

**ICRIER International Conference on “International
Cooperation in Times of Global Crisis: Views from G20
Countries”**

Keynote Speech by Finance Minister

17/09/2010; 1045-1130Hrs

India Habitat Centre

Mr. Chairman,

Distinguished participants,

Ladies and Gentlemen,

1) It is an honour to join all of you at this International Conference on “International Cooperation in Times of Global Crisis: Views from G20 Countries”. I would like to congratulate the Indian Council for Research on International Economic Relations (ICRIER) for organising this Conference. It is a wonderful gathering of eminent academics and policymakers from G20 countries and international organisations.

2) From time to time in human history, some events occur that mark a turning point for the entire world. The global financial and economic crisis of 2007-09 is possibly one such event. This crisis has become one of the greatest assaults on global economic stability to have occurred in three quarters of a century. But it is also an assault on mankind’s over-confidence about managing global systems. As we

know from history, an assault on our over-confidence is, at times, a blessing in disguise. I like to believe that we will come out of this global financial crisis with stronger economies. The crisis has exposed the fragility of existing global financial and economic institutions, and the limitations of existing macroeconomic policy tools. Hence, it is an opportunity for new thinking in the world of finance and globalization.

3) In the wake of the global crisis, G20 countries were called upon to further strengthen international cooperation and bring together systemically important advanced and emerging economies to discuss key issues in the global economy. Since then, the concerted and decisive actions of the G20 helped the world deal effectively with the current financial and economic crisis. The G20 has already delivered a number of significant and concrete outcomes. Reflecting on these achievements and recognizing that more needs to be done to ensure a strong, sustained and balanced global recovery, the G20 Leaders at Pittsburgh Summit designated the G20 as the premier forum for international economic cooperation.

Ladies and Gentlemen;

4) In an era of globalization, with almost all countries integrated into the global economy, complete decoupling is

only a myth. As clearly indicated by the current crisis, no country is insulated and it is turning out to be much deeper and broader than expected. It is a crisis that spans several fronts: it began as financial crises, which then become a general economic crisis; it is also becoming an employment crisis; and has in many countries produced a social crisis. It is a crisis which is simultaneously individual, national and global. It is a crisis of both the developed and the developing world. Everything is so intricately intertwined that events in one country have a ripple effect across the world. Yet, an alternative to global integration is neither feasible nor desirable. Globalization is a bit like gravity. You may or may not like it, but you have no choice in the matter. It is also a bit like the wind and the waves. As John Stuart Mill had observed, a sea-going person may not like the wind and the waves, but he has no option. Instead of pretending that the wind and the waves do not exist, he should try to make the best of possible use of these forces. Similarly, with globalization.

5) Globalisation has brought several benefits and synergies in growth and development across the globe. Moreover, the world is now so far down the path of integration that turning back is no longer a viable option. However, credible international economic cooperation is necessary in today's world. An integrated world economy requires strong

cooperation among major economic powers. Without determined cooperation among the principal powers, globalization is unlikely to survive the inevitable periodical shocks to which it is subjected. The G20 has laid a solid foundation for such cooperation.

6) Historical precedent is instructive. Since World War II, major countries have created and used formal international institutions and more informal forums to discuss and coordinate economic policies. As economic integration has increased over the past few decades, however, international economic policy coordination has become even more active and significant. Globalization may bring economic benefits, but it also means that a country's economy is increasingly affected by the economic policy decisions of other governments. Major crises have always been followed by the emergence of new international institutions. The Brettonwood system emerged after the Great Depression. The current crisis has heralded the rise of G20 as the premier forum for international cooperation.

Ladies and Gentlemen;

7) Given its crisis track record, expectations from the G20 forum are also growing, especially since its intervention is widely perceived to have prevented the current global crisis escalating into another Great Depression. However much of

its success has been achieved in crisis situations, where consensus is much easier, and it remains to be seen whether it would be equally effective in resolving contentious issues in normal times.

8) As we recover from the crisis and prepare ourselves for a post crisis scenario, G20 Governments will have to work together to support well functioning international economy. They will need to coordinate policy actions in a manner that can ensure strong, sustainable and balanced growth. While doing so, Governments will have to build domestic political support for international policy coordination, wherein some national policies might have to be calibrated to ensure a more optimised global outcome. The immediate spheres of such coordination are (a) macroeconomic policies and exit strategies (b) pace of regulatory reforms to ensure financial stability, without affecting prospects of growth (c) reform in the governance of International Financial Institutions to reflect current economic realities (d) keeping international trade open and avoiding protectionism and (e) coordination on climate change and energy issues.

9) As part of this process of multi-country thinking, we in India are trying to produce studies to understand economic processes in the context of G-20 nations and also the BRIC countries. I am happy to inform you that India, and in

particular the Ministry of Finance, is anchoring the writing and publication of an economic report on the four BRIC countries. This is being done to foster cooperation and one of the aims of this is to learn from best practices in different nations. All these developments point towards the inevitability and necessity for stronger and credible international cooperation in issues that you have taken up for discussion over these two days. The need for this is more than ever before. I am sure this conference will offer an opportunity to share ideas; ideas that can indeed lead to a better world.

10) I thank you for your kind attention and I wish you a most fruitful conference.

Thank You