G20 Deputies Meeting
22-23 June 2014
Session 2: Growth Strategies – Review and Discussion
Statement by the Finance Secretary

1. In February this year, the Ministers and the Governors agreed to develop ambitious but realistic policies with the aim to lift our collective GDP by at least 2 per cent above the trajectory implied by current policy. We must examine this in the light of two factors that have a bearing on how we forcast the future movement in the global economy. These are:

a. The global context is increasingly challenging and becoming less supportive for emerging economies growth prospects. Emerging markets are going through a phase of tepid economic activity, with some of the major emerging economies seeing significant negative output gaps. The reasons for the slowdown have been partly structural and exacerbated by external environment especially increased volatility with unwinding of unconventional monetary policies. Recent developments in Iraq have created huge uncertainties with an overhang on the global economy. The volatality in petroleum prices have put pressure on the fisc in countries like India.

b. Secondly, Recent normalization of unconventional monetary policy in the US has been largely smooth, albeit low volatility in the markets should not lead to complacency. Backstop measure should continue to be reinforced and unwinding should be pursued with close coordination among the member Central Banks minimizing negative spillovers, as committed by G20 Leaders.

2. The Framework Working Group has been coordinating efforts and following the progress in this regard and recently received and carried out peer review of members draft comprehensive growth strategies. The strategies outline the policy actions that members intend to take to meet our collective ambition. The Framework Working Group had conducted a peer review of these preliminary comprehensive growth strategies in June at Goa, India. During the peer review exercise, the Group received indicative assessment of member growth strategies by International Organsiations and also examined various measures put forward across thematic areas of investment, competition and trade. While review of the employment component of the strategies was carried out during a joint meeting with the Employment task Force, the exercise also assessed macroeconomic policies from an economy-wide perspective and discussed rebalancing and spill over benefits of domestic actions on other countries.

3. As per assessment of IOs, our policy actions, excluding on infrastructure and trade, are expected to provide only an additional 0.8% growth rather than the targeted 2%. It is in investment including in infrastructure that we need to put our heads together to come up with new and additional policy actions to unlock our growth potential. However, clearly the support that must be provided by the MDBs and the developed countries in intermediation of global capital flows into emerging markets has also been very weak.

4. In this regard, our discussion today is expected to guide members as we refine our growth strategies. Also support from our Sherpas would provide the political impetus to strengthen our respective growth strategies especially in the area of trade. We urge each member to bolster their growth strategies and adhere to the agreed timeline for submitting their revised growth strategies. Co-chair report highlighted list of areas

each members would need to consider, we are hoping that members will strengthen their growth strategies submission on these areas as appropriate.

5. As you are aware, India has elected a new government. We will be strengthening our Growth Strategies as per priorities of the new Government. I am confident that this will be growth oreinted and would deepen the reform process to put the economy on a high growth path which is in line with the G20 objective of strong, sustainable and balanced growth. Reform measures will be presented by the Finance Minister in the forthcoming budget and hence I will not be able to provide specifics at this stage.

6. As regards assessment, we need to examine a concern that the present approach by International Organisations lays primacy on reform measures in the four areas alone, rather than on achieving growth output. So countries that cannot for political reasons put down policy actions identified for them by International Organisations, come out poorly even if they achieve relatively stronger growth. This can also be counterproductive politically, both for the G20 and for the countries which achieve high growth rates through activities not necessarily within the thematic areas of competition, labour, trade and investment. In the circumstances, I look for inputs from members and IOs on whether the assessment and its narrative need to look at whether the measures are adequate and whether we need to look at actual growth output.

Thank you