



**FIFTH G-20 FINANCE MINISTERS' AND
CENTRAL BANK GOVERNORS' MEETING**

Morelia, Mexico

October 26-27, 2003

MORELIA COMMUNIQUE

(FINAL)

We, the Finance Ministers and Central Bank Governors of the G-20 held our fifth meeting in Morelia, Mexico. We reviewed the current world economic situation and noted that, while risks remain, a global economic recovery is underway, aided by supportive macroeconomic policies in many countries. We welcomed the recent positive performance of several economies.

We discussed ways to promote economic growth that is more balanced among major regions. We emphasized the need to reduce fiscal and external vulnerabilities and imbalances in both industrial and emerging market economies. We agreed that the adjustment of significant imbalances in systemically important regions or countries requires robust implementation of appropriate policies. Further efforts, including the acceleration of structural reforms to foster potential growth and improve macroeconomic stability, are needed. We confirmed that those countries with efficient and solid markets and institutions are the ones that are best prepared to make the most out of their participation in the global economy. We also noted the importance of a policy framework to provide medium-term sustainability, flexibility and fairness. We are determined to work together to deepen our commitment to these goals.

We, Finance Ministers and Central Bank Governors, are committed to giving impetus to the multilateral trade approach as one of the most effective ways to promote global growth, reduce poverty and ensure that the benefits of globalization are broadly shared by all, particularly the poorest countries. We therefore called on all World Trade Organization (WTO) members to quickly re-energize the negotiation process toward the fulfillment of the Doha development agenda, recognizing that flexibility and political will from all are urgently needed. We also encourage the International Financial Institutions (IFIs) to continue to develop their initiatives to support this aim.

Our understanding of the significance of institution building in the financial sector has benefited from a number of case studies provided by members on this subject. By reviewing these case studies, we have compiled a number of valuable lessons to assist countries in attaining the benefits of globalization. In particular, the case studies highlighted the positive effects on the whole economy of reforms in the financial sector and provided insights into the appropriate management of the process of reform. Increased financial liberalization, integration, and effective regulatory policies and supervision, with due regard to the appropriate timing and sequencing, are means to enhance the development of the financial system. Our analysis has underlined the fact that solid institutions and sound, deep and sophisticated domestic financial markets are key elements to maximize the benefits of globalization, promote growth and significantly reduce the risk of financial crises. We will continue to address these issues in our future agenda.

We reaffirm our mandate to review and promote crisis prevention and resolution measures. We encourage the IMF to continue to enhance its capacity to identify vulnerabilities, such as currency and other balance sheet mismatches, and provide advice to member countries on policy reforms. We welcome the increasingly widespread use of collective action clauses (CACs), and we support their inclusion in future sovereign bonds issued under foreign jurisdiction. We also encourage the adoption of the best practices embodied in key international standards and codes, which will help support strong, stable growth and reduce the risk of future financial crises. With a view to promote the development of a workable code of conduct, we encourage an inclusive group of issuers and market participants to engage in further discussions, with G-20 members participating on a voluntary basis. We ask G-20 Deputies to review the progress made by the issuers and market participants at the next G-20 Deputies meeting in March. We discussed the future of the CCL and the role that precautionary facilities or arrangements, conditioned on sound economic policies, could have in crisis prevention. We urged the IMF to continue its work on these issues.

We took note of the diversified ways for individuals and companies and other entities to abuse the international financial system to undertake illicit activities including tax evasion. We discussed and explored ways to enhance the bilateral exchange of fiscal, financial and customs information needed by countries to enforce their own fiscal and other laws. These measures will contribute to efforts to combat abuses of the financial systems such as fiscal evasion, fraud and money laundering. We are committed to cooperate to effectively fight such abuses and make a strong call on all countries especially those OECD countries that have not taken necessary steps- in particular in allowing access to bank information- to join us in this effort and look forward to having

regular reports on the progress of international initiatives in this area. We also agreed to monitor developments in Offshore Financial Centers (OFCs), based on the IMF's work.

We remain committed to disrupting terrorist financing networks. We recognized that this effort requires a focus on both the formal and informal financial sectors. Therefore, while we will continue efforts to improve our formal financial systems, to expand their scope, and to protect them from this abuse, we will also concentrate efforts to subject informal financial sectors to appropriate monitoring and enforcement actions. We pledged to carry forward our work in this regard, through support of the activities of IFIs and other relevant international fora, and through appropriate domestic actions. We resolved to advance our implementation of the AML/CFT standards. We welcomed the good progress on the IMF/World Bank pilot program in cooperation with FATF, and we look forward to making terrorist financing and money laundering assessments a permanent part of IMF and World Bank work. In this context we urged FATF to make progress, as appropriate, in the enlargement of its membership.

Aware of the need to make progress in fighting global poverty and promoting economic growth, we discussed the framework for advancing the implementation of the Monterrey commitments. This framework consists of a partnership among developed and developing countries, which are dedicated to sound policies and the mobilization of resources, both domestic and international, and is needed to meet the internationally agreed development goals, including the Millennium Development Goals (MDGs) set out in the UN Millennium Declaration. We believe that trade liberalization is critical to providing conditions for developing countries to meet the MDGs. The G-20 is uniquely placed to deepen the linkages between aid, good governance, financing and trade. We welcomed the further work commissioned on financing for development at the recent IMF/World Bank Annual Meetings, including the commitment to closely consult emerging markets and developing countries. We look forward to considering the outcomes of this process at our next meeting. Considering the importance of full financing of the Enhanced HIPC Initiative, we welcomed the support received from many bilateral creditors, and urge all who are not currently doing so to provide their share of debt relief.

The G-20 thanks Mexico for its excellent leadership throughout this year and its generosity in hosting the Morelia, G-20 Ministerial. We will continue our work next year under the presidency of the Federal Republic of Germany and welcomed their invitation to host our next gathering in Berlin. We have also agreed today to work during 2005 under the chairmanship of the People's Republic of China.