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**SPEECH OF THE UNION FINANCE MINISTER AT THE  
INTERNATIONAL CONFERENCE ON 'GOVERNANCE AND DEVELOPMENT: VIEWS  
FROM G20 COUNTRIES' ORGANISED BY ICRIER**

**New Delhi: September 18, 2013**  
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Following is the text of the speech of the Union Finance Minister at ICRIER event entitled 'Governance and Development: Views from G20 Countries' here today.

***Chairperson Dr Isher Judge Ahluwalia,  
Dear Colleagues,  
Ladies and Gentlemen,***

It gives me great pleasure to join you at this international conference on 'Governance and Development: Views from G20 Countries.' I understand that the conference has been organized around 6 broad thematic issues - global governance, food security, energy sustainability, long-term investment finance, trade and protectionism, and growth and employment. In each of these areas, the world is facing several challenges and these are the subject of ongoing discussions in the G20. I congratulate ICRIER and its partners for organizing this conference and bringing together eminent academicians and policymakers from G20 countries, to discuss and deliberate on these critical issues.

As you are aware, it was the 2008 global financial crisis that brought the G20 into the centre of global economic governance. G20 owes pre-eminence to its quick, effective and coordinated response to the financial crisis resulting in the designation of the G20 as the premier forum for international economic cooperation among its members. In fact the G20 Leaders' process is one of the most significant developments in the history of global economic cooperation as it has led to a significant geopolitical shift regarding global economic governance. It has a different balance of power where both advanced and emerging countries come together as equal partners allowing for a

more inclusive deliberation and more effective response to today's complex global challenges and opportunities.

Given its track record, G20 is now moving from a temporary crisis bailout mechanism towards a permanent organisation of global economic governance. Considering the range of complex issues confronting the world economy, and the persistent weak recovery, it is important for all countries that G20 continues to be successful. However, there are inherent challenges facing the G20 going forward. I would like to highlight a few of them today and I would expect policymakers attending this conference to deliberate further during this conference on some of these issues.

Firstly, the agenda setting of G20 has had an advanced country perspective so far. This is highlighted by the emphasis given on financial regulation and on transparency whether it be in taxation or in the Extractive Industry Transparency Initiative (EITI). As the crisis originated in the advanced countries, it is natural that higher capital requirements and asset quality have been stressed in the Basel norms for banking sector. Emerging markets have accepted these norms in a spirit of multilateralism. However in the context of a weak global recovery, we should be careful that the procyclical bias should not be a stumbling block in developing countries. Since growth in emerging markets is crucial to the strength of the global economy, it is critical that G20 find ways to develop strong links of coordination and cooperation and take up issues of importance to emerging economies as otherwise, G20 may evolve as a loose forum instead of a powerful steering wheel of global governance.

Secondly, there is a big challenge relating to mission creep. Many experts have expressed concern that the G20 agenda has been expanding too widely, covering far too many unrelated issues. The outreach process of subsequent Chairs of the G20 is partly to blame as this widening of agenda is encouraged mostly by outside players including civil societies, academics and international agencies who hope that high level discussion and endorsement by leaders will advance their various causes. I am not saying that the outreach programme is a bad idea; I am simply saying that interaction with various players should not result in the G20 losing its focus. I do believe that to be

able to play a meaningful role in the global governance, the G20 agenda should be sharper, and focused only on those issues on which it can make a distinctive contribution particularly on economic and financial issues, as premier forum for international economic cooperation.

Thirdly, reforms of international financial institutions of global governance have been among the top priorities of G20. Indeed the G20 has initiated a considerable governance reforms in the pillars of global governance namely IMF, World Bank, and Financial Stability Board (FSB), as well as in many of the Standard Setting bodies (SSBs). However, progress thus far has been extremely limited and far from satisfactory, and some members have not been able to adhere to the commitment on certain reforms by Leaders. Most advanced countries have now clearly indicated their unwillingness to move ahead on IFI governance and capital reforms. This has hampered credibility of the G20, and makes it difficult to, progress on other issues as well.

India and other emerging economies have repeatedly underscored the critical role that investment, particularly in infrastructure could play in sustaining the global recovery and rebalancing. The G20 Leaders had mandated the G20 Finance Ministers and Central Bank Governors at their Los Cabos Summit in 2012 “to consider ways in which the G20 can foster investment in infrastructure and ensure the availability of sufficient funding for infrastructure projects, including Multilateral Development Banks’ (MDBs) financing and technical support”. The mandate had been taken up during this year, but by broadening the subject to cover financing for all kinds of investment, it resulted in the situation that one year later, in the 2013 Summit, they could only just endorse the work plan of the Study Group. This is surely an opportunity loss, and we hope that the matter would be taken up more meaningfully during the next Presidency of the G20.

In this regard, one issue that deserves priority is recycling global savings for infrastructure investment. Enhancing infrastructure investment in emerging economies and developing countries, would have positive implications for rebalancing global

demand. At the same time, high savings would find productive use into areas where there is a need for real investment that results in tangible growth and development. The G20 is well placed to coordinate various stakeholders including governments, especially the ones that have large surpluses, the private sector, and multilateral development banks, for investment in developing economies. I hope the conference can suggest innovative ways to recycle global savings and develop viable strategies that overcome the presumed hurdle of 'lack of enabling environment' for infrastructure investment in emerging and developing countries.

Finally it is important to ensure that the decisions taken in G20 meetings are carried forward expeditiously. Leaders at St Petersburg committed to remain mindful of the risks and unintended negative side effects of extended periods of monetary easing while carefully calibrating and communicating clearly, future changes to monetary policy settings and to cooperate to manage their spillovers on other countries. Similarly in the backdrop of the upcoming WTO Ministerial in Bali in December 2013, G20 Leaders have called on all the WTO members to show the necessary flexibility so as to achieve a successful outcome in Bali. I believe that such language of consensus and cooperation is very important for the interests of both the developed as well as the developing countries.

I see an important signal emerging from the St. Petersburg Leaders Declaration with regard to the manner in which development issues are being addressed in G20 forum and that is the clear recognition that the dimensions of development challenges vary from country to country and therefore any policy that is being recommended in an international forum has to be tailored to national circumstances. It is also welcoming to note that the G20 Leaders have taken a comprehensive approach to addressing the challenges of unemployment and underemployment faced by advanced as well as developing countries. While emphasis has been placed on creation of more jobs, the G20 also focuses on generating quality jobs by addressing issues of skills portability, youth employment, labour flexibility and improvement of the labour market infrastructure. Under the upcoming Presidency of G20 under Australia, we must make use of the opportunity provided by the St. Petersburg Leaders Declaration to ensure

that we study the complex issue of labour mobility as the free movement of capital with restraints on movement of the necessary skills does hamper productivity.

I am hopeful that the deliberations during this conference will provide an opportunity to discuss the possible approaches to dealing with global challenges at the current conjuncture in a spirit of cooperation. I would like to thank you for your kind attention and wish you all a very productive discussion. I look forward to the outcome of your deliberations which I hope can be a useful input to the incoming G20 Chair in 2014.

Thank you.

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