

Statement of the G8 Finance Ministers

Deauville, May 17th, 2003

We met today ahead of the Evian Summit. While major downside risks have receded, our economies continue to face many challenges. We are nonetheless confident in the potential for stronger growth. Our task is to realise this potential. We will therefore continue to cooperate to achieve higher growth in all of our economies, while ensuring domestic and external sustainability, and thereby to contribute to global economic growth. We are strengthening our commitments to structural reforms and sound macroeconomic policies.

As we face a common challenge of ageing, our contribution to higher worldwide growth should rely more strongly on a good system of education and life-long learning, research and development, innovation and entrepreneurship, on the foundation of a sustainable fiscal and monetary framework. Europe will continue to foster innovation and to accelerate labour, product and capital market reforms so as to achieve a more flexible economy. The US will act to create jobs and to encourage savings and investment by the private sector. Japan will continue its structural reforms, including in its financial and corporate sectors, and intensify its efforts to combat deflation. Canada will maintain monetary prudence and fiscal balance, while investing in productivity. Russia, which has greatly improved its performance, will pursue structural reforms, in particular in the financial sector.

To bolster investor confidence, we will continue to reinforce corporate governance practices, market discipline, transparency and regulation in line with the principles agreed in February. We welcome the work program agreed by the Financial Stability Forum in Berlin on potential financial vulnerabilities and corporate governance and related matters, including rating agencies and financial analysts, and will review the results of this work in September. We have agreed to appoint Roger Ferguson as FSF Chair. We favour the emergence, through open and public processes involving the private sector, of high-quality internationally recognized accounting standards that are applied, interpreted and enforced, with due regard to financial stability concerns. We will closely monitor the on-going work on Basel II and will review the issue at our next meeting in September. We also encourage voluntary private sector initiatives that foster and complement such international efforts to promote corporate social and environmental responsibility as the OECD guidelines for Multinational Enterprises and the UN Global Compact principles.

We reaffirm our strong commitment to combat terrorist financing. We call on the Financial Action Task Force to deepen its engagement with the UN and the International Financial Institutions, to foster worldwide compliance with international standards against terrorist financing and delivery of related technical assistance. We look forward to further work

on the misuse of alternative remittance systems and non-profit organisations and to developing more effective freezing regimes. We welcome the progress achieved by the IMF, the World Bank and the FATF on the pilot program of assessments and look forward to its evaluation. We look forward to revised FATF recommendations by June, establishing an enhanced standard in the fight against money laundering and financial crime. We urge all OECD countries to implement the standards set out in the OECD's 2000 report on access to bank information and to ensure effective exchange of information for tax purposes.

We reaffirm our commitment to strengthen our crisis prevention and resolution measures through improved IMF surveillance, greater transparency and more orderly, timely and predictable workouts of unsustainable debt. We welcome Brazil, South Africa and Uruguay's decisions to adopt collective action clauses following on Mexico's lead, and we encourage countries to adopt CACs with terms that facilitate debt restructuring. While keeping debt restructuring a last resort, we have agreed on a new Paris Club approach, as set out in the annex, for non-HIPC low- and middle-income countries ready to follow an exit strategy and to seek comparable treatment. We welcome initiatives being taken, including issuers, private sector and ourselves, on the development of a code of conduct. We look forward to reviewing progress in September.

We are at a turning point on development as on trade issues. We owe it to developing countries to take up our responsibilities. First, we need to raise economic growth in our own economies. Second, within a predictable medium-term framework, we need to provide the developing countries the resources necessary to support their commitment to implement structural and governance reforms, so as to accelerate their growth and social progress. Third, we are determined to achieve the objectives and overall timetable set out in the Doha Development Agenda and to ensure that the Cancun ministerial takes the decisions necessary to reach these goals. Commitments taken must be fulfilled. It is our duty as much as it is to the benefit of all. We ask Francis Mer to report to the Heads of States and Government in advance of the Evian summit on these issues, with a view to delivering on these commitments in order to meet the Millenium Development Goals.

We reaffirm our commitment to achieve these Goals, including health, education and water, to support the Global Health Fund and to complete the Heavily-Indebted Poor Countries initiative. The fight against global poverty calls for increased resources. Building on our recent announcements of increased resources and on our discussions to date on financing instruments, including facilities, we call for a report by September. Equally, as set out in the document made public today, we stress the importance of improving the effectiveness of our bilateral and multilateral aid, including by focusing on poor countries committed

to reforms, setting and achieving measurable objectives, adopting growth-oriented policies and reducing transaction costs of assistance. We are also committed to promoting good governance, improved transparency and public financial management and the fight against corruption. We will review progress next year. We recognize the importance of rules-based trade in driving economic growth and poverty reduction. Building on Nepad, we agree that Africa must become more integrated into the global economy and we will leverage the benefits for Africa of our trade commitments. We look forward to the results of IFIs' study of market-based mechanisms to reduce the impact of short-term commodity price volatility.