voice for low-income countries. We will work intensively with all members of the IMF to ensure these objectives are met equitably. The adoption of the resolution will increase the quotas of four particularly underrepresented economies. It will also trigger the work to achieve a significant further alignment of members' quotas with their relative positions in the world economy based on a revised quota formula, as well as at least a doubling of the basic votes at a minimum to preserve the existing voting share of low-income countries. We underscore the importance of honouring the resolution's two-year timeframe, and urge the Executive Board and the Managing Director to carry out necessary work accordingly.

We also stress the importance of enhancing the effectiveness of IMF surveillance, both by further strengthening analytical capacity and modernising its framework. We welcome the on-going Board discussion about how best to re-state members' existing obligations to the IMF and to each other. In this context, we support the IMF's comprehensive review of its thirty-year-old guidelines on exchange rate policies. The IMF should make appropriate revisions to the guidelines so that they better define its surveillance framework for fiscal, financial sector, exchange rate and monetary policies and their collective spillovers on other countries. Together with a remit to set priorities and enhance accountability, this will improve surveillance. We look forward to the completion of this

work by the 2007 Spring Meetings. We also welcome the additional perspective provided by the multilateral consultation process that was set in motion recently. On the question of a new instrument that allows economies with market access to forestall sudden disruption in capital flows, we ask the Managing Director to present a concrete proposal that is deemed effective and realistic, as well as adequately safeguarding IMF resources, by the 2007 Spring Meetings.

While welcoming the increasing role of new donor countries, we believe it is imperative that all donors share information and take account of debt sustainability issues in their lending practices. The IFIs should also enhance capacity building in the area of debt management and more closely monitor fiscal and financial situations in post-MDRI countries, so that these countries will not accumulate new debts beyond sustainable levels. We look forward to further discussions on strengthening the debt sustainability framework in the coming months, taking into account, e.g., IDA's recently-adopted policy. In order to secure the full delivery of debt relief under the HIPC initiative, the IFIs should redouble their efforts to encourage non-Paris Club official bilateral and commercial creditor participation in the Initiative. We welcome the progress towards the launch of a pilot AMC for pneumococcus by interested parties by the end of this year, including the recent formation of the working group including non-G7 members. We also welcome the World Bank's Progress Report for the Education for All-Fast Track Initiative and look forward to a further progress on education outcomes. We call on the FTI to produce a specific action plan setting out concrete recommendations on its future direction.

The international community has a stake in achieving long-term political and economic stability in the Middle East. In this light we support the Government of Lebanon's efforts towards reconstruction, development, and economic reform. We welcome donors' commitments to help Lebanon, and look forward to a deeper involvement of the IFIs. We discussed economic prospects in the West Bank and Gaza Strip and agreed to keep this under review. We also welcome the launch of the international Iraq compact.

We agreed to intensify our efforts to combat money laundering; proliferation network as well as terrorist and illicit financing by addressing global financial vulnerabilities particularly those associated with jurisdictions that have failed to recognise international standards. We urge the FATF to focus on identifying and adopting appropriate measures within its mandate. We ask the IMF and the World Bank to work closely with the FATF to foster implementation of the relevant international standards. We also encourage all countries to publish their full evaluations.