

Strengthening the financial system

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José Ángel Gurriá, Secretary-General of the OECD and José Antonio Meade during the presentation OECD's report 'Going for Growth 2012'

In the months since December 2011, when Mexico took over the Presidency of the G20, the global economy has continued to face several major challenges. In periods of crisis there are strong pressures to seek quick fixes to complex problems, including resorting to protectionist measures, failing to address long and medium term issues, and focusing on the domestic at the expense of the global. The task of the G20 is precisely to encourage us all to maintain a global perspective, even in the face of very adverse circumstances. At the Los Cabos Summit we hope that all member countries will contribute to put the world economy back on the path of strong and sustainable growth in order to create a more prosperous and fair world for everyone.

In terms of individual policy areas, economic stabilisation must remain our main priority, but it must be complemented with additional actions, in particular structural reforms, to increase growth and promote job creation. Following a similar strategy after the crisis of the 80s and the 90s allowed Latin America to assume its much stronger current stance. At Los Cabos we expect member countries to agree on a swift implementation of previous commitments as well as on an enhanced action plan that includes significant additional concrete actions to tackle economic imbalances and promote growth. By

economic imbalances we are not referring only to those in the external accounts, but also fiscal and financial imbalances which have come to the forefront.

In the aftermath of the global financial crisis, the G20 along with the Financial Stability Board worked intensely to formulate policies for strengthening financial stability. In recent months we have moved from formulation to implementation in some areas. At Los Cabos we will review the progress report on past G20 recommendations on issues including derivatives, resolution regimes and compensation practices. Recommendations on regulating other areas of the financial sector, such as shadow banking, to increase the resilience of the financial sector and reduce the likelihood of future crises will also be discussed. With regard to financial stability measures, it is our view that we should strike a balance between the implementation of agreements such as Basel III and the need for the banking system to continue playing a major role in promoting growth. Another front on which the G20 has worked is financial inclusion, and at Los Cabos we expect member countries to agree on actions to advance financial education, consumer protection, and access to financial products.

Improving the international financial architecture has been another top priority of the group. In order to complement the IMF governance and quota reforms



agreed in 2010 to achieve a more accurate representation of current economic weights, we need to continue the dynamic process of reviewing the IMF's quota formula. We have already enhanced the IMF's ability to provide financial support in periods of crisis to stop contagion, as was announced in the context of the World Bank and IMF Spring Meetings in April of this year. Finally, we need more effective institutions, and for that we should continue strengthening the IMF's surveillance framework on areas as exchange rate policies, financial market regulation and external spillovers.

In light of the extreme volatility that commodity prices have displayed during recent years and considering the large impact they can have on the welfare of the poorer sectors of the world's population, during the Mexican Presidency the G20 has worked to find ways to improve information about commodity markets and foster more rational policies to reduce volatility. In the particular case of food prices, we hope to reach agreements to strengthen international cooperation on agricultural innovation, technology transfers and research and development, and to incorporate sustainability criteria into agricultural practices.

As mentioned above, the current economic and financial circumstances could lead governments to neglect medium- and long-term challenges. Unfortunately, this is especially true for the case of the green growth agenda. But the world simply cannot afford to delay action on this front, and there need be no trade-off between economic growth and taking care of the environment. At Los Cabos we need to make progress on green growth policies, removal of fossil fuel subsidies, and the Green Climate Fund. We must also advance in the design of tools to enable developing countries to increase their technical

and institutional capacities, in order to implement policies that achieve sustainable development.

Being the first emerging market to hold the Presidency of the G20 at the Leaders' level, Mexico has endeavoured to include the concerns of this group of countries in the G20's agenda, without losing focus on the main challenges facing the global economy. Our perspective as an emerging market is reflected in the attention that the group has devoted to the topic of financial inclusion, which is of great importance for the development agenda and could make a significant difference to the wellbeing of millions of people, providing them with greater security and life opportunities. We have also emphasised the discussion of topics like commodity price volatility and green growth, which although common to all nations, affect middle and low income countries disproportionately, as a result of the greater vulnerability of some sectors of their populations.

The agenda for the G20 set out above is very ambitious, and can only be achieved through the joint efforts of all member countries. The Mexican Presidency has been recognised for its efforts to make the G20 a more inclusive and more transparent group. Through actions like the inclusion of regional representatives of non-member countries from all continents; the establishment of dialogues with academia, NGOs, unions, entrepreneurs and the young; and efforts to promote a permanent discussion in several forums, including the UN and its affiliated organisations, Mexico has worked to increase the visibility and legitimacy of the G20. It is our hope that this will help set the ground for the spirit of cooperation that will be required to maintain the G20 as an effective forum in the future. E

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Press conference during the second meeting of G20 Finance Ministers and Central Bank Governors in Washington, DC (l-r) Agustín Carstens, Central Bank Governor of Mexico, José Antonio Meade, Tharman Shanmugaratnam, Minister of Finance of Singapore and Christine Lagarde, Managing Director of the IMF