

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1049
ANSWERED ON:30.07.2010
G SUMMIT
Balram Shri P.

Will the Minister of FINANCE be pleased to state:

- (a) the details of agreement reached on major issues concerning the economy of the country during the recent G-20 summit held in Toronto;
- (b) whether India urged G-20 to stagger the stimulus exit;
- (c) if so, the details thereof;
- (d) the response received so far thereto; and
- (e) the details of points raised by India along with final resolution on those points during the summit?

Answer

MINISTER OF THE STATE IN MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) The G-20 Summit held on June 26-27, 2010 at Toronto, Canada focused on recovery from the global economic and financial crisis and the implementation of commitments from previous G-20 summits, while laying the foundation for sustainable and balanced growth. The summit also agreed for setting up of G-20 Working Groups to deal with corruption and development issues. Agreements reached on major issues are:

Fiscal consolidation: The G20 agreed on following through the fiscal stimulus and adopting growth friendly fiscal consolidation plans, with advanced economies taking measures to halve deficits by 2013 and to stabilize or reduce government debt-to-GDP ratios by 2016. The G-20 agreed that fiscal consolidation plans should be credible, clearly communicated, differentiated to national circumstances and focused on measures to foster economic growth.

-Framework for strong, Sustainable and Balanced Growth; The G20 accepted the policy recommendations from the first mutual assessment process (MAP) to achieve stronger, more balanced and sustainable growth and to move to the Second Stage of Mutual Assessment Process (MAP) for the G-20 Framework for Strong, Sustainable and Balanced Growth.

Financial Sector Regulatory Reform: The G-20 agenda for regulatory reform is based on four pillars, namely a strong regulatory framework, effective supervision, resolution and addressing systemic institutions, and transparent international assessment and peer review.

IFI Reforms: The G-20 resolved to strengthen the legitimacy, credibility and effectiveness of the IFIs to make them stronger partners in the future. It agreed to accelerate the work still needed for the IMF to complete the quota reforms by the Seoul Summit.

-Global Financial Safety Net (GFSN): The G20 acknowledged the need for national, regional and international efforts to deal with capital flow volatility, financial fragility and to prevent financial contagion. Finance Ministers have been asked to submit policy options to strengthen global financial safety nets by the Seoul Summit.

â€”Fight Trade Protectionism and promote Trade and Investment: The G-20 agreed to renew further for three years (until end 2013) the G20 commitment to refrain from raising barriers or imposing new barriers to Trade in goods and services, imposing new export restrictions or implementing WTO inconsistent measures to stimulate exports. The G20 also agreed to support bringing the Doha Development Round to a balanced and ambitious conclusion as soon as possible.

(b) Yes, Sir

(c)&(d) India suggested that fiscal consolidation should be `staggered in` - beginning now in countries that are experiencing exceptional fiscal stress, and where markets have signaled serious concern, while other advanced countries should opt for a more calibrated exit from the stimulus.

(e) Points raised by India:

Some of the major points raised by India were:

On Fiscal consolidation: India suggested that fiscal consolidation should be staggered in -beginning now in countries that are experiencing exceptional fiscal stress and where markets have signaled serious concern, while other advanced should opt for a more calibrated exit from the stimulus.

On the Framework: India broadly agreed with the Policy options recommended under the Mutual Assessment Process, such as, growth friendly fiscal consolidation, rebalancing of global demand, greater exchange rate flexibility, structural reforms for enhancing potential growth, and narrowing the development gap. We were agreeable to taking the second stage process in a country led and consultative manner for country level mutual assessment. We also suggested that developing countries need to rebalance their strategies to rely less on exports and more on domestic demand, including through increased investments that will raise the long term potential for growth.

On Financial Sector Regulatory Reforms: India stressed the heed to keep to the timelines for regulatory reforms agreed in Pittsburgh. India also sounded a note of caution that the cumulative impact of all reforms on the cost of capital should be taken into account to ensure that long term capital flows to emerging economies are not adversely affected. India did not agree to the banking sector tax/levy as a one size fits all will not be the right approach. India has strong regulations, did not have to use the tax payers` money to bail out banks, and it has other measures such as the statutory liquidity ratio (SLR) and the cash reserve ratio (CRR) that already impose costs on the financial sector. India emphasized the need to persevere with a path of financial sector reforms to support rapid and inclusive growth in the real economy, and also to increase systemic stability in the financial sector.

On IFIs Reform: India welcomed the agreement on World Bank reforms reached in April 2010 that includes voice and shareholding reform and capital increase. India pressed for completion of quota reforms in the IMF by Seoul Summit.

On Global Financial Safety Nets: India suggested adopting a three pillar approach consisting of, firstly, domestic financial safety nets, secondly regional financial safety nets, and thirdly a global financial safety net encompassing a wider role for the multilateral institutions.

On Trade Protectionism and Doha Development Round: India stressed that growth in developing countries would be greatly helped if threats of new protectionist measures in industrialized countries are firmly resisted and existing barriers to trade , especially those affecting developing countries, are reduced. In this context it underscored the need for a speedy conclusion of the Doha Development Round.

The final resolution on these major points are already given at (a) above.