

India to raise currency devaluation concerns

The recent competitive devaluation of major currencies, particularly by Asian emerging markets, raises the risk for the country's external sector



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In the run up to the G20 Leaders' Summit—to be held in Antalya, Turkey, on November 15-16—there have been several meetings between the finance ministers and Sherpas of G20 member countries on the agenda set out by Turkey, the chair this year. The priority areas include investment, inclusiveness and implementation, among others. Turkey will provide another opportunity to G20 to confirm 2014 Brisbane Summit outcomes and demonstrate that the group remains the premier forum for international economic cooperation. The implementation of policies and performance of individual members in realising the minimum 2% growth set out by the Brisbane Action Plan will be a critical component of G20's success in 2015. The Turkish government's focus on "ensuring inclusive and robust growth" is a positive step in this regard.

Loaded agenda

An ambitious agenda is a bane that most multilateral institutions, summits and ministerials frequently deal with, leading to few successful outcomes. The Turkey meet is no different. The Turkish presidency, among a host of issues, has emphasised on small and medium sized enterprises (SMEs) as a cross-cutting subject and also aims to make G20 more relevant to non-G20 members, apart from proposing to reach out to low-income developing countries in Asia and Africa. This agenda is relevant to India which has a large SME sector. In fact, SMEs play a vital role for the growth of Indian economy by contributing 45% industrial output, 40% exports, 42 million in employment, create 1 million jobs every year and produce over 8,000 quality products for the Indian and international markets. Therefore, best practices of other countries to help expose Indian SMEs to greater opportunities for expansion and diversification by G20 is a welcome move and crucial for Make in India to succeed.

The trade pillar of the Turkey Summit is also highly ambitious. It not only aims to improve trade to pre-crisis levels but has also set out to step up efforts to fight against increasing protectionism in the global economy. In addition, the implementation of all elements of the Bali Package, along with definition of WTO Work Programme on the remaining is-

ssues of the Doha Development Agenda, will be taken up.

Turkey has introduced two more initiatives to G20 agenda to pursue strong, sustainable and balanced growth—an accountability framework and country-specific investment strategies for every G20 member. In February 2015, G20 finance ministers and central bank governors stated they were working on concrete country-specific investment strategies to improve investment ecosystem, foster efficient infrastructure investment and support sound long-term financing opportunities for businesses including SMEs. They added they will do a quantitative assessment of their investment strategies to optimise their strategies and plans, as well as set direction for further G20 joint work and actions. These two major deliverables are expected to promote knowledge-sharing amongst G20 members and assist them in the development of their respective investment strategies. India strongly supports this, as investment-led growth is a key imperative for Make in India and to sustain a high growth trajectory.

Relevance and India's stand

India's agenda will mainly focus on competitive devaluation of currencies which it considers a major threat to the stability of the global econ-

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omy. The recent competitive devaluation of major currencies, particularly by Asian emerging markets, raises the risk for India's external sector. The country would try to bring the attention of G20 leaders to this. From an Indian perspective, it would be best if the summit made some substantial progress on the three 'I's—investment, implementation and inclusiveness.

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The inclusiveness agenda has made good progress and the establishment of the World SME Forum is a key achievement of the Turkish presidency. However, the summit would do better by focusing on deeper policy coherence across working streams to ensure substantial gains on G20's develop-

ment agenda. The summit needs to retain its focus and achievement in the two key growth initiatives—the accountability framework and country-specific investment strategies. Another important aspect that would contribute to the success of the summit is brief and precise communique, like a three-page pointed communique by the Brisbane Summit.

G20 is an informal organisation and the success of each summit largely depends on the presidency and member countries. India, as a founding member of G20, is expected to play a key role in all the decisions taken at the summit. For India, which is also experiencing declining growth rates in the last couple of years, the priority would be issues including the spillover of the global slowdown on emerging economies as well as quota reforms of the IMF.

Make good ground

The agenda of a G20 summit is generally set by the country holding the chair. Turkey has set its agenda and it is undoubtedly overloaded. But, to achieve good results, it would make sense for global leaders to focus on the most pressing regional issues affecting the global economy in general and Asia in particular, before the next summit in China in 2016. China's presidency to G20 is being looked at with a lot of anticipation, as it not only is the second-largest economy but is also the largest trading partner of several countries. It is hoped the presidency will provide a strong sense of its ownership over global economic governance. But it is unfair to expect too much from China as it faces huge domestic challenges in sustaining growth and competitive advantages in manufacturing. China will have to use all its skills and innovative ideas to implement past commitments of G20, and push forward on unsolved issues on the core economic agenda. It would be best to go with low expectations from China, and Turkey would be a good starting point to make G20 agenda more effective.

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