

Communiqué

First G20 Meeting of Finance Ministers and Central Bank Governors
19-20 March 2018, Buenos Aires, Argentina



1. The global economic outlook has continued to improve since we last met in October 2017, with the broadest synchronised global growth upsurge since 2010, and a pick-up in investment and trade. While we welcome this progress, recent market volatility despite sound fundamentals of the global economy is a reminder of risks and vulnerabilities. Downside risks persist and, over the medium term, challenges remain to raise growth and make it more inclusive. This is our moment to take action to address structural growth impediments, rebuild buffers, reduce excessive global imbalances, and mitigate risks. We discussed key risks to the outlook, including financial vulnerabilities that could be revealed with a faster than expected tightening of financial conditions and heightened economic and geopolitical tensions. We agree to continue using all policy tools to support strong, sustainable, balanced and inclusive growth. We will implement structural reforms to enhance our growth potential. Fiscal policy should be used flexibly and be growth-friendly, prioritise high quality investment, while enhancing economic and financial resilience and ensuring debt as a share of GDP is on a sustainable path. Strong fundamentals, sound policies, and a resilient international monetary system are essential to the stability of exchange rates, contributing to strong and sustainable growth and investment. Flexible exchange rates, where feasible, can serve as a shock absorber. We recognise that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluations, and will not target our exchange rates for competitive purposes. International trade and investment are important engines of growth, productivity, innovation, job creation and development. We reaffirm the conclusions of our Leaders on trade at the Hamburg Summit and recognise the need for further dialogue and actions. We are working to strengthen the contribution of trade to our economies.

2. Technology, including digitalisation, is fundamentally reshaping the global economy given its borderless and intangible nature, and its increasing ability to automate cognitive tasks. We are developing a common understanding of the nature of the changes and their potential implications. Transformative technologies are expected to bring immense economic opportunities, such as new ways of doing business, new industries, new and better jobs, and higher GDP growth and living standards. At the same time, the transition creates challenges for individuals, businesses, and governments. These include changes to labour markets, the growing importance of skills and adaptability, and the risk of increased inequality within and between countries. Policy responses, including international cooperation, are needed to harness the opportunities and ensure the benefits are shared by all. We therefore agree to develop a menu of policy options for consideration at our meeting in July.

3. Infrastructure is critical to boost productivity, enhance connectivity, sustain long-term inclusive growth and provide our citizens with physical and digital access to the new economy. Despite its importance, a persistent infrastructure financing gap remains. Public financing of infrastructure is essential but mobilising additional private capital is needed to meet global infrastructure needs. To achieve this, we agree to promote the necessary conditions to help develop infrastructure as an asset class. To guide our work, we endorse the Roadmap to Infrastructure as an Asset Class which builds on the outcomes of past G20 presidencies and draws together the steps needed to achieve our ambition. The Roadmap identifies seven work streams, including regulatory frameworks and capital markets, as well as quality infrastructure. In 2018, our focus under the Roadmap will be to improve project preparation, move towards greater standardisation of contracts and infrastructure financing instruments, address

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data gaps, and improve risk mitigation, taking into account country-specific conditions. We look forward to continuing and deepening the dialogue with the private sector.

4. We note the report of the Independent Board of the Global Infrastructure Hub recommending renewal of its mandate. We call for coordination among current initiatives sponsored by MDBs and others to avoid duplication of efforts.

5. We reaffirm our commitment to further strengthening the global financial safety net with a strong, quota-based, and adequately resourced IMF at its centre. We are committed to concluding the 15th General Review of Quotas and agreeing on a new quota formula as a basis for a realignment of quota shares to result in increased shares for dynamic economies in line with their relative positions in the world economy and hence likely in the share of emerging market and developing countries as a whole, while protecting the voice and representation of the poorest members by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019.

6. Cross-border capital flows offer significant benefits, but their size and volatility may pose policy challenges. We will continue to monitor capital flows and refine our understanding of the tools to improve the resilience of the international monetary system. We recognise the importance of macroprudential policies in limiting systemic risk. We continue to deepen our understanding of capital flow management measures and the conditions under which they might be effective, taking into account country-specific circumstances. We are looking forward to further work by the IMF, based on the IMF Institutional View on Capital Flow Management, that will help inform country actions and to the results of the Review of the OECD Code of Liberalisation of Capital Movement.

7. Rising debt levels in Low Income Countries (LICs) have led to concerns about debt vulnerabilities in these economies. We agree that building capacity in public financial management, strengthening domestic policy frameworks, and enhancing information sharing could help avoid new episodes of debt distress in LICs. We call for greater transparency, both on the side of debtors and creditors. We reaffirm our support to the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards the broader inclusion of emerging creditors. We support the provision of technical assistance by the IMF and the World Bank Group (WBG) in debt recording and reporting in LICs, where needed, and look forward to the work of these institutions on debt transparency.

8. The global financial system must remain open, resilient and supportive of growth and grounded in agreed international standards. We will continue to closely monitor and, if necessary, address emerging risks and vulnerabilities in the financial system. We welcome the finalisation of Basel III, which completes main elements of the post crisis reforms. We remain committed to the full, timely and consistent implementation and finalisation of the reforms and their evaluation to help identify and address any material unintended consequences and ensure that the reforms accomplish their objectives. We look forward to the FSB-led evaluation of the reforms, including their effects on the financing of infrastructure investment and on incentives for central clearing of over-the-counter derivatives. We will continue to address the decline in correspondent banking relationships.

9. We acknowledge that technological innovation, including that underlying crypto-assets, has the potential to improve the efficiency and inclusiveness of the financial system and the economy more broadly. Crypto-assets do, however, raise issues with respect to consumer and investor protection, market integrity, tax evasion, money

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laundering and terrorist financing. Crypto-assets lack the key attributes of sovereign currencies. At some point they could have financial stability implications. We commit to implement the FATF standards as they apply to crypto-assets, look forward to the FATF review of those standards, and call on the FATF to advance global implementation. We call on international standard-setting bodies (SSBs) to continue their monitoring of crypto-assets and their risks, according to their mandates, and assess multilateral responses as needed.

10. We will continue our work for a globally fair and modern international tax system and welcome international cooperation and pro-growth tax policies. We remain committed to the implementation of the Base Erosion and Profit Shifting package and welcome progress to date. The impacts of the digitalisation of the economy on the international tax system remain key outstanding issues. We welcome the OECD interim report analysing the impact of the digitalisation of the economy on the international tax system. We are committed to work together to seek a consensus-based solution by 2020, with an update in 2019.

11. We have made substantial progress on tax transparency. Further steps to implement transparency standards and requirements for the exchange of information for tax purposes will take place this year. Jurisdictions scheduled to commence automatic exchange of financial account information for tax purposes in 2018 should ensure that all necessary steps are taken to meet this timeline. We call on all jurisdictions to sign and ratify the multilateral Convention on Mutual Administrative Assistance in Tax Matters. We look forward to the OECD's recommendations on how to further strengthen the criteria for assessing jurisdictions compliance with internationally agreed tax transparency standards. Defensive measures will be considered against listed jurisdictions. We continue to support assistance to developing countries to build their tax capacity. We welcome the first conference of the Platform for Collaboration on Tax and the efforts undertaken to help developing countries implement the new international tax standards. We also encourage countries to enhance tax certainty.

12. We commit to step up our fight against terrorist financing, money laundering and proliferation financing. We call for the full, effective and swift implementation of the FATF standards worldwide. We reaffirm our support for the FATF, as the global anti money laundering and counter terrorist financing standard setting body, to further strengthen its institutional basis, governance and capacity. We call on FATF to enhance its efforts to counter proliferation financing.

ANNEX

Issues for further action

We ask the IMF, the Bank for International Settlements and the Financial Stability Board (FSB) to present to us at our meeting in April a common Report on “Financial stability risks during policy normalisation”.

We ask the Framework Working Group (FWG) to develop a menu of policy options which we can draw on when responding to the impacts of technological change. It should outline options in potential policy areas relevant to the Finance Track, such as tax and transfer, public expenditure, competition and data, stressing its voluntary and forward-looking nature, and the importance of individual and evolving country circumstances.

We look forward to the convening of an infrastructure private sector advisory group which will provide technical advice on the infrastructure agenda in 2018.

We ask the IMF to continue to develop a stock-take on capital flow management measures, based on the IMF Institutional View on the Liberalization and Management of Capital Flows (IV) to help inform country actions in responding to large and volatile capital flows and to report to us at our meeting in October. We ask the IMF to prepare a note on its Institutional View in Practice, including how it has been applied since 2012, and deliver this to us at our next meeting in July.

We ask the IMF to complete and publish its macroprudential database in April.

We ask the OECD to produce a note on developments on the Code of Liberalisation of Capital Movements at our meeting in July. We ask the IMF and WBG to develop a note on existing debt transparency initiatives and deliver this to us ahead of our next meeting in July.

We ask the IMF and WBG to prepare a document on strengthening technical assistance in debt recording and reporting and deliver this to us ahead of our next meeting in July.

We ask the FSB, in consultation with other SSBs, including CPMI and IOSCO, and FATF to report in July 2018 on their work on crypto-assets.

We ask the FSB to coordinate, with the FATF, the IMF, the WBG, and the GPFI, to monitor the take-up of the recommendations in the FSB report “Stocktake of Remittance Service Providers’ Access to Banking Services” of March 2018 and to report back to the G20 in July 2019.

We ask the OECD to deliver an update to us in 2019 on the progress made regarding the tax challenges of the digitalisation of the economy.

We ask the Platform for Collaboration on Tax to develop its workplan on its commitments by the IMF/WBG Annual Meetings this year and provide a progress report in 2019.

We ask the GPFI to produce, by July 2018, a Policy Guide for G20 and non-G20 countries to harness digitisation to provide financial services to unserved and underserved individuals and businesses currently operating in the informal economy.

We ask the Sustainable Finance Study Group (SFSG) to report, by July 2018, on the development and assessment of options for voluntary adoption by members to help

deploy financing, including by creating sustainable assets for capital markets, developing sustainable Private Equity and Venture Capital, and exploring potential application of digital technologies to sustainable finance, taking into account countries' circumstances, priorities and needs.

We look forward to the upcoming conference on counter terrorist financing on 25-26 April in Paris.

Reports and documents received

Global economy

- o Surveillance Note, IMF.
- o Going for Growth, OECD.

Future of work

- o Future of Work – Trends, Impacts and the Case for G20 Action, G20 Presidency and CoChairs of the FWG.
- o Technology and the Future of Work, IMF.
- o Achieving Inclusive Growth in the Face of Digital Transformation and the Future of Work, OECD.

Infrastructure

- o Roadmap to Infrastructure as an Asset Class, Argentina Presidency, 2018.
- o G20/OECD/WBG Stocktake of Tools and Instruments Related to Infrastructure as an Asset Class Progress Report.

Financial Regulation

- o Chairman's letter to G20 Finance Ministers and Central Bank Governors, FSB.
- o Action Plan to Assess and Address the Decline in Correspondent Banking. Progress report to G20 Finance Ministers and Central Bank Governors meeting of March 2018, FSB.
- o Stocktake of Remittance Service Providers' Access to Banking Services, FSB, March 2018.
- o Progress update on cyber lexicon to G20 Finance Ministers and Central Bank Governors meeting of March 2018, FSB.

International taxation

- o Secretary-General Report to Finance Ministers, OECD, Buenos Aires, Argentina, March 2018.
- o Interim Report of the G20/OECD Inclusive Framework on BEPS on the Tax Challenges arising from Digitalisation, Task Force on the Digital Economy, OECD

Anti-money laundering and terrorist financing

- o Report to Finance Ministers and Central Bank Governors, FATF, March 2018.

Financial inclusion

Communiqué

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19-20 March 2018, Buenos Aires, Argentina



- o Financing for SMEs in Sustainable Global Value Chains, GPFI.
- o Policy Paper on Financial Inclusion of Forcibly Displaced Persons - Priorities for G20 Action, GPFI.

Global Infrastructure Hub

- o Global Infrastructure Hub - Strategic Plan 2019 – 2022.