

7. Our countries' circumstances and priorities differ.

- In the United States, with a long recovery and successful job creation, it is important to remain vigilant against a resurgence of inflation, to achieve the full promise of the agreement to balance the federal budget, and to promote savings. Canada, with very low inflation and impressive success in cutting budget deficits, has recorded increasing growth recently which should lead to further job creation.
- Japan has the objective of achieving strong domestic demand-led growth and avoiding a significant increase in its external surplus. Further structural reforms, including broader deregulation initiatives and appropriate structural reforms in the fiscal area, are important over the medium term to revitalize the Japanese economy further.
- France, Germany and Italy share the challenging task of restoring strong employment growth. While pursuing efforts toward restoring sound long-term fiscal positions, they will need to deepen structural reforms to reduce barriers to job creation and to increase efficiency of government action and, where necessary, reshape its role in their economies, including through reforms of the tax and social security systems. The United Kingdom must keep inflation pressures under control and maintain budget deficit reduction while strengthening the economy's long-term growth potential, particularly through education and welfare reform.

8. We discussed EMU, including its international implications. We welcome the efforts of European Union countries to achieve a successful introduction of the Euro and a well functioning EMU, underpinned by sound macroeconomic and structural policies, that would contribute to the stability of the international monetary system.

9. We reiterate our commitment to promoting international monetary stability. We have asked our Finance Ministers to continue to cooperate closely on economic policy and in the exchange markets.

10. Our governments welcome the new round of Russian economic reform launched this year to promote sustainable growth. Russia's plan for fundamental tax reform is essential to put that country's fiscal situation on a sound footing. We fully agree with Russia's intention to pursue vigorously structural reforms to improve the investment environment, promote competition, fight crime and corruption, and strengthen the social sector. In this context, full implementation of Russia's EFF program with the IMF is critical. Successful implementation will help Russia to attract higher flows of private investment. In addition, a deepening and expansion of Russia's relations with the World Bank and the EBRD, through both increased lending and guarantees, will support this ambitious structural reform agenda.

### **Strengthening the Stability of the Global Financial System**

11. International financial markets are becoming increasingly global and complex. This presents new opportunities that can lead to increased efficiencies in the functioning of the international financial system, thereby facilitating growth and prosperity. At the same time, these changes present new challenges. Beginning in Halifax and continuing through Lyon, we have encouraged financial regulators and the international financial institutions to take measures to deal effectively with possible systemic or contagion risks and foster financial stability, without stifling innovation or undermining the benefits of globalization, liberalization and competition. We welcome the concerted effort to strengthen the international financial system and endorse our Finance Ministers' report, which outlines the progress achieved in the key areas we identified in Lyon.

12. National supervisors and international regulatory bodies have put in place a network of cooperative arrangements and developed proposals to enhance the supervision of internationally