



SESSION III
Role of the G20 for Financial Stability

Japanese Ministry of Finance
Takashi Miyahara

Q. What is the essential role of the G20 Finance Track?

A. Surveillance of global economic and financial risks to address them

- The G20 successfully combatted the Global Financial Crisis (GFC). Since then, its ultimate mission has been to monitor global economic and financial risks and nip crises in the bud before they develop.
- Policy coordination at the premier forum for international economic cooperation is a reliable guardian of global economic and financial stability.
 - *“We reaffirm our commitment to use all policy tools to achieve strong, sustainable, balanced and inclusive growth, and safeguard against downside risks, by stepping up our dialogue and actions to enhance confidence.”*

(G20 Osaka Leaders’ Declaration, June 2019)

IMFC Communiqué (October 2019)

- *“These [risks] include trade tensions, policy uncertainty, and geopolitical risks, against a backdrop of limited policy space, high and rising debt levels, and heightened financial vulnerabilities.”*

1. Addressing global imbalances under Korean Presidency in 2010

G20 FMCBG communiqué (2010/10 Gyeongju, Republic of Korea)

- “[We will] strengthen multilateral cooperation to promote external sustainability and pursue the full range of policies conducive to reducing excessive imbalances and maintaining current account imbalances at sustainable levels. Persistently large imbalances, assessed against indicative guidelines to be agreed, would warrant an assessment of their nature and the root causes of impediments to adjustment”

2. Countering sudden reversal of capital flows in 2013

G20 FMCBG communiqué (2013/4 Washington D.C.)

- “We will be mindful of unintended negative side effects stemming from extended periods of monetary easing.”

3. Stabilizing capital outflows from emerging markets in 2016

G20 FMCBG communiqué (2016/2 Shanghai, February 2016)

- “Downside risks and vulnerabilities have risen, against the backdrop of volatile capital flows”
- “While recognizing these challenges, we nevertheless judge that the magnitude of recent market volatility has not reflected the underlying fundamentals of the global economy. We expect activity to continue to expand at a moderate pace in most advanced economies, and growth in key emerging market economies remains strong.”

⇒ The G20 has contributed to the global financial stability by agreeing the joint statement and strong messages to the market.

The Discussion under Japanese Presidency

Findings:

- Current account surpluses or deficits may be appropriate. For example, some current account surpluses reflect necessary saving accumulation to prepare for aging. However, other imbalances may be excessive and pose risks to global economy.
- It is important for G20 members to jointly address the underlying causes and mitigate the risks arising from excessive imbalances to achieving strong, sustainable, balanced and inclusive growth.

Actions:

- Addressing domestic macroeconomic imbalances and structural challenges remains of the essence to reducing external imbalances.
 - ✓ Exchange rate flexibility will help support the necessary external adjustments although its impacts are likely to vary across countries.
 - ✓ Free, fair, and mutually beneficial goods and services trade will be important to reduce domestic imbalances.

(G20 FWG Summary Document on Global Imbalances, June 2019)

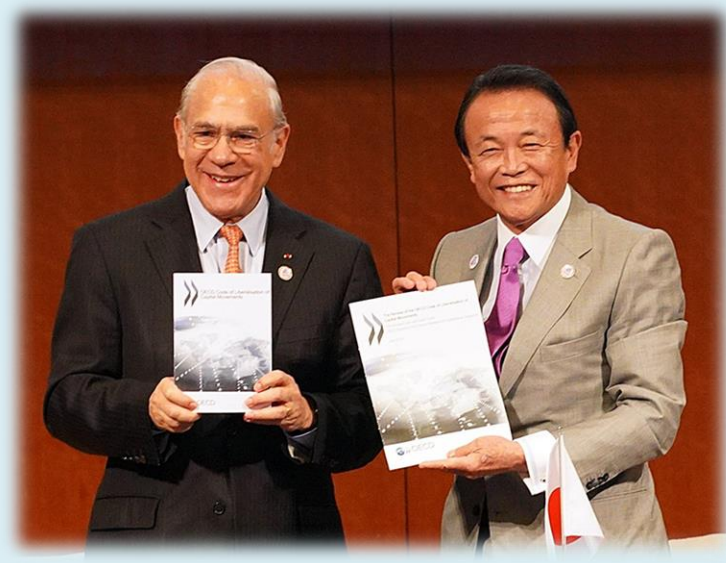
The Discussion under Japanese Presidency

G20 FMCBG Communiqué, Fukuoka, June 2019

- *“We welcome the work undertaken by the international organizations on capital flows. The OECD has completed a review of its Code of Liberalisation of Capital Movements, which modernizes the Code to support the liberalization of capital flows and financial stability.”*

OECD Press release, June 2019

- *“Ten years after the global financial crisis, all adherents to the Code have agreed that an enhanced and modern multilateral framework for managing capital flows is needed, and have taken action to make the Code stronger, giving it better governance, transparency, and decision-making capacity.*
- *“The revised Code provides countries with the flexibility needed to respond to financial stability concerns, linked to large capital inflows and outflows, without diluting the Code’s high standards of openness.”*



Note: Institutional View of IMF

- The report proposes the following recommendation for consideration by the G20 Buenos Aires Summit, *“The G20 also supports efforts to continue to deepen the understanding of how CFMs are assessed under the OECD Code and the IMF’s Institutional View and to promote consistency, while respecting their differences in purposes, membership and mandates.”*

(G20 IFAWG 2018 Final Report)

The Discussion under Japanese Presidency

“Sovereign debtors and creditors will work together to strike a right balance between meeting financial needs for investment and sustainable development and maintaining debt sustainability. They will continue to explore various financing options to help developing countries access long-term financing and bolstering potential growth, while preserving sustainable debt levels.”

(G20 Operational Guidelines for Sustainable Financing, March 2017)

The G20 has agreed on a set of measures, such as:

- (i) **Borrowers**. The IMF and WB are implementing their multi-pronged approach, including capacity building activities and in-depth analysis of collateralized financing practices;
- (ii) **Official creditors**. Willing official creditors undertook a voluntary self-assessment against the G20 Operational Guidelines for Sustainable Financing (OGSF), followed by the IMF-WB note that takes stock of countries’ implementation and identified best practices for sustainable financing;
- (iii) **Private creditors**. The Institute of International Finance (IIF) has developed its voluntary Principles for Debt Transparency. Towards swift implementation of this Principles, options for a data repository for private financing is under discussion.

(G20 Osaka Summit Leaders’ Declaration, June 2019)