



Australian G20 Presidency – Korean Government Summary of G20 Seoul Conference

The St Petersburg Leaders' Declaration stated:

We take note of the importance of a dialogue among RFAs to foster an informal exchange of views and experiences in a flexible and voluntary way. In this context, we ask our Finance Ministers and Central Bank Governors to follow the developments and progress in the IMF-RFA cooperation, as well as the dialogue among RFAs.

The Korean Ministry of Strategy and Finance and the Australian Treasury hosted the G20 Seoul Conference in Seoul, Korea on 18-19 December 2013. The Conference provided an opportunity to examine the role of the global safety net, with a particular focus on the commitment made in St Petersburg to further develop and progress IMF-RFA cooperation and dialogue among RFAs. It also provided a valuable occasion to examine how to improve G20 discussions around the recent monetary policies of advanced economies, their impact on emerging markets and the range of possible policy responses.

Speakers and participants included officials from G20 and other countries, staff of international organisations and researchers with extensive knowledge and experiences in these areas. The detailed program, which includes a list of speakers and discussants, is below.

Evidence base underpinning spillovers

Following the 2008 global financial crisis, decisive actions of central banks across advanced economies significantly reduced tail risks and supported the global recovery. However, some conference participants remarked that there were negative spillovers associated with these actions. The conference was a timely opportunity to discuss the evidence base for measuring and monitoring this major challenge in the global economy, and to assess changes in capital flows associated with expectations of an eventual monetary policy recalibration in advanced economies.

Discussions on the evidence base underpinning spillovers focussed on capital flows to emerging markets. Some participants suggested that unconventional monetary policies by advanced economies have generally contributed to stabilising global markets and returning capital flows to the Asian region to pre-crisis levels. Furthermore, capital flows into emerging markets had been a positive for many of these economies, by contributing to more balanced growth in these countries, but also to provide finance for investment and export capacity. Participants cited the long term nature of borrowing and the preference for local currency bonds issued from emerging markets to be held by domestic investors as positive indicators of the Asian regions' capacity to manage these capital flows. Nevertheless, participants were mindful of the risks that may lie ahead, with respect to capital outflows. The volatility in financial markets in mid-2013 gave some indication of the potential for broad outflows, at times, from the region. There were different views among participants on the extent of the risks that lie ahead, as well as how discriminating financial markets were likely to be across the various economies. Discussions also explored several technical issues, such as the need to consider both gross and net capital flows, and the need for liquidity analysis to extend

beyond a narrow examination of capital flows.

Participants proposed that the G20 focus on better understanding international risk taking and its impact on growth, and on reaching a shared understanding of international linkages, including financial linkages.

The role of the global financial safety net

Economic resilience also requires an effective global financial safety net (the safety net) with global, regional, bilateral and national arrangements. The G20 has been at the forefront of policy challenges associated with the global safety net for close to 15 years. It is an issue uniquely suited to the G20 as all countries benefit from the positive externalities that flow from an effective safety net.

Discussions during the conference focussed on the mix of safety net resourcing. Participants outlined that the IMF should remain the central part of the safety net and recognised that regional arrangements have an important role within the safety net. There was a sense expressed that safety net support available to emerging markets was more ad hoc and left uncertainty for these countries, which has contributed to a higher level of use of bilateral swaps and reserves.

Suggestions to improve the safety net focussed on reducing the stigma of IMF resources, including by reforming IMF governance to provide a greater voice for emerging and developing countries, improving the interaction between various aspects of the global financial safety net (particularly between the IMF and RFAs), and reducing reliance on self-insurance measures.

Participants also emphasised the desirability of enhancing the interaction between different institutions within the safety net outside of a crisis situation, particularly the IMF and RFAs. In particular, lessons from the European experience following the global financial crisis highlighted that there is potential merit in the IMF developing an *ex-ante* plan for coordination 'in time of a crisis' with each RFA.

Regional financing arrangements

Discussions on RFAs focussed on how to further develop and progress IMF-RFA cooperation and dialogue among RFAs. Participants discussed issues around the mandates, functions, perspectives and objectives of RFAs, recognising that these are matters for which RFAs are ultimately responsible. Participants also stressed the need for an approach that remains voluntary, tailored and able to be adapted to the different circumstances of individual institutions.

While not limiting the issues, discussions drew particular attention to the following points:

- **Role of RFAs** – participants agreed that RFAs play an important role in contributing to global stability. Participants also agreed that RFAs face limitations and challenges, particularly those stemming from the size of their funds, the risk of common shocks affecting member economies simultaneously, and the potential for 'forum shopping' to undermine the conditionality of safety net lending.

Cooperation among RFAs and with the IMF – participants agreed on the need for improved RFA-RFA and IMF-RFA cooperation, particularly on an *ex-ante* basis rather than an ad-hoc and impromptu basis, and recommended some specific concrete modalities to enhance a knowledge sharing network and customised exchange. Participants, in particular the representatives of each RFA, also highlighted the value of RFAs meeting during the IMF-World Bank annual meetings, to take advantage of representatives' presence at these fora. Discussions also focused on improving existing multilateral dialogue channels among RFAs to facilitate bilateral conversations, making better use of mechanisms such as video conferencing, and exploring the potential for a

combined web portal to improve information flows. Participants highlighted that there may be limited value of the G20 continuing to actively monitor development of RFA-RFA and IMF-RFA dialogue channels. Some participants also suggested that efforts to enhance cooperation should focus on capacity building, surveillance and co-financing.

In facilitating this discussion, this conference has progressed the G20 commitment to follow the developments and progress in IMF-RFA cooperation, as well as the dialogue among RFAs. The Australian Presidency and Korean Government thank all participants and G20 member countries for their consideration of these issues.

Detailed program

18 December

Time	Program		
08:40-09:00	Registration		
09:00-09:20	Opening Remarks	Oh-Seok Hyun / Deputy Prime Minister and Minister of Strategy and Finance, Korea Joon-Kyung Kim / President, Korea Development Institute Chang-Hyun Yun / President, Korea Institute of Finance	
09:20-10:50	Session 1	G20's Achievements and Prospects	
		Chair	Il Hyoung Lee / Ambassador for International Cooperation and G20 Sherpa, Korea
		Speakers	Barry Sterland / Executive Director, Macroeconomic Group, Australian Treasury Sung-Soo Eun / Deputy Minister for International Economic Affairs, Korea Ibrahim Canakci / Undersecretary of Treasury, Turkey Jean Boivin / Associate Deputy Minister of Finance, Canada
10:50-11:05	Coffee Break		
11:05-12:50	Session 2	Global Economy Outlook and Spillovers	
		Chair	Young Kyung Suh / Deputy Governor, Bank of Korea
		Speakers	Bambang Brodjonegoro / Vice Minister of Finance, Indonesia Tamim Bayoumi / Deputy Director, Strategy, Policy, and Review Department, IMF Robert McCauley / Senior Adviser, Monetary and Economic Department, BIS Joyce Chang / Global Head of Fixed - income Research, J.P. Morgan
13:00-14:00	Lunch [Topaz Hall, Yeong Bin Gwan, 1 st floor, The Shilla Seoul]		
14:10-15:55	Session 3	Policy Responses to Spillovers	
		Chair	Marc Uzan / Executive Director, Reinventing Bretton Woods Committee
		Speakers	Arvind Mayaram / Secretary, Department of Economic Affairs, Ministry of Finance, India Jean Boivin / Associate Deputy Minister of Finance, Canada Changyong Rhee / Chief Economist, ADB Paola Subacchi / Director of International Economics Research, Chatham House
15:55-16:15	Coffee Break		
16:15-18:00	Session 4	The Role of Global Financial Safety Net	
		Chair	HK Holdaway / General Manager, G20 Policy Division, Australian Treasury
		Speakers	Nicola Giammarioli / Head of Strategy and Institutional Relations, European Stability Mechanism Amar Bhattacharya / Director, G-24 Secretariat David Vines / Professor of Economics, Oxford University Randall Henning / Professor, American University Domenico Lombardi / Director, Center for International Governance Innovation
19:00-22:00	Dinner	Dinner Keynote	Je-Yoon Shin / Chairman, Financial Services Commission, Korea

19 December

Time	Program	
08:40-09:00	Registration	
09:00-12:00	Regional Financial Arrangements (RFAs) Seminar	
	Chair	Ibrahim Canakci / Undersecretary of Treasury, Turkey
	Speakers	Nicola Giammarioli / Head of Strategy and Institutional Relations, European Stability Mechanism Ana Maria Carrasquilla / Chairman of the Board of Directors and Executive President, Latin American Reserve Fund Sergei Shatalov / Deputy Chairman of the Management Board, EurAsEC Anti-Crisis Fund Yisr Barnich / Chief of Financial Markets Division, Arab Monetary Fund Thanos Arvanitis / Chief of Emerging Markets Division, IMF Peter Bekx / Director of International Economic and Financial Relations, and Global Governance, European Commission Yoichi Nemoto / Director, ASEAN+3 Macroeconomic Research Office
	Panelists	Randall Henning / Professor, American University Jae-Ha Park / Deputy Dean for Special Activities, ADB Institute Dongchul Cho / Chief Economist and Vice President, Korea Development Institute Demenico Lombardi / Director, Center for International Governance Innovation Kwang-Yeol Yoo / Director General, Ministry of Strategy and Finance, Korea Mikio Kajikawa / Senior Deputy Director-General of International Bureau, Ministry of Finance, Japan Deok Ryong Yoon / Sr. Research Fellow, Korea Institute for International Economic Policy
12:00-12:10	Wrap up	Sung-Soo Eun / Deputy Minister for International Economic Affairs, Korea
12:10-13:00	Lunch	