

# G20: Priorities for the Mexican Presidency

Alejandro Hernández D.

*ITAM*

# Mexican government priorities

- Recover economic stability and resume economic growth
  - Emerging economies should follow sound macroeconomic policies
  - Developed economies ought to solve the eurozone crisis and reduce public deficits
- Reject protectionism and discourage building trade surplus based upon the undervaluation of currencies
- Strengthen IMF to avoid future crisis; figure out its role in the current crises
- Solutions to world hunger while deterring speculating with food prices

# Challenges ahead

- Global imbalances persist:
  - Large CA surplus/deficits
    - CA deficits (%GCP): China +4.0; Germany +5.0; Norway +12.9; Russia +4.9  
USA -3.2; Greece 9.6%; Spain -3.8%; Italy -3.7%
  - Large budget deficits
    - USA -9.1; UK -8.8; Japan -8.3; Greece -9.1; Spain -6.5; Poland -6.0
  - National policies are not addressing these issues:
    - China, USA and Europe, Emerging economies
    - How to implement relative price adjustments?
  - Eurozone crisis attracts most of the attention
    - Is it over? Possibility of contagion to other countries and regions
  - Concerns about possible future banking crises elsewhere
  - Lack of international cooperation

# Challenges ahead (cont.)

- Real exchange rates
  - FX market interventions
    - Excessive accumulation of international reserves
    - China \$3.2tr (55% GDP), Japan \$1.2tr (22%GDP); Russia \$516bn (35% GDP), Mexico \$140bn (14% GDP)
    - General equilibrium effects
- Financial markets regulation:
  - How to avoid repo runs
  - International alignment of Dodd-Frank
  - Emerging markets banking:
    - Regulation on multinational subsidiaries