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Text of the Intervention Made by The Finance Secretary Today in the G20 Deputies Meeting
Wherein he Raised India's Concerns with Regard to Uncertainty and Volatility in External Environment; Calls for G20 Driven Collaborative Solutions to Reduce the Impact of the Possible Near Term Repricing

Following is the text of the intervention made by Dr Arvind Mayaram, Finance Secretary during the G-20 Deputies Meeting on the session 'Global Economy' raising India's concerns in Cairns, Australia today:

"The policies pursued by the Emerging Market Economies to bring growth back have been effective. In India, the Government announced a slew of policy reforms and Budget reflected this in full measure. From 4.7% growth in last fiscal, the Indian economy grew by 5.7% in Q1 of the current Financial Year 2014-15. Business confidence is back and even though still tentative, growth in industrial sector, specially manufacturing, is showing an uptick. We are confident that by pursuing growth inducing policies, the Government would contribute fully to going back to a +7% growth within two to three years. To that extent, India stands committed to the incremental 2% growth in the global GDP.

However, while it would be imperative for the Emerging Market Economies including India to continue the path of structural reforms, the uncertainty and volatility in external environment is worrisome and needs the attention of the G20. As the US Fed withdraws from unconventional monetary policy, there will be an overhang on asset prices in the Emerging Markets and therefore, volatility in the currency markets. The decision on the exit from the QE programme that came in after the FOMC meeting yesterday had an impact on the currency markets of many of the emerging market economies. The strength of G20 lies in taking international collaborative actions and not limiting to the individual country growth strategies. This concern was also raised by Mexico.

Just as we are discussing domestic policies and actions, we should also be discussing G20 driven collaborative solutions which would reduce the impact of the possible near term repricing. While countries would have to take actions commensurate with the space available to them, as IMF has themselves noted, macro prudential policies would be ineffective during downswings and in many of the countries, the asset repricing would result in pressure on their currencies, leading to a spiral of tightening and derailing of all well laid growth strategy road maps. So in order to ensure that the growth outcomes are still achieved, are there solutions that G20 can explore? Are swap lines a solution? Let us get the IMF to analyse whether it is so. They are good at scenario analysis, so if an analysis can be made on loss of GDP in the face of exogenous shocks, but with swaps in place and in the absence of swaps, it would be useful. The IMF can also be asked to look at the cost of the swap and compare those to the benefits. It is possible that the swap facility may never be used as it more of a confidence building measure, rather than actual ammunition. The benefits to the global financial system could potentially be large as it would reduce the amount of self-insurance that countries need to do. At the same time, if the swap facilities do get used, the benefits would include a reduction in the negative shock to EM and global GDP."

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