

**Press-Release issued after conclusion of
G-20 Finance and Central Bank Deputies Meeting
at New Delhi – 16 -17 July**

The two-day meeting of G-20 Deputies took place in New Delhi on 16th and 17th July 2002 against the background of emerging nascent, though fragile, global recovery. The meeting was chaired by Shri C.M. Vasudev, Finance Deputy and Secretary, Economic Affairs. The participants consisting of Finance and Central Bank Deputies of Member-Countries and Deputies of the Institutions discussed the status of and issues connected with World Economic Situation, Globalization, Sovereign Debt Restructuring, Domestic Policy Requirements for Regeneration of Capital Flows, Making Aid Effective, Standard and Codes for Financial Sector Regulation and Corporate Governance and Combating Financing for Terror for evolving the agenda and preparing the background for the Ministerial meeting in November 2002.

On World Economic Situation the Deputies noted that there is reason for optimism, yet volatility of currency markets, disconcerting trends in capital flows, equity markets in some major countries, concern for corporate profitability and accounting practices, and economic situation in Turkey and Argentina call for concerted global efforts and cooperation.

Australia presented the highlights of Sydney Workshop on Globalization discussion broadly covered aspects of benefits, costs and barriers to globalization efforts. There was general recognition that globalization provides benefits in terms of higher growth and reduction of poverty. At the same time, there are potential costs in terms of instability and inequality both within and across countries. Domestic policies will require to be tuned to temper these effects and also create social safety nets. It was felt that concerted global action is required to remove barriers to globalization in terms of barriers on trade of goods and services.

It was felt that there is a need to develop a broad understanding on issues and options on sovereign debt restructuring. Collective action clauses would have to be so developed to have wider acceptability across countries. Importance of dialogue amongst the creditors, borrowers and international financial institutions was recognized. Considering the interest of private sector in the issue, it could form the basis of a private sector roundtable.

The need for strong macro-economic fundamentals, sound structural policies and conditions related to a sound domestic financial sector and its capacity of risk management for maintaining financial stability and the capital flows was noted. Weak credit evaluation and speculative lending were identified as major causes for financial crises. Creating strong bank regulatory/supervisory systems to reduce imprudent risk taking was felt as necessary. Development of high standards of corporate governance was recognized as a significant factor to attract long-term capital flows.

Deputies stressed for greater visibility through dissemination of information; continued role of IMF and World Bank in the development of standards and codes; and need for flexibility without undermining the universal applicability of standards and codes. Sharing of experience among countries would be useful to foster greater coordination between authorities and private sector.

For Making Development Aid effective, Monterrey consensus was agreed as a substantial movement forward and it was underlined that both industrialized and developing countries must work together to achieve goal of poverty reduction and in wider interest of all.

On Combating Financing for Terror, the review concluded with a renewed commitment by member countries towards further strengthening their systems to deal with the complex challenge of terrorist financing and supporting international efforts.
