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Statement of G7 Finance Ministers and Central Bank Governors

Group of Seven: Finance Ministers

Central Bank Governors

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U.S. DEPARTMENT OF THE TREASURY

Press Center

**Statement of G7 Finance Ministers and Central Bank Governors**

2/14/2009



ROME -- We, the G7 Finance Ministers and Central Bank Governors, met today amid an ongoing and severe global economic downturn and financial turmoil. The stabilization of the global economy and financial markets remains our highest priority. We have collectively taken exceptional measures to address these challenges and we reaffirm our commitment to act together using the full range of policy tools to support growth and employment and strengthen the financial sector.

The financial measures taken by each of us are helping to stabilize extremely volatile financial markets. These actions aimed at restoring normal credit flows to the economy follow three approaches as needed: i) enhance liquidity and funding through traditional and newly-created instruments and facilities; ii) strengthen the capital base according to the competent authority's assessment of individual financial institutions; and iii) facilitate the orderly resolution of impaired assets. The G7 commit to take any further action that may prove necessary to reestablish full confidence in the global financial system. We will continue to work together and to cooperate to avoid undesirable spillovers and distortions.

What started as financial turmoil has now gripped the real economy and spread throughout the world. The severe downturn has already resulted in significant job losses and is expected to persist through most of 2009. The policy response by the G7 has been prompt and vigorous; its full effects will build over time. Policy interest rates have been reduced to very low levels and unconventional monetary policy actions are being taken as appropriate. Budgetary action has been resolute. In addition to the full functioning of automatic stabilizers, substantial further fiscal stimulus packages are being implemented. By taking action together the effects of our individual action will be boosted. Our fiscal policy measures adhere to principles that will increase their effectiveness:

- be frontloaded and quickly executed;
- include the appropriate mix of spending and tax measures to stimulate domestic demand and job creation and support the most vulnerable;
- increase longer-term growth prospects, addressing structural weaknesses through targeted investments;
- be consistent with medium-term fiscal sustainability and mostly rely on temporary measures.

We also welcome and appreciate the prompt macroeconomic response from others throughout the world. In particular, we welcome China's fiscal measures and continued commitment to move to a more flexible exchange rate, which should lead to continued appreciation of the Renminbi in effective terms and help promote more balanced growth in China and in the world economy.

We reaffirm our shared interest in a strong and stable international financial system. Excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We continue to monitor exchange markets closely, and cooperate as appropriate.

An open system of global trade and investment is indispensable for global prosperity. The G7 remains committed to avoiding protectionist measures, which would only exacerbate the downturn, to refraining from raising new barriers and to working towards a quick and ambitious conclusion of the Doha Round. The G7 also stresses the need to support emerging and developing countries' access to credit and trade financing and resume private capital flows, and is committed to explore urgently ways, including through multilateral development banks, to enhance this support.

This crisis has highlighted fundamental weaknesses in the international financial system and that urgent reforms are needed. We agree that a reformed IMF, endowed with additional resources, is crucial to respond effectively and flexibly to the current crisis. In this respect, we welcome the Japanese government's lending agreement with the IMF. Increased collaboration between the IMF and the expanded Financial Stability Forum (FSF) will be particularly important to develop a timely and reliable assessment of macro-financial risks. We also welcome the contribution of the World Bank and regional Development Banks to providing finance to emerging and developing countries affected by the crisis, using their resources effectively.

The G7 Finance Ministers have asked their Deputies to prepare, in consultation with other partners, a progress report in four months on developing an agreed set of common principles and standards on propriety, integrity and transparency of international economic and financial activity.

The G7 is committed to continue working with partners in international fora to accelerate reforms of the regulatory framework, including limiting procyclicality, the scope of regulation, compensation practices, market integrity and risk management.

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