

Global growth strategy

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NICOLÁS DUJOVNE holds a degree in Economics from the University of Buenos Aires and the University of California. He worked as an economist in the banking sector with Citibank and Banco Galicia and was Secretary of the National Treasury Department between 1997 and 1998 and represented the Ministry of Economy in the Central Bank of Argentina. He was also a consultant to the World Bank as well as a columnist with the daily newspaper La Nación. He was appointed Minister of Finance in January 2017.

It has been a privilege to have the Presidency of the G20 in 2018. Argentina is conscious that the Presidency came at a key juncture – 10 years after the global financial crisis shook the foundations of the modern economic order and the point at which the G20 was transformed into a leaders' forum. This has been a year, not only of reflection but also one of action. We have sought to deliver a forward-looking and people-centred agenda that: places global growth on a secure trajectory; improves financial system resilience; promotes sustainability; and helps our citizens capitalise on the transformational changes that are shaping our economies. In the Finance Track, our priorities have been the Future of Work and Infrastructure for Development. In addition, we have been keen to ensure that we consider how gender equality can be promoted across the entire G20 agenda, given the significant economic benefits that greater female participation can deliver.

Our international strategy is part of our broader reform agenda on which President Macri embarked upon taking office in 2016. Over the past two years, we have put in place ambitious reforms spanning our fiscal, structural, and monetary policy settings. Our objective has been to restore the rule of law, regain a sustainable growth path, and integrate our economy to the world. While our transition has not always been smooth, we are confident that we are now on a path to raise Argentina's economic dynamism, encourage investment in our economy, reduce poverty, improve social cohesion, and raise the living standards for all Argentines.

The global economic outlook

We have been very fortunate that the global outlook has improved and the expansion underway continues. In October, the IMF projected solid growth for 2018-19 at 3.7 percent. What has been clear over the course of the year is that the expansion has become less synchronised with activity in some large advanced economies moderating. In addition, risks have increased, with the balance of risks now tilted to the downside both in the short and medium term. There is broad consensus among G20 members that in order to secure a stronger medium-term growth outlook, it is important that we are alert to possible risks, that we act to mitigate them and that we are prepared to respond should they materialise. This has been the key focus of our discussions this year. We have canvassed a range of risks such as financial

vulnerabilities, the retreat to inward looking policies, structurally weak growth, the potential impacts of cyber-attacks, and geopolitical tensions.

One of the key issues that attracted much debate in the G20 meetings this year is the retreat to inward looking policies which manifested in trade tensions between some of the major economies. As G20 President, our objective was to use the meetings to keep the dialogue open, give members the space to share their views and look for the common ground. On all sides, there was consensus on the importance of trade and investment as engines of growth, productivity, innovation, job creation and development. There was also agreement on the need to resolve current trade tensions. This dialogue has been important to help bridge the differences and keep all countries to work together to achieve positive outcomes.

In light of current events, discussions also centred on the impact of a faster than expected tightening of financial conditions and the on-going importance of continued monitoring of cross border capital flows. Members recognise that these flows provide substantial benefits for countries but their scale, composition and volatility can pose challenges for many economies, particularly emerging markets, which tend to be more vulnerable to abrupt reversals. As demonstrated by Argentina's own experience, sound domestic policies are the first line of defence against these challenges. But this is complemented by the G20's work in this area which is designed to deepen members' understanding of how capital flow management measures can be employed in certain circumstances to mitigate risks and how macro-prudential measures can help contain the build-up of systemic financial risks.

Argentina's priorities

Within the G20's Finance Track, we have focused on two key priorities to help us achieve our objectives.

The future of work

The extraordinary advances in technology (in terms of both pace and scope) are reshaping global economy. These advances provide an opportunity to boost economic growth and improve living standards.

Argentina's future of work agenda recognises these shifts and reflects that policy responses can shape the outcomes by harnessing the opportunities and mitigating the risks. We have agreed a *Menu of Policy Options for the*

Future of Work which is the first step in setting the ground work to ensure we can respond to the changes taking place and act in the best interests of our citizens.

The Menu focuses on policy options to: underpin productivity and growth; support transitions and distributional challenges; promote sustainable tax systems; improve data availability. It outlines a number of measures that countries are already taking to deal with the impact of technology.

Infrastructure

Recognising the importance of infrastructure investment for economic prosperity, sustainable development and inclusive growth, in 2018 Argentina focused on ways to further catalyse private sector investment into infrastructure.

An estimated global infrastructure gap of US\$14.9 trillion between now and 2040 must be funded in order to keep pace with projected growth. Public sector funds alone remain insufficient to fulfil long-term infrastructure financing needs and International Finance Institutions' balance sheets are limited for project financing. To bridge the financing gap, significant private sector investment in infrastructure is needed. In 2017, it was estimated that approximately US\$80 trillion in private funds were searching for high yielding assets.

To help bridge the gap, we have focused on lifting private investment by creating the environment for infrastructure to develop as an asset class. We have agreed a Roadmap to Infrastructure as an Asset Class to help us meet our ambition. The Roadmap outlines the key steps to promote bankable projects, improve financing arrangements and investment environment, and promote greater standardisation. Under the Roadmap, we have delivered the *G20 Principles for Project Preparation* which lay the foundation for making projects bankable and will help attract additional private capital into infrastructure. We will continue pursuing implementation of the Roadmap in other areas such as contractual standardisation and infrastructure financing instruments, data gaps, and risk mitigation instruments. Work under the Roadmap will continue next year.

Other measures to support growth and resilience

We have also continued to advance the G20's broader agenda. Significant progress has been made on the international tax agenda, particularly in the areas of tax transparency and the implementation of the Base Erosion and Profit Shifting agenda. A key challenge now is to ensure we achieve a consensus based solution on how to deal with the tax implications of the digitalisation of the economy.

Similarly, a lot of progress has been made on the financial regulation agenda since 2008. We have implemented measures to build resilient financial

institutions, address concerns about too big to fail, address shadow banking risks and make derivative markets safer. The G20 continues to monitor new developments and emerging risks. This year we have focused on the benefits and risks of technology in the financial sector, in particular those relating to crypto-assets and the underlying technology. International bodies such as the Financial Stability Board and the Financial Action Task Force are monitoring the rapid advances and their potential impact on financial stability, consumer protection, terrorist financing and money laundering.

Improving the international financial architecture has also been an important priority of the G20. In context of on-going risks in the global economy and volatility in financial markets it is important that we continue our efforts to reinforce the strength of the global financial safety net. We have been monitoring capital flows so that we can reap the benefits while minimising the risks they may pose when volatile. We have previously agreed that the 15th General Review of Quotas be completed by the 2019 IMF/WBG Spring Meetings and no later than the 2019 Annual Meetings. The Review encompasses consideration of IMF resources, quota formula and the realignment of quota shares. The objective is to ensure the IMF is well resourced and that its representation reflects global realities. The G20 continues to give political impetus to this work with a view to ensuring the agreed deadlines are met.

We have also continued our work on improving debt transparency and sustainability in low-income countries.

Finally, we have also progressed work which supports the deployment of sustainable private capital and measures to further improve financial inclusion.

The G20's agenda is very ambitious. We have worked hard this year to ensure that we are focused on the most important issues facing the global economy. It is important that we maintain this focus so that we are prepared to address the most pressing challenges and continue to contribute to the core G20 mandate of achieving strong, sustainable, balanced, and inclusive growth. E



**In 2018
Argentina
focused
on ways
to further
catalyse
private sector
investment in
infrastructure**

Puerto Madero, the financial district of Buenos Aires