

COMMUNIQUÉ

Meeting of Finance Ministers and Central Bank Governors

Xianghe, Hebei, China, October 15-16, 2005

1. We, the Finance Ministers and Central Bank Governors of the G-20, held our seventh meeting in Xianghe, Hebei province, China. Under the theme of "Global Cooperation: Promoting Balanced and Orderly World Economic Development", we discussed a wide variety of critical global economic issues and reconfirmed our shared vision and responsibility for achieving balanced and sustainable growth.
2. We welcomed the ongoing expansion of the world economy, while recognizing low growth and increasing poverty in some developing countries. We also emphasized that the risks - long lasting high and volatile oil price, widening global imbalances and rising protectionist sentiments - are to the downside and could exacerbate uncertainties and aggravate global economic and financial vulnerabilities. We agreed addressing them must be done in a way that sustains strong global economic growth and takes account of shared responsibilities. Bearing in mind our shared responsibilities, we are determined to implement the necessary fiscal, monetary and exchange rate policies, and accelerate structural adjustments to resolve these imbalances and overcome these risks.
3. We are concerned that long lasting high and volatile oil prices could increase inflationary pressures, slow down growth, and cause instability in the global economy. We agree to strengthen our cooperation on these issues and stress the need to increase investment, production, and refining capacities, and to enhance dialogue between oil suppliers and consumers through the relevant fora, such as International Energy Forum (IEF). We also need to strengthen oil market transparency to improve market efficiency. We stress the importance of promoting energy conservation and efficiency, including adopting and transferring new technologies, developing alternative and renewable energy sources, and reducing subsidies on oil products. We welcome the work launched by the World Bank and partners on the creation of a long-term investment framework for clean energy and sustainable development and the upcoming creation by the IMF of a new window in the Poverty Reduction and Growth Facility (PRGF) to help poor countries respond to commodity shocks, including oil price hikes.

4. We agreed a successful WTO Doha Development Round is critical for ensuring globalization truly benefits all countries, and would make a key contribution to achieving the Millennium Development Goals (MDGs). We urge all parties concerned to provide the necessary political impetus to promote trade liberalization, fight protectionism, and make real progress at the WTO Ministerial Conference to be held in Hong Kong, China, later this year, with the view to concluding the negotiations by the end of 2006. We are committed to significantly increasing market access for goods and services, reducing trade-distorting domestic support, eliminating all forms of export subsidies in agriculture, providing effective special and differential treatment for developing countries, and increasing aid for trade to enhance the capacity of developing countries to take advantage of expanded trade opportunities.

5. We acknowledge the Bretton Woods Institutions (BWIs) have made significant contributions to growth and development, and the improved functioning of the international monetary systems. However, the evolution of the international economy and global financial markets requires a continuing review of the representation, operations, and strategies of the BWIs. We have discussed the necessity for, and committed our strong support to, reforming the BWIs. We have issued a “*G-20 Statement on Reforming the Bretton Woods Institutions*”, which underlines the importance of improving governance, management and operational strategies of these institutions, and aims at providing support to the reform of the BWIs.

6. We noted the outcomes of the UN Millennium Review Summit and the progress that the international community has made toward achieving the MDGs. We are concerned that a number of developing economies may not be able to attain the MDGs without substantial additional support. We call on the international community to fulfill its Monterrey Commitments and on recipient countries to make further progress in implementing sound policies. We note efforts from some of the G-20 countries to implement innovative financing mechanisms.¹ In order to demonstrate the G-20’s firm commitment toward achieving the MDGs, we have issued the “*G-20 Statement on Global Development Issues*” which represents our shared understanding on development approaches and financing, aid effectiveness, trade for development, and global partnership for poverty reduction, and will be reviewed by the G-20 over coming years.

7. We noted population-ageing has become a serious global challenge that requires comprehensive research. We discussed the impact of an ageing population on economic growth, social security, and financial and labor markets. We recognized national efforts are essential to address these challenges. We also recognized global cooperation is indispensable in this regard. We noted access to foreign labor markets could provide strong incentives for people in developing countries to acquire education and skills. We also acknowledged migrant

¹ Such as the International Finance Facility (IFF) and its pilot – the IFF for Immunization, a contribution on air travel tickets, the Millennium Challenge Account, and other financing measures.

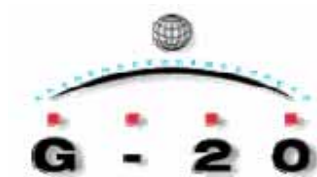
remittances have become an important and stable source of income and made significant contributions to economic development and poverty reduction in home countries. We urge countries and the international organizations to work together to improve remittance services, enhance access to, and knowledge of, formal financial systems, and collect better data, which should facilitate a reduction in transaction costs.

8. We underscored the importance of the G-20 Accord for Sustained Growth adopted in Berlin in 2004. We note development approaches are evolving over time, and thus need to be updated as economic challenges unfold. We will continue to review the G-20 Accord through sharing our experiences in implementation. We recognized there is no uniform development approach that fits all countries. Each country should be able to choose the development approaches and policies that best suit its specific characteristics, while benefiting from their accumulated experience in policy making over the last decades, including the importance of strong macroeconomic policies for sustained growth. Our current policy priorities are outlined in the attached G-20 Reform Agenda.

9. We reaffirmed our commitments to the purposes of the “*G-20 Statement on Transparency and Exchange of Information for Tax Purposes*” that was endorsed last year. In this context, we welcome the efforts of the OECD Global Forum on Taxation to promote high standards of transparency and effective exchange of information for tax purposes.

10. We noted progress has been made recently in increasing the use of Collective Action Clauses (CACs) in international bond markets. We welcome the efforts by borrowing countries and private-sector creditors to broaden the consensus on the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets*, which could contribute to strengthening crisis prevention and enhancing predictability of crisis management.

11. We are grateful to China for its excellent stewardship of the G-20 meetings in 2005, and will continue our joint efforts under the Australian chair in 2006. We agreed today that South Africa will chair the G-20 in 2007.



The G-20 Statement on Reforming the Bretton Woods Institutions

1. We, the Finance Ministers and Central Bank Governors of the G-20, highlight the vital role the Bretton Woods Institutions (BWIs) should play in promoting macroeconomic and financial stability, economic growth, and poverty reduction. We recognize the need for the BWIs to be effective in delivering these objectives and believe that high standards of governance and internal management are critical. We welcome the IMF Managing Director's Strategic Review. More work is needed to develop a 'roadmap' for the future strategic reform of the BWIs, and we look forward to the work underway at the IMF to develop further details of the Strategic Review.

2. It is our shared view that more innovative approaches and renewed commitments are needed to cope with dynamic issues, such as growing international interdependence and interactions through trade and financial integration, uneven progress toward alleviating poverty and achieving the development goals of UN Millennium Declaration, prevention and resolution of international financial crises, and external shocks. Within this context, we agree upon the strategic importance for the BWIs to reinvigorate their fundamental missions and roles in meeting new challenges in a globalized world economy.

Mission of BWIs

3. We reaffirm the complementary roles that the BWIs are called to play, and recognize that promoting macroeconomic and financial stability and development continue to be of critical importance. Likewise, we believe there is a need to ensure effective pursuit of, and tangible progress towards, these objectives to further strengthen efficient cooperation between the two institutions. The IMF should primarily focus on national and international macroeconomic and financial stability, exercising enhanced surveillance of the global economy, international capital markets and strengthening crisis prevention and resolution. The World Bank should keep its focus on development, sharpening its financial and technical assistance roles for both least-developed countries and emerging markets. We welcome the review of the division of responsibilities launched by the two managements, taking into account external expertise, as part of the strategic review and look forward to their report to the International Monetary and Financial Committee (IMFC) and the Development Committee (DC) at the Spring Meetings in 2006.

Governance of the BWIs

4. The world economy has evolved considerably since the founding of the BWIs, with fast growth in many emerging markets and deepened integration in industrialized countries. We

reaffirm the principle that the governance structure of the BWIs - both quotas and representation - should reflect such changes in economic weight. The G-20 underscores the critical importance of achieving concrete progress on quota reform by the next International Monetary Fund (IMF) and World Bank Annual Meetings in Singapore. The G-20 will seek to identify principles for quota reform which could be an important input into the IMF's Thirteenth General Review of Quotas, scheduled to be completed by January 2008.

Management and Operational Strategies of the BWIs

5. We believe the IMF and the World Bank should work to enhance their institutional effectiveness, and that the strategic review needs to consider how to improve internal governance. The selection of senior management should be based on merit and ensure broad representation of all member countries.

6. We believe the BWIs should adjust their operations in a timely manner so as to meet the changing needs of their members, while maintaining their high quality standards and results-orientation. The BWIs should continue improving their lending frameworks, and consider ways to best meet their members' needs for financial assistance, while ensuring continued financial strength and minimizing moral hazard.

7. All G-20 members are committed to ensuring the continued role of the BWIs and will focus their efforts on strategic reform measures in the coming years. We will revisit these issues at our next meeting in Australia in 2006.



The G-20 Statement on Global Development Issues

1. We, the Finance Ministers and Central Bank Governors of the G-20, have agreed that as a major forum for policy dialogues between developed and emerging countries, the G-20 should play an active role in addressing critical development issues. We build on the UN Millennium Review Summit, which assessed the progress on achieving the Millennium Development Goals (MDGs) and other Millennium Summit Objectives, and expect the forthcoming World Trade Organization (WTO) Ministerial meeting in Hong Kong, China, to push forward the agenda of the Doha Development Round to further promote equitable trade liberalization and integration.

2. It is encouraging that many countries have achieved significant progress, and a large number of developing countries are on track to meet the MDGs. However in some regions, especially in many Sub-Sahara African countries, progress on most goals is lagging seriously behind. Faced with significant challenges we reiterate our firm commitment to achieving the MDGs through intensified cooperation aimed at overcoming severe challenges.

Development approaches

3. We recognize that each country has primary responsibility for its own economic and social development, and for this reason it is important to respect the development of country-owned strategies. Sound economic policies, good governance, and accountability are essential to sustained economic growth. With regard to the diversity of growth models and development approaches, we are committed to strengthening the dialogue on varying development philosophies, strategies, and policies, from which all countries can benefit.

Mobilizing resources for development

4. We call upon the international community to fulfill its commitments under Monterrey: for developing countries to establish sound economic and social policies to attract private capital flows and for developed countries to support these actions through an open trading system and increasing development assistance. We welcome the increased resources that will become available as a result of the recent establishment of timetables by many donors to achieve the target of 0.7% of GNP for Official Development Assistance (ODA). We welcome donors' recent commitments to significantly increase development assistance and the debt relief initiative that was launched at the G-8 Summit at Gleneagles and endorsed by the World Bank and IMF shareholders during the Annual Meetings. We urge the Boards of the two institutions to finalize the implementation of these proposals. Ongoing initiatives on innovative mechanisms for development financing - such as the International Finance Facility (IFF) and its pilot-the IFF for Immunization, a contribution on air travel tickets, the Millennium Challenge Account, and other financing measures - pursued on voluntary basis, will generate additional resources. We encourage interested donors to explore the benefits and

feasibility of these innovative proposals.

Enhancing aid effectiveness

5. We re-emphasize the importance of aid effectiveness. Action is needed to ensure larger international aid volumes are accompanied by more effective usage. The 2 March 2005 Paris Declaration on Aid Effectiveness marked a new step for aligning donor assistance with recipients' own development strategies, harmonizing donor assistance, and measuring the results of development assistance.

Promoting trade for development

6. It is well documented that trade liberalization and integration are key drivers of economic growth and the reduction of poverty. We are committed to significantly increasing market access for goods and services, reducing trade-distorting domestic support, eliminating all forms of export subsidies in agriculture, and providing effective special and differential treatment for developing countries. Enhanced technical assistance and trade capacity building to remove obstacles to improved export competitiveness, as well as assistance to ease adjustment, is also critical, especially for the least-developed countries. We acknowledge the paramount role of South-South trade in this respect, and will further explore means to grant the least developed countries duty-free and quota-free market access. We are committed to working together in this area to substantially improve market access for products from developing countries, especially the least developed ones. We are also committed to helping developing countries build a sound trade and investment environment. All parties should make concerted efforts to achieve progress in the Doha Development Round, which has the potential to deliver tangible benefits to both developed and developing countries.

Global partnership towards reducing poverty and promoting global development

7. We are committed to this shared vision for global development. We will continue to pragmatically develop the global partnership among developed and developing countries. We will also promote greater cooperation among members of the international community, including public-private partnerships, in order to meet the common development challenges of sustainable and inclusive growth and poverty alleviation. We are determined to carry the momentum forward.