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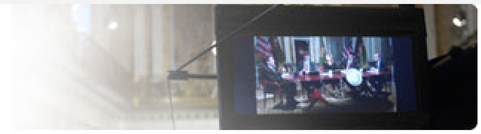

Statement by Secretary Paulson Following Meeting of G7 Finance Ministers And Central Bank Governors

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Washington, DC-- Today G-7 Finance Ministers and Central Bank Governors met in Washington at a time of slowing global growth and increased downside risks to the global economy. As you might expect, most of our discussion focused on the ongoing challenges in the global economy and the international financial system, and the policy responses to these challenges.

Today G-7 Finance Ministers and Central Bank Governors met in Washington at a time of slowing global growth and increased downside risks to the global economy. As you might expect, most of our discussion focused on the ongoing challenges in the global economy and the international financial system, and the policy responses to these challenges.

I am confident in the long-term economic prospects of the United States. However, the housing correction, together with high energy prices and financial market turmoil, are weighing on U.S. economic growth. Given the significant short-term downside risks, we are taking action. The economic stimulus package passed in February will provide over $150 billion of individual and business tax relief in 2008, leading to the creation of over half a million additional jobs by the end of the year. The Administration has taken a number of steps specifically designed to minimize the spillover from the housing sector to the real economy, such as convening the HOPE NOW alliance and implementing the FHASecure program. The Administration continues to push for legislative action on FHA modernization and reform of Government-Sponsored Enterprises as well.

I have the greatest confidence in the resiliency, flexibility and strength of our economy and our capital markets. We have been undergoing a period of financial market stress since last August. Markets are pricing and reassessing risk and there are always difficulties during periods such as this. There may be more bumps in the road. As we work through this period, our highest priority is limiting its impact on the real economy. We are focused on maintaining stable, orderly and liquid financial markets and ensuring that our banks continue to support the economy by raising capital when necessary and making credit available to consumers and businesses.

The financial market turmoil and its impact on global growth underscore the need for all countries to remain open to trade and investment. I reiterated the United States' commitment to open investment policies and to combating rising protectionism. Protectionist pressures threaten to deprive countries of the significant benefits generated by foreign investment. I support the work of the IMF to develop best practices for sovereign wealth funds (SWFs) and look forward to a final set of best practices by the IMF Annual Meetings in October. I encourage the OECD to continue its work, and to identify this year, best practices for the inward investment regimes of countries that receive government-controlled investment, including from SWFs. We agreed that a successful completion of Doha is also critical to this effort.

Many actions across the globe are being taken to address the financial market turmoil. International cooperation and coordination has been excellent. We have worked, and will continue to work, closely to address global challenges and take concrete actions. Here in the United States, the Administration is taking steps to enhance the functioning and stability of the U.S. financial system going forward. I briefed my colleagues on the work of the President's Working Group on Financial Markets (PWG) and Treasury's analysis on an optimal financial regulatory structure for the United States, which benefited from comments that we sought from around the globe. The PWG issued a policy statement in mid-March, with recommendations to improve market transparency and disclosure, risk awareness and risk management, capital and regulatory policies, practices regarding and use of credit ratings, and market infrastructure for over-the-counter derivatives products. Implementation of these recommendations can strengthen market discipline, enhance risk management, and improve the efficiency and stability of our capital markets. Later this year the PWG will report on progress towards implementation of its recommendations. The PWG is working closely with foreign regulators, finance ministries, and central banks through the Financial Stability Forum (FSF) on financial market issues. Working together, we can strengthen market discipline, enhance risk management and improve the efficiency and stability of our capital markets.

I welcomed the update from Mario Draghi, Chairman of the Financial Stability Forum, on the Forum's report identifying the underlying causes and weaknesses in the international financial system that have contributed to the financial market turmoil, and formulating detailed policy recommendations to enhance market and institutional resilience. The FSF report presents recommendations in several key areas: risk management; transparency, accounting, and valuation of structured products; credit rating agencies; dealing with stress in the financial system; and strengthening cooperation among supervisors and authorities. We discussed the importance of rapid and effective implementation of the FSF findings, and I support efforts encouraging the FSF member organizations, including the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the International Accounting Standards Board, and the Joint Forum of banking, securities, and insurance supervisors, to accelerate their timetables to conclude their efforts by the end of the year. The broadly consistent recommendations of the FSF and those of the PWG complement each other and strengthen the effectiveness of our response. The G-7 will review an update on the implementation of the FSF policy recommendations at its October Ministerial.

Following our extensive discussion on the global economy and international financial markets, we discussed several key issues of IMF reform. I stressed that the IMF must vigorously reform itself in order to remain legitimate and relevant in today's global economy. I underscored the need for firm implementation of the IMF's new framework for exchange rate surveillance. The Fund has worked to strengthen its focus on exchange rate analytics, but there is clearly a great deal more progress to be made on implementation of the new framework. The Fund has an important role to play in surveillance and its success moving forward as an institution will depend critically on its ability to demonstrate this.

The United States supports the recent agreement on IMF quota and voice reform. It is a modest, but important, step forward in realigning the distribution of IMF quota shares to be more reflective of the current global economy. The deal is not as ambitious as we would have liked, but we were impressed that many dynamic emerging markets consider it an improvement on the status quo and a first step in recognizing their growing role in the international monetary system. I welcomed the progress that has been made toward putting IMF finances on a more sustainable footing, which includes a significant downsizing of IMF staff. I am pleased that both expenditures and revenues are being addressed, and I commend Dominique Strauss-Kahn, the Managing Director, for putting a concrete plan on the table to deal with the IMF's administrative expenses. As part of this reform, I explained to my colleagues that the U.S. will seek Congressional authorization for a limited gold sale for an IMF endowment.

Finally, we reaffirmed our commitment to vigorously counter money laundering, terrorist and proliferation financing in order to safeguard the integrity of the global financial system. We remain particularly concerned about the ongoing risks of illicit finance emanating from Iran and urge all countries to urgently and fully implement the financial provisions of UN Security Council resolutions 1737, 1747, and 1803. We strongly support the public actions of the Financial Action Task Force (FATF) to protect the international financial system from these risks, as well as the risks arising from substantial jurisdictional deficiencies in Iran's anti-money laundering and counter-terrorist financing regime. We agreed that FATF should continue its important work in identifying and responding to emerging illicit financing threats to the international financial system. We also agreed that FATF should continue to apply its expertise in providing guidance to assist states in implementing their financial obligations under U.N. Security Council resolutions to combat WMD proliferation. We strongly support the continued cooperation of the IMF and World Bank with the FATF to combat money laundering and terrorist financing worldwide.

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