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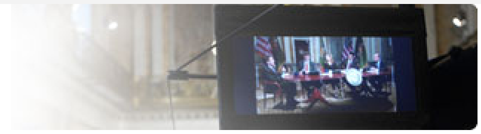

Statement by Secretary Geithner at the G7 Finance Ministers and Central Bank Governors Meeting

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WASHINGTON -- The financial authorities of the world convene in Washington, D.C. this weekend. I have just had a useful meeting with my G-7 colleagues. Later today, we meet with our G-20 colleagues. Tomorrow we will meet as the International Monetary and Financial Committee. Sunday we will meet in the Development Committee.

I would like to make a few remarks on where we are on our broader agenda, and what we want to accomplish in these meetings.

We meet in the context of a severe downturn in the global economy. Without underestimating the challenges we still face, there are signs that the pace of deterioration in economic activity and trade flows has eased. Some measures of spending in the U.S. and other economies may have begun to stabilize. Financial conditions in some markets have shown modest improvement, and there are signs that U.S. housing markets are beginning to stabilize.

We are right to be somewhat encouraged, but we would be wrong to conclude that we are close to emerging from the darkness that descended on the global economy early last fall.

The origins of this crisis were a long period of increased borrowing and leverage and the breakdowns in many financial markets and institutions around the world. Crises that follow credit booms and originate in the collapse of financial systems tend to be more virulent and longer lasting. We do not have much experience with them on a global scale because such crises are once-in-several-generational events. Consequently, the clear imperative is to keep at implementing our shared agenda.

The G-20 leaders came together in London earlier this month and agreed on a coordinated framework of policy actions with four key elements: (1) promotion of economic recovery, (2) repair of national financial systems, (3) support for the IMF, the World Bank, and the multilateral development banks (MDBs) in their efforts to mitigate the effects of the crisis, and (4) reforms that substantially reduce the odds that crises of this magnitude do not happen again.

We are making progress.

- Since the London meeting, several countries, notably Japan, have augmented their programs to promote economic recovery.
- Before the meeting in London, Mexico announced that it would apply for contingent backstop financing from the IMF's new Flexible Credit Line facility. Subsequently, Poland and Colombia have as well.
- Managing Director Strauss-Kahn reports he is within striking distance of lining up $250 billion in temporary, additional financial resources for the IMF from a number of countries.
- Those countries also have indicated their willingness not only to participate in that important effort, but also to rollover their contributions into our proposed $500 billion augmentation of the New Arrangements to Borrow (NAB), to which we intend to contribute up to $100 billion.
- Since the London meeting, the four countries that in early April were identified by the OECD as not committed to international standards on tax information exchange have done so.
- World Bank President Zoellick and his colleagues at the Bank have forcefully stepped up their response to the crisis with the establishment of an Infrastructure Recovery and Assets Platform to maintain infrastructure development and create jobs, a Global Trade Liquidity Program to reinvigorate trade finance, and a Capitalization Fund organized by IFC to help support the financial sector.

The first task ahead of us this weekend and in the weeks and months ahead is to implement the immediate London agenda of economic and financial repair.

- It is critical that we supply the necessary stimulus to domestic demand in each of our countries and stabilize our financial systems to ensure a sustained global recovery. The IMF's role in monitoring both dimensions of our efforts at regular quarterly intervals, at a minimum, is essential to ensuring that we meet our commitments.
- We must complete the task of supporting the World Bank and other MDBs in responsibly stretching their capacity to respond to all members in crisis, in particular the poorest countries, augmenting the resources of the IMF, completing the allocation of SDR as promised, and establishing the modalities to use agreed IMF gold sales to support additional concessional resources for the poorest countries.
- It is incumbent upon us to ensure that the IMF deploys its additional resources and the MDBs use their augmented lending capacity imaginatively and effectively to promote recovery and respond to the special circumstances of this crisis that has its origins in private sector finance.

Looking to the longer-term agenda, the difficult process of reform of national financial regulatory systems is already underway in the United States and many other countries. However, much remains to be done both nationally and internationally to create a system that is robust to shocks and abuses, and responsive to the needs and complexities of the 21 st century.

Similarly, we must begin a process of comprehensive reform of all of the international financial institutions – the MDBs as well as the IMF – with the objective not just to reform them for the sake of saying we have done so but to bring about real change in their governance and increase their responsiveness, efficiency, and effectiveness.

This is a strong agenda for recovery and reform. When we reach the expansion phase of the coming economic cycle – which we will – the resulting global expansion must be more enduring than the one that ended catastrophically in 2008. The global expansion must be balanced – propelled by domestic demand growth in all major economies.

The members of the IMF and World Bank represented at these meetings share two principal objectives: early recovery from the current global economic and financial crisis and a significant strengthening of our common defenses against future crises. In recent months, we have joined together with unprecedented scope and scale toward these objectives.

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