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Intervention by the Union Finance Minister Shri Arun Jaitley at the G20 Finance Ministers and Central Bank Governors Meeting on 'Global Economy and Framework for Strong, Sustainable and Balanced Growth' as Lead Speaker in Washington D.C. yesterday; Calls for need to articulate an effective and tangible policy response by the countries to revive the trade engine of the global economy; Emphasises that countries must avoid trade protectionist measures, and refrain from competitive devaluations.

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Following is the text of the Intervention made by the Union Finance Minister Shri Arun Jaitley at the G20 Finance Ministers and Central Bank Governors' Meeting on 'Global Economy and Framework for Strong, Sustainable and Balanced Growth' as Lead Speaker in Washington D.C. yesterday:

"Our individual and collective efforts to restore growth back to pre-crisis levels have met with limited success. The distribution of risks to the Global Economic Outlook continues to remain tilted to the downside, and **global growth continues to disappoint. Even the projection of future global growth has been subject to recurring downward revisions.**[1] **(See Foot Note at end)**

India has consistently recorded the highest growth figures in the world for the last three quarters. We expect this momentum to continue, assuming a normal monsoon. That being said, the fading impact of lower input costs on value addition in manufacturing, persisting corporate sector stress and risk aversion in the banking system, and the weaker global growth and trade outlook pose as downside risks to India's growth outlook. We are dealing with these challenges through various policy measures.

The **key downside risks** which could derail the fragile global recovery are – weak demand, tighter financial markets, softening trade and volatile capital flows.

India has always emphasized the need for **globally co-ordinated policy decisions** to remedy the global economic turbulence.

We also appreciate the efforts being undertaken by the Chinese Government in rebalancing their economy and in particular in reducing excess capacity in several sectors. This would create necessary space for manufacturing activity in other countries.

Further, we feel that the **efficacy of monetary policy instruments has reached its limits** and that its pass through has not been seamless. The time is ripe for a **re-evaluation of the fiscal policy space**, with a greater focus placed on public investment.

Declines in both imports **and exports** were recorded in all G20 economies in 2015. We, therefore, need to articulate an effective and tangible policy response to revive the trade engine of the global economy. Countries must avoid trade protectionist measures, and refrain from competitive devaluations.

We should also take note of the **asymmetry in the global financial safety net**. While advanced economies have access to swap lines in order to smooth currency shocks, emerging market economies, which are highly dependent on reserve currencies both for borrowing and for international transactions, do not have recourse to these. Global and regional financial safety net and oversight needs to be augmented, including through new financing mechanisms.

Framework for Strong, Sustainable and Balanced Growth

At the Framework Working Group (FWG) meeting in Paris last month, the growth strategy process for 2016 was launched. This year we will focus on identifying reforms which have the potential to act both as a short-term stimulus and have a positive impact on growth in the long run. We have agreed on a set of priority areas of structural reform.

The point of difference, however, is regarding the approach to be adopted for formulating the G20 Structural Reform Indicators. While some of the members are of the view that a top down approach has to be formulated, India, along with other members, believes that we need a country led process. We hope that this approach will also simplify the IO's task of choosing indicators. However, the precise formulation of the dashboard and whether it will be common for all members is still being debated.

A challenge to keep in mind is the importance of ensuring that a balance is maintained between addressing domestic priorities of member countries with the international role that each G20 member has to play. Therefore, we should also consider undertaking an analysis of the possible negative spillovers of policy actions. At the moment, the recent use of negative interest rate policies has been identified as an area of concern by members.

In order to move out of the current equilibrium of low global growth, it is important for us to correctly identify and remove vulnerabilities and build a resilient set of institutions. Timely and coordinated efforts by all G20 members can have a positive impact by preventing further deterioration in the economic outlook and creating conditions which will be conducive for higher global growth."

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