

STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...
To empower the student community...*



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G-20 SUMMIT

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*As a friend, as a guide
always there for you.*



Experience Next Generation Banking

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A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The "SIB Students' Economic Forum" is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the "Forum". This month, we discuss on the outcome of the Seventh G-20 Summit which was held in Las Cabos, Mexico on June 18-19, 2012.

What was the importance of the Seventh G-20 summit?

The summit has assumed importance on the backdrop of the deepening crisis in the Euro Zone and on the world economy facing big problems on fiscal and monetary measures. As the Heads of Government, Finance Ministers and Central Bankers assembled in Mexico, the developing countries were optimistic while the European and the US leaders struggled to take a firm stand. The summit was held a day after the most important Greek elections. The summit endorsed the strong suggestion by our Prime Minister that growth and austerity have to be combined. The 14-page Declaration strongly emphasises the need for growth because, by itself, austerity will not solve the debt problem of the Euro Zone. Britain and Germany have been insisting on austerity first to set Euro Zone in order.

What is the role of G-20?

The Group of Twenty Finance Ministers and Central Bank Governors (also known as the G-20 and Group of Twenty) comprises of Finance Ministers and Central Bank Governors from 20 major economies: 19 countries plus the European Union, which is represented by the President of the European Council and by the European Central Bank. The G-20 heads of Government or Heads of State have also periodically conferred at summits since their initial meeting in 2008. Collectively, the G-20 economies account for more than 80 percent of the Gross World Product (GWP), 80 percent of World Trade (including EU intra-trade), and two-thirds of the world population. They furthermore account for 84.1 percent and 82.2 percent of the world's economic growth by nominal Gross Domestic Product (GDP) and GDP Purchasing Power Parity (PPP) respectively from the years 2010 to 2016, according to the International Monetary Fund (IMF).

The G-20 was proposed by the former Canadian Prime Minister, Mr. Paul Martin, as a forum for cooperation and consultation on matters pertaining to the international financial

system. The group was formally inaugurated in September 1999, and held its first meeting in December 1999. It studies, reviews, and promotes high-level discussion of policy issues pertaining to the promotion of international financial stability, and seeks to address issues that go beyond the responsibilities of any one organization. With the G-20 growing in stature after the 2008 Washington summit, its leaders announced on September 25, 2009, that the group would replace the G-8 as the main economic council of wealthy nations. The heads of the G-20 nations met biannually at G-20 summits between 2008 and 2011. Since the November 2011 Cannes summit, all G-20 summits have been held annually.

What is the role of Asian Countries in G-20?

A 2011 report released by the Asian Development Bank predicted that large Asian economies such as China and India would play a more important role in global economic governance in the future. The report stated that the rise of emerging market economies heralded a new world order, in which the G-20 would become the global economic steering committee. India and the other BRICS nations contributed \$75 billion out of \$460 billion that nations have committed to the IMF Firewall Fund designed to help the ailing Euro Zone. The report furthermore noted that Asian countries had led the global recovery following the late-2000's recession. It predicted that the region would have a greater presence on the global stage, shaping the G-20 agenda for balanced and sustainable growth through strengthening intra-regional trade and stimulating domestic demand. BRICS countries have been offering more and more assistance to the developing nations, while the traditional donors are struggling with recessionary pressures.

What were the major declarations in the summit?

The summit discussed various key points for bringing back the world economy into its stable fold. The major declarations made in the summit focus mainly on the Euro Zone members and take all the necessary measures to safeguard the integrity of the area. The major points discussed in the summit include employment and social protection, trade, financial sector reforms and financial inclusion, challenges in development and so on.

What are the key points in the declaration on Employment & Social Protection?

The summit released a set of action points which includes

- Access to the youth in quality jobs with a view to reduce unemployment and improve the standard of living.
- Strengthening the quality of education with more thrust on cooperation in the field of education, skill development and training policies, to provide a smooth transition from school to work situation.
- Ensuring all round participation of women by taking earnest steps to overcome the barriers in both social and economic forums.

What were the suggestions put forward in trade related declaration?

The summit arrived at a conclusion that with the enhanced participation of developing

countries in world trade, the economic growth, employment generation and overall development can be improved. The forum was unanimous in its approach to resist protectionism in all forms and work together with a commitment to open trade and investment. There was a strong need felt in strengthening the IMF Firewall Fund, available to every member of the IMF. The members were focussed on ensuring the centrality of World Trade Organisation (WTO) and on concluding the Doha Round negotiations.

What are the key points discussed in implementation of financial sector reforms and financial inclusion?

Presently the OTC derivative contracts are not traded in stock exchanges or electronic trade platforms. But all standardised contracts including OTC derivatives have to be traded through the electronic platform or stock exchanges, wherever appropriate, and cleared through central counterparties. The member countries agreed on full implementation of BASEL-III guidelines as per the time limits prescribed by Basel Committee. It was also decided to develop principles as a common frame work for identification of Domestic Systemically Important Financial Institutions (D-SIFs) and development of policy measures. The summit advised the members to desist from mechanistic reliance on rating agencies and to encourage transparency of these agencies. The meeting decided to enhance the capacity to coordinate the development and implementation of the financial regulatory policies of FSB (Financial Stability Board) by granting legal personality, strengthening governance and by providing greater financial autonomy. The members highlighted the need to strengthen transparency and comprehensive exchange of information in the taxation domain. The G-20 members were firm in renewal of the FATF (Financial Action Task Force) mandate to support the global efforts in AML (Anti Money Laundering), CFT (Combating Financial Terrorism) and proliferation of weapons of mass destruction. The meeting highlighted more effective steps towards “Financial Inclusion”, identifying barriers in providing access to financial services and financial education for women and children. The members agreed on taking appropriate actions to remove these barriers in effective implementation of the programme for providing banking service to all.

What was the declaration on Youth?

Through this declaration, G-20 leaders have recognized the importance of financial access for youth and will continue to place emphasis on this issue in the upcoming summits. They have called on the Global Partnership for Financial Inclusion (GPII), the Organisation of Economic Cooperation and Development/International Financial Education Programme (OECD/INFE) and the World Bank, as leading multilateral institutions, to further investigate the barriers facing youth’s financial access and present a progress report at the next G-20 Summit in Russia. This important declaration will be vital in the adoption of these critical issues by national authorities worldwide.

What are the declarations on challenges of development?

The summit has declared their resolve to promote growth and creation of jobs. The summit also discussed in detail the major challenges in global recovery and on further steps to ease the tensions in the financial market. The G-20 countries decided to work collectively to strengthen demand and restore confidence with a view to support growth and foster financial stability in order to create high quality jobs and opportunities for all the citizens. The G-20 will take all necessary policy measures to safeguard the integrity and stability of the Euro Zone and improve the functioning of financial markets.

- Commitment to fight climate change to structurally transform economies towards a climate-friendly path over the medium term.
- Rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption over the medium term while providing targeted support for the poorest.
- Stabilize global markets and promote stronger growth to generate positive effects on development and poverty reduction across the globe.
- Continued help to developing countries to sustain and strengthen their development through appropriate measures, including those that encourage inclusive green growth.
- Strong, sustainable and balanced growth remains the top priority of the G-20, as it leads to higher job creation and increases the welfare of people across the world
- Taking an active role in fighting corruption and endorsing the G-20 anti corruption working group principles for denial of entry of corrupt officials to the member countries.

The Summit declaration included for the first time investment in infrastructure in the developing countries in the preamble. India has been pushing for this at the last three Summits. Again there is a distinct awareness amongst the officials that the developing countries have improved their clout this time. This is evident from, amongst other things, agreement that IMF quota reform should be speeded up from 2013. The G-20 has also explicitly recognized the progress made by China in market-determined exchanged rates. The next G-20 Summit is in 2013 with Russia as the new Chair.

What are the major points discussed by India with Mexico during the summit?

In 2011, India was Mexico's 16th largest trading partner in the world and the 6th largest in the Asia-Pacific region. India and Mexico have agreed to reinforce high-level bilateral political dialogue. The two leaders agreed on the urgent need for G-20 members to work consistently on behalf of restoring the international economy and establishing the bases for sustainable development. Both the countries highlighted the promotion of reciprocal investments and the need to deepen scientific and technical cooperation, specifically in regard to the generation of renewable energies. They also discussed the current economic situation and the need to provide more resources for IMF and the World Bank.



Members of G-20

UK	Brazil	Indonesia
South Africa	Australia	Russia
Canada	China	Turkey
Mexico	Japan	European Union
United States	South Korea	France
Argentina	India	Germany
Saudi Arabia	Italy	

Recent Summits

Summit	Date	Host Country	Host City
1	November 2008	United States	Washington, D.C.
2	April 2009	United Kingdom	London
3	September 2009	United States	Pittsburgh
4	June 2010	Canada	Toronto
5	November 2010	South Korea	Seoul
6	November 2011	France	Cannes
7	June 2012	Mexico	Los Cabos

Your comments and feedback on this publication may be sent to Staff Training College, The South Indian Bank Ltd., Thrissur 680 001 or by E.mail: ho2099@sib.co.in

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