MUNK SCHOOL OF GLOBAL AFFAIRS & PUBLIC POLICY

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Trinity College
UNIVERSITY OF TORONTO

Communiqué

Meeting of the G20 Finance Ministers and Central Bank Governors
Sydney, Australia, February 23, 2014
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1. We welcome recent signs of improvement in the global economy, in particular, growth strengthening in the United States, United Kingdom and Japan alongside continued solid growth in China and many emerging market economies, and the resumption of growth in the euro area. Some key tail risks have diminished.

2. Despite these recent improvements, the global economy remains far from achieving strong, sustainable, and balanced growth. We agree the global economy still faces weaknesses in some areas of demand, and growth is still below the rates needed to get our citizens back into jobs and meet their aspirations for development. Recent volatility in financial markets, high levels of public debt, continuing global imbalances and remaining vulnerabilities within some economies highlight that important challenges remain to be managed.

3. There is no room for complacency. Addressing these challenges requires ambition. We commit to developing new measures, in the context of maintaining fiscal sustainability and financial sector stability, to significantly raise global growth. We will develop ambitious but realistic policies with the aim to lift our collective GDP by more than 2 per cent above the trajectory implied by current policies over the coming 5 years. This is over US$2 trillion more in real terms and will lead to significant additional jobs. To achieve this we will take concrete actions across the G20, including to increase investment, lift employment and participation, enhance trade and promote competition, in addition to macroeconomic policies. These actions will form the basis of our comprehensive growth strategies and he Brisbane Action Plan.

4. We recognise that monetary policy needs to remain accommodative in many advanced economies, and should normalise in due course, with the timing being conditional on the outlook for price stability and economic growth. This eventual development would be positive for the global economy and reduced reliance on easy monetary policy would be beneficial in the medium term for financial stability. In a transition phase, economic policy could help with measures to increase private sector demand, including investment. We all stand ready to take the necessary steps to maintain price stability, by addressing in a timely manner deflationary and inflationary pressures. All our central banks maintain their commitment that monetary policy settings will continue to be carefully calibrated and clearly communicated, in the context of ongoing exchange of information and being mindful of impacts on the global economy.

5. As markets react to various policy transitions and country circumstances, asset prices and exchange rates adjust. This might sometimes lead to excessive volatility that can be damaging to growth. While many economies are prepared for this, our primary response is to further strengthen and refine our domestic macroeconomic, structural and financial policy frameworks. Exchange rate flexibility can also facilitate the adjustment of our economies. Some economies may need to rebuild fiscal buffers where policy space has eroded. We will consistently communicate our actions to each other and to the public, and continue to cooperate on managing spillovers to other countries, and to ensure the continued effectiveness of global safety nets.

6. We will continue to implement our fiscal strategies flexibly to take into account near-term economic conditions, so as to support economic growth and job creation, while putting debt as a share of GDP on a sustainable path. We will continue to work on improving these as part of our growth strategies.

7. We are committed to creating a climate that facilitates higher investment, particularly in infrastructure and small and medium enterprises. This is crucial for the global economy's transition to stronger growth in the short and medium term. We will undertake reforms to remove constraints to private investment by establishing sound and predictable policy and regulatory frameworks and emphasising the role of market incentives and disciplines. These, along with other actions to promote long-term private sector investment, maximise the impact of public sector capital expenditure, and enhance the catalytic role of multilateral development banks will be an important part of our growth strategies and the Brisbane Action Plan.

8. We deeply regret that the IMF quota and governance reforms agreed to in 2010 have not yet become effective and that the 15th General Review of Quotas was not completed by January 2014. Our highest priority remains ratifying the 2010 reforms, and we urge the US to do so before our next meeting in April. In April, we will take stock of progress towards meeting this priority and completing the 15th General Review of Quotas by January 2015.

9. We are committed to a global response to Base Erosion and Profit Shifting (BEPS) based on sound tax policy principles. Profits should be taxed where economic activities deriving the profits are performed and where value is created. We continue our full support for the G20/OECD BEPS Action Plan, and look forward to progress as set out in the agreed timetable. By the Brisbane summit, we will start to deliver

effective, practical and sustainable measures to counter BEPS across all industries, including traditional, digital and digitalised firms, in an increasingly globalised economy. We endorse the Common Reporting Standard for automatic exchange of tax information on a reciprocal basis and will work with all relevant parties, including our financial institutions, to detail our implementation plan at our September meeting. In parallel, we expect to begin to exchange information automatically on tax matters among G20 members by the end of 2015. We call for the early adoption of the standard by those jurisdictions that are able to do so. We call on all financial centres to match our commitments. We urge all jurisdictions that have not yet complied with the existing standard for exchange of information on request to do so and sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters without further delay. We stand ready to give tougher incentives to those 14 jurisdictions that have not qualified for Phase 2 of the evaluations. We will engage with, and support low-income and developing countries so that they benefit from our work on tax.

10. In 2014 we are focusing our efforts on substantially completing by the Brisbane summit key aspects of the core reforms we set out in response to the global financial crisis: building resilient financial institutions; ending too-big-to-fail; addressing shadow banking risks; and making derivatives markets safer. We want to promote resilience in the financial system and greater certainty in the regulatory environment to support confidence and growth. We will implement these reforms in a way that promotes an integrated global financial system, reduces harmful fragmentation and avoids unintended costs for business. We commit to cooperate across jurisdictions with a renewed focus on timely and consistent implementation supported by meaningful peer reviews, including OTC derivatives reform. In relation to this reform, we agree that jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulatory and enforcement regimes, based on similar outcomes, in a non-discriminatory way, paying due respect to home country regulatory regimes.

11. We are grateful for the work of international organisations and other relevant bodies for our meeting (see Annex for completed work and details of specific mandates for further work in support of the above commitments).

Annex
Meeting of G20 Finance Ministers and Central Bank Governors Sydney, 22-23 February 2014

Reports received

We welcome the following reports delivered ahead of the G20 Finance Ministers and Central Bank Governors meeting, February 2014:

Global prospects and policy challenges, IMF Surveillance Note to the G20, February 2014.

Policies for growth and rebalancing, IMF note to the G20, February 2014.

Macroeconomic and reform priorities, prepared by IMF with inputs from the OECD and the World Bank Group, which suggests that with ambitious and realistic policies global GDP could lift by more than 2 per cent above the trajectory implied by current policies over the coming 5 years.

Success stories and lessons learned: Country, sector and project examples of overcoming constraints to the financing of infrastructure, World Bank Group report to the G20 Investment and Infrastructure Working Group, February 2014.

Practical solutions and models for addressing obstacles to institutional investment in infrastructure in developing countries, World Bank Group report to the G20 Investment and Infrastructure Working Group, February 2014.

Sovereign wealth funds and long-term development finance: risks and opportunities, World Bank Group report to the G20 Investment and Infrastructure Working Group, February 2014.

Prioritisation of Work to Inform Effective Implementation Approaches of G20/OECD High Level Principles on Long-term Investment Financing by Institutional Investors, OECD report to the G20 Investment and Infrastructure Working Group, February 2014.

Part I – Base Erosion and Profit Shifting and Automatic Exchange of Information and Part II – Global Forum and Transparency and Exchange of Information for Tax Purposes; OECD Secretary-General Report to the G20 Finance Ministers and Central Bank Governors, February 2014.

Financial Reforms – Progress and Challenges, Financial Stability Board Chairman's letter to G20 Finance Ministers and Central Bank Governors, February 2014.

Australian G20 Presidency – Korean Government Summary of Seoul G20 Conference on Spillovers and the Global Financial Safety Net, particularly Regional Financing Arrangements, February 2014.

Issues for further action

We ask the international organisations working with the Framework Working Group to prepare macroeconomic scenarios to inform our policy discussions in April.

We ask the World Bank Group to provide a report at our April meeting that outlines efforts to optimise balance sheets in order to enhance lending capacity, including for infrastructure investment. We look forward to work being coordinated by the WBG to assess the mutual benefits and feasibility of MDB exposure exchanges as a means to optimise lending portfolios.

With the assistance of relevant international organisations, we will convene a seminar with low-income countries on sustainable financing practices in the first half of 2014.

We encourage the Global Forum on Transparency and Exchange of Information for Tax Purposes to continue to monitor the implementation of the standard for exchanging information upon request and we look forward to further reports on compliance with the standard.

As part of the G20 Development Working Group's reports on tax challenges, we ask them to consider the need for capacity building assistance and whether current assistance is well targeted, supports domestic resource mobilisation and transparency objectives, and avoids duplication.

We ask the G20 Anti-Corruption Working Group for an update by our April meeting on concrete actions that the G20 can take to meet the Financial Action Task Force (FATF) standards regarding the beneficial ownership of companies and other legal arrangements such as trusts by G20 countries leading by example.

We look forward to the report from the Financial Stability Board in September 2014 on jurisdictions' established processes to enable them to defer to each other's OTC derivatives rules in cross-border contexts where these achieve similar outcomes. This will inform deliberations on whether flexible outcomes-based approaches to resolving cross-border market regulation issues could be used more widely.

We look forward to an update of progress by the FSB on its review of the structure of representation for our meeting in April.

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Source: **Official G20 Website**
