

## Comment: India must lead the G20 Agenda

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There are times when a country has the calling to step forward on the world stage and transform its role from that of a passive follower to that of a leader. That time has come for India—it must seize the moment.

The reordering of the global economic power structure, with the G20 now taking a prominent role, has created a leadership void among emerging markets.

There is the risk that the emerging market agenda could be taken over by countries that are seen as advancing just their own narrow interests. This would heighten tensions with advanced economies and work against global cooperation.

India's innate economic dynamism and a few years of solid growth with low inflation have put it firmly at the centre of the world economic stage. The global crisis has nicked India but so far has not set back its growth greatly.

India's response to the crisis has been far more mature than that of many developed economies, without reflexive moves towards financial protectionism or a reversal of initiatives towards financial market development. This gives India credibility that should allow it to punch beyond its weight class.

Circumstances and personalities are of course both essential to make things happen. Prime Minister Manmohan Singh and the *de facto* leader of his economic team, Montek Ahluwalia, are highly respected around the world as intelligent and pragmatic economists with excellent pedigrees. They can provide an intellectual vision for the emerging markets to coalesce around and for advanced countries to accept as being for the common good.

How can India advance the G20 agenda? Not only has India aligned itself with countries like the US, Japan and China in calling for more macroeconomic stimulus but it has backed up words with concrete actions.

The government's economic adviser Arvind Virmani notes that India's actual stimulus measures this year will amount to nearly 5 per cent of gross domestic product. In leading by example, India has gained the moral clout to aggressively push for additional measures by countries that haven't yet done their bit for coordinated global stimulus, especially if macroeconomic conditions should deteriorate further.

There is clearly a need for a rethink of regulatory principles and frameworks and for global coordination of regulatory efforts. However, the European approach of rushing to regulate may result in an outcome that is not favourable to emerging markets, which have less sophisticated financial markets.

India, which has considerable expertise and intellectual firepower on this matter, should articulate a clear position on how emerging markets can contribute to the development of global regulatory standards.

India should also lead the charge against financial protectionism and promote the free flow of goods, services and labour. This is of particular interest to India as some of its large cash-rich firms seek to invest in companies abroad and its highly-skilled workforce adds to the global talent pool.

Global governance is another priority. The joint communiqué issued by Brazil, China, India and Russia at the time of the G20 finance ministers' meeting two weeks ago tied together the issue of more resources for the IMF with governance reforms — giving emerging markets their due weight in the fund's voting structure.

Japan, the EU and the US are pushing for resources to be added to the IMF's capital pool, with promises of undertaking quota reforms by 2013 or perhaps a year or two earlier. There is no reason for these reforms to take so long. At a time of crisis, many dramatic changes are being made practically overnight.

India should lead the emerging markets' charge in pushing for quota reform to be done now, with the increase in resources explicitly tied to those reforms.

India's leaders have a lot on their minds — the economy is fragile, the global crisis may worsen and buffet the economy further, as national elections loom. Still, they have an obligation to step up and provide intellectual leadership to the international community at this critical juncture.

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