

PRESS RELEASE¹

*This press release is issued by sovereign issuers of international bonds,
the Institute of International Finance and the International Primary Market Association*

Key Principles Agreed To Strengthen Emerging Markets Finance

Washington DC, USA, Monday, November 22 --- Major sovereign issuers of international bonds and global leaders of private finance announced agreement here today on a set of “Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets.”

The Principles were welcomed by the Finance Ministers and Central Bank Governors of the Group of 20 at their meeting in Berlin on November 20-21, 2004. German Finance Minister Hans Eichel, who chaired the meeting, stated at a Berlin press conference that all of the attending G-20 member governments explicitly stated their support for the Principles.

The G-20 communiqué stated: “We reaffirmed the importance of an international financial architecture that sets incentives for pursuing sustainable policies and prudent risk-taking. In this regard, we welcomed the results achieved between issuing countries and private-sector participants on “Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets.” Such principles, which we generally support, provide a good basis for strengthening crisis prevention and enhancing predictability of crisis management now, and as they further develop in (the) future.”

The Principles are a joint product of the leading sovereign issuers of international bonds, primarily Brazil, Korea, Mexico and Turkey, as well leading private creditors. General, broad support for the Principles comes from both the leading industrial countries, whose members are part of the G-20, and the other sovereign issuers who are members of the G-20. This includes China, India, Indonesia, Russia and South Africa.

Mr. Francisco Gil Díaz, Minister of Finance & Public Credit of Mexico, emphasized today that, “These Principles provide a framework for cooperative actions by debtors and creditors which should strengthen emerging markets finance and underpin flows to these markets. They can contribute significantly to avoiding crises and, when necessary, facilitate a timely, orderly restructuring of debt. We see these Principles as complementary to the introduction of Collective Action Clauses in bond contracts, which we have included in our new bond issues since early 2003. We encourage other issuers and market participants to embrace this initiative in order to extend its effectiveness in global markets.”

The Principles focus on four areas: transparency and timely flow of information; close debtor-creditor dialogue and cooperation to avoid restructuring; good faith actions, and fair treatment (*see attachment*). The Governor of the Central Bank of Brazil, Mr. Henrique de Campos Meirelles, stressed that, “The Principles build on a number of best practices by both issuers and investors alike. In particular, the emphasis on transparency and strong investor relations is well placed and will benefit all parties. The principles on debt restructuring capture key collaborative steps that investors and issuers can take to place a country back on the path of strong growth, balance of payments sustainability, and renewed market access.”

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Dr. Josef Ackermann, Chairman of the Institute of International Finance and Spokesman of the Board of Managing Directors and Chairman of the Group Executive Committee of Deutsche Bank AG, speaking for the IIF noted, "The agreement on the Principles represents the result of an unprecedented cooperative effort by these leading issuers and the private sector. It reflects the crucial importance of promoting stability and confidence in emerging markets finance given that 95 percent of capital flows to emerging market economies are now from the private sector. We welcome the support from the G20 which provides further momentum as we move to implementation. I would like to extend our special appreciation to European Central Bank President Jean-Claude Trichet who introduced the concept of a voluntary Code of Conduct for emerging markets and catalyzed this process."

President Trichet stated that, "I congratulate both the official and private sector leaders who have transformed this idea into reality. The Principles address significant remaining gaps in the architecture of global finance. In particular, they provide flexible guideposts for cooperative behavior of all parties concerned when restructuring debt in today's world of capital markets finance. I believe this represents an important milestone in the effort to build a system which promotes global cooperation, growth and financial stability."

Mr. William Rhodes, First Vice Chairman of the IIF, co-Chairman of the IIF Special Committee on Crisis Prevention and Resolution in Emerging Markets, and Senior Vice Chairman of Citigroup and Chairman of Citicorp and Citibank, NA, stressed that, "Experience has shown that every crisis in emerging markets has unique aspects and therefore the Principles are strictly voluntary and to be applied flexibly on a case-by-case basis. No party is legally bound by these Principles, but the issuers and market participants who developed these Principles strongly support their cooperative implementation. Agreement on the importance of a constructive dialogue to achieve a critical mass in a restructuring and the avoidance of unfair discrimination are key elements in this unique joint venture. I am confident that this new framework will strengthen the growing partnership between issuers and investors."

"We are supporting these Principles because we see them as pragmatic and advancing the interest of sovereign issuers," said Turkey's Minister of State in Charge of Economy Mr. Ali Babacan. "Furthermore, it is in all of our interest to put behind us the crisis of the 1990s, by following prudent economic policies as well as ensuring stable capital flows to emerging markets. In this regard, the Principles offer new building blocks for crisis prevention and management."

M. Jacques de Larosière, co-Chairman of the IIF's Special Committee and Advisor to the Chairman of BNP Paribas Group said, "The time has come for sovereign debtors and market participants to take greater responsibility for contributing to the framework for emerging markets finance. Through their agreement on the Principles they can do just that. Application of these Principles will serve their mutual interest while meaningfully upgrading the international monetary system." M. de Larosière added, "The International Monetary Fund (IMF) will of course continue to play its central role in emerging markets, in terms of surveillance and crisis prevention, as well as by providing policy advice and financing for strong economic reform programs. As the Fund pursues its own basic goal of promoting sustainable global growth, we look forward to its cooperation in the implementation of these Principles."

Mr. Robert B. Gray, Chairman of the International Primary Market Association and Chairman of Debt Financing and Advisory, HSBC Bank, Plc added, "This approach offers us an effective market-based set of standards that should fill the vacuum that exists in the system. It defines a practical alternative to statutory approaches to restructuring sovereign debt. We consider the provisions underscoring the sanctity of contracts and outlining the important role of creditor committees as especially valuable. I especially welcome the emphasis on engagement between creditors and debtors throughout the Principles."

Speaking at a press conference in Washington today the Managing Director of the IIF, Mr. Charles Dallara, noted that, "the Principles are a reflection of the converging interests of both sovereign issuers and private investors in shaping a more predictable framework for emerging markets finance. Our focus now is to broaden further the support for the Principles and to move forward to implementation. As we do so we expect that the Principles will evolve over time and require clarification to ensure that they remain consistent with changing global realities. By doing so the Principles can make a continuing significant contribution to the robustness of the international financial system."

*Attached: Principles for Stable Capital Flows and
Fair Debt Restructuring in Emerging Markets*