PREScriptions for the G20: The Cannes Summit and Beyond

Series Editor, Max Brem

Copyright © 2011 The Centre for International Governance Innovation.

The opinions expressed in this paper are those of the authors and do not necessarily reflect the views of The Centre for International Governance Innovation or its Board of Directors and/or Board of Governors.

This work was carried out with the support of The Centre for International Governance Innovation (CIGI), Waterloo, Ontario, Canada (www.cigionline.org). This work is licensed under a Creative Commons Attribution-Non-commercial — No Derivatives License. To view this license, visit (www.creativecommons.org/licenses/by-nc-nd/3.0/). For re-use or distribution, please include this copyright notice.

Acknowledgements

This report is the outcome of work by CIGI’s G20 Working Group. We would like to thank the individual authors for their contributions to the report. In addition, various other colleagues read and commented on drafts as they were written or provided additional information as part of the peer review process. For their participation in this process, we would like to thank Manmohan Agarwal, Bessma Momani, David Dewitt, Louise Fréchette, Paul Heinbecker, Fred Kuntz, Rohinton Medhora, Andrés Rozental, Debra Steger, Ann Weston (IDRC) and John Whalley. We express special thanks to Max Brem, series editor, who implemented and focused this project, for providing content guidance and editorial direction.
ABOUT CIGI

The Centre for International Governance Innovation is an independent, non-partisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI’s interdisciplinary work includes collaboration with policy, business and academic communities around the world.

CIGI’s research programs focus on four themes: the global economy; environment and energy; global development; and global security.

CIGI was founded in 2001 by Jim Balsillie, co-CEO of RIM (Research In Motion) and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario.

Le CIGI a été fondé en 2001 par Jim Balsillie, co-chef de la direction de RIM (Research In Motion). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l’appui reçu du gouvernement du Canada et de celui du gouvernement de l’Ontario.

For more information, please visit www.cigionline.org.

CIGI MASTHEAD

Managing Editor, Publications Carol Bonnett
Senior Publications Adviser Max Brem
Assistant Publications Editor Jennifer Goyder
Publications Coordinator Matthew Bunch
Media Designer Steve Cross

G20 WORKING GROUP

Project Officer Deanne Leifso

COMMUNICATIONS

Communications Specialist Declan Kelly dkelly@cigionline.org (1 519 885 2444 x 238)
Public Affairs Coordinator Kelly Lorimer klorimer@cigionline.org (1 519 885 2444 x 265)

EXECUTIVE

Executive Director Thomas A. Bernes
Vice President of Programs David Dewitt
Vice President of Government Affairs Mohamed Hamoodi
Vice President of Public Affairs Fred Kuntz
Vice President of Operations Neve Peric
# Table of Contents

4  **Introduction: New World, New Ideas?**  
   Thomas A. Bernes

6  **Securing Economic Recovery and Growth:**  
   The Imperative of International Policy Cooperation  
   Paul Jenkins

8  **Unfinished Business: Priorities for the International Financial Regulatory Agenda**  
   Eric Helleiner

10 **Global Imbalances:**  
   Beyond the “MAP” and G20 Stovepiping  
   Gregory Chin

12 **Taking Action to Ensure Food Security:**  
   The Responsibilities of G20 Leaders  
   Jennifer Clapp

14 **Employment and Fiscal Sustainability:**  
   Time for a G20-Business Pact  
   Daniel Schwanen

16 **Fighting Corruption:**  
   G20 Actions Support a Global Movement  
   Andrew F. Cooper

18 **Revitalizing the International Trade Regime:**  
   A Call for the G20’s Attention  
   John M. Curtis

20 **Getting the Context Right:** Essential to Assuring G20’s Success  
   Gordon Smith

22 **Inclusion vs. Exclusion:**  
   Addressing the Problem of Legitimacy  
   Deanne Leifso

24 **G20 Summitry:**  
   The Need for Global Political Leadership  
   Colin Bradford

26 **Beyond Cannes:** Looking Ahead to 2012 and Mexico  
   Barry Carin

28 **CIGI G20 Resources**
INTRODUCTION: NEW WORLD, NEW IDEAS?

Thomas A. Bernes

KEY POINTS

- President Sarkozy has set out an ambitious G20 agenda, which will be dominated by economic discussions as we edge towards recession.
- CIGI experts offer policy analysis and prescriptions dealing with key G20 issues and work.
- Leaders need to go beyond rhetoric and be willing to act, as the credibility of the G20 as a global governance institution is at stake.

The G20 is at a crossroads as the world economy once again stands on a precipice.

At the beginning of the year, and before the dimensions of the current economic crisis came into sharp relief, President Sarkozy set out an ambitious economic agenda for the G20, overcrowded with new priorities and issues — reforming the international monetary system; strengthening financial regulation; combating commodity price volatility; supporting employment and strengthening the social dimension of globalization; fighting corruption; and working on behalf of development and infrastructure. The catchphrase of France’s G20 presidency is, “New World, New Ideas.” But the reality is that the challenges facing the G20 are not so new.

The economic agenda will once again dominate the summit discussions as we edge towards recession. The focus at this year’s summit will most likely be on the euro zone collapse and the Greek insolvency. G20 leaders are not out of options, but the major economies have lost their unity of purpose. Technical solutions can be found, but governance questions are preventing action from taking place. There are domestic political hurdles to clear in Europe and in the United States. The G20 cannot operate in isolation to current political environments. But the focus on events in Europe (and to a slightly lesser extent in the United States) risks masking the broader agenda for global economic cooperation that the G20 committed themselves to pursue. Indeed, it is only through a common sense of purpose and credible policies for cooperative action that the world will be able to successfully address its current challenges.

As leaders of the G20 nations prepare for their summit at Cannes, France on November 3-4, this series offers expert policy analysis and prescriptions dealing with the discrete facets of the G20 work and issues. Focusing on the core economic agenda, Paul Jenkins argues that the global economic recovery has lost considerable traction; one of the major obstacles to essential medium-term recovery and growth is uncertainty about the direction of global economic policy. In Cannes, leaders must agree on the policies necessary to secure global economic growth. Regarding the international financial regulatory agenda, Eric Helleiner emphasizes the importance of carrying through on commitments to create prudential standards for global systemically important institutions, while strengthening the regulation and supervisions of over-the-counter derivatives markets, and boosting the standing and abilities of the Financial Stability Board. Gregory Chin makes a case against stovepiping issues to resolve global imbalances; burden-sharing negotiations under the Mutual Assessment Process should not be separated in the G20’s work from the benefit-sharing discussions on global development.

Jennifer Clapp, Daniel Schwanen, Andrew Cooper and John Curtis address other issues facing G20 leaders focusing on food security, employment, anti-corruption and trade.

In terms of the G20 process, Gordon Smith focuses contextually on creating an informal atmosphere at summits to promote frank discussion among leaders on broad strategic and political issues to maintain their focus. Colin Bradford urges G20 leaders to use summits as moments to publicly communicate key messages on the links between global forces and domestic conditions to demonstrate how their concerted leadership can result in positive feedback loops. Beyond
the core participants. Deanne Leifso argues that the G20 can achieve wider global buy-in through the development of permanent and transparent outreach mechanisms to non-members, international and intergovernmental organizations, and other key stakeholders.

Mistrust in the ability of governments and the G20 to respond to today’s problems is growing, as most recently evidenced by the global “Occupy Wall Street” demonstrations. The reputation and credibility of the G20 as a global governance institution is at stake. The world is looking for the Cannes summit to provide realistic and meaningful steps towards solving the crisis and moving forward. The challenge for Mexico will be to sustain whatever momentum may come out of Cannes from November to the June 2012 Los Cabos summit. Barry Carin addresses prospects going forward.

The time has come for leadership and for concrete proposals. Leaders are publicly expressing their frustration over the inaction of their counterparts in other G20 countries. Leaders must go beyond rhetoric; they must be willing to act. Can they in Cannes? The clock is ticking.
Prescriptions for the G20
The Cannes Summit and Beyond

Securing Economic Recovery and Growth: 
The Imperative of International Policy Cooperation

Paul Jenkins

Key Points

- Global economic recovery has lost considerable traction and there is now increased risk of another recession.
- Uncertainty about the direction of global economic policy is reflected in current political mistrust and represents one of the major obstacles to medium-term recovery and growth.
- To lift this cloud of uncertainty, G20 leaders must come together at Cannes and agree on the policies to secure global economic growth.

The global economic recovery has lost considerable traction over the past six months, with both headwinds and downside risks having increased. Anemic growth in major advanced economies has become more entrenched, and unacceptably high levels of unemployment show no sign of decline. In emerging economies, the buildup of inflationary pressures remains a serious concern, notwithstanding purported policy actions and the possible consequences of overall slower global growth for commodity prices and aggregate demand in these countries. Widely diverging rates of economic growth continue to generate capital flows that trigger competitive reactions and tit-for-tat responses. Unresolved sovereign debt problems in the euro zone and the United States, together with no discernible progress in reducing current account imbalances and a continued rapid pace of foreign exchange reserve accumulation in surplus countries, has led to renewed market volatility and revealed a void in the direction of policy. Uncertainty about the direction of policy, verging on a crisis of confidence, represents one of the major obstacles to achieving a more robust global recovery and stronger growth over the medium term.

In 2009, G20 leaders launched the Framework for Strong, Sustainable and Balanced Growth to secure global economic growth and manage the risks of financial instability through international policy cooperation. Actions to date, however, have fallen far short of commitments. Not only has there been a failure to act in the collective interest, but as well, given the political rancour around critical policy issues, many G20 countries have increasingly been taking unilateral actions centred on domestic interests with no regard to global spillover effects. Recognition of the benefits of collective, multilateral action has been pushed aside.

The global financial crisis showed that economic and financial interdependencies are now more pervasive, more complex and deeper than previously understood. Because of these linkages, one country’s policies can have spillover effects on other countries. To secure the benefits of an integrated world economy, all countries need to recognize the implications of those interdependencies and linkages in their domestic economic policies. This means taking into account the spillover effects of domestic policies on other countries and on the wider world economy, which, in turn, have feedback effects on domestic economies (Subacchi and Jenkins, 2011).

The Cannes summit represents a critical time in the work of G20 leaders to refocus attention on their policy commitment to deliver strong, sustainable and balanced growth. Failure to do so risks plunging the world back into financial crisis and global recession.

Earlier this year, G20 authorities, after an arduous process, reached agreement on the key indicators to assess whether external and internal imbalances could put G20 objectives at risk. These indicators include measures of public debt, fiscal deficits, private saving, private debt, and the external balance composed of the trade balance and net investment income flows and transfers. As well, agreement was reached on establishing indicative guidelines — that is, benchmarks
against which indicators would be assessed — to evaluate imbalances. While the acceptance of indicators and guidelines to define significant and harmful imbalances is an important step forward, the real test will come at Cannes in terms of G20 leaders reaching agreement, or not, on the policies needed to secure global economic growth.

The reality is that the policy prescription to achieve strong, sustainable and balanced global growth has not fundamentally changed since the 2010 Toronto and Seoul summits. Not all countries can rely on export-led growth. The United States needs to raise its level of national savings and China needs to promote a rotation in its economic growth towards more domestic demand. Fiscal positions in major advanced countries need to be placed on a sustainable medium-term track, requiring tough political decisions grounded in the reality of the situation. Emerging economies need to contain inflationary pressures and ensure their monetary policy frameworks can sustain domestic price stability. To support all of these policy outcomes, greater exchange rate flexibility and structural reforms are required. And the momentum on global financial reform must be maintained.

Multilateral policy cooperation is a tall order, but this is what lies at the heart of the G20’s work. More integrated networks through trade and financial linkages make the transmission of shocks and contagion much faster and more powerful, and increase the risk of macroeconomic instability and financial volatility. We saw this at the peak of the global financial crisis as developments in financial markets ricocheted around the world, dragging all countries down. And we have seen it again recently, related to the sovereign debt problems of advanced countries.

With diverging economic growth, excessive volatility in capital markets, competing exchange rate regimes, unresolved fiscal and sovereign debt problems, and failures of governance, the importance of international policy cooperation takes on even greater urgency today. The costs of non-cooperation are painfully evident.

To tackle these challenges decisively, to lift the cloud of uncertainty that prevails around the direction of policy, and to overcome the tensions between domestic and international objectives, G20 leaders must come to agreement on, and begin to implement, the policies necessary to secure strong, sustainable and balanced global economic growth when they meet in Cannes in November under the French presidency. Now is the time to deliver.

WORK CITED

Recent volatility in world financial markets has reinforced the case for international financial regulatory reform. And yet at this very moment, despite all the promises and “commitments” made, the reform agenda endorsed at G20 summits since 2008 is in serious danger of stalling or even sputtering out on essential issues.

The G20 leaders must seize the opportunity of the Cannes summit to rekindle the momentum for reform. Three sets of issues are particularly urgent to address.

The first concerns the regulation and supervision of global systemically important financial institutions. The massive bailouts of 2008 provoked G20 leaders to declare at the September 2009 summit in Pittsburgh that “our prudential standards for systemically important institutions should be commensurate with the costs of their failure” (G20 Leaders, 2009: 9). But progress has been slow in cultivating international consensus on many key measures relating to this crucial initiative. Private sector resistance to tighter rules has also intensified since the last G20 summit. The G20 leaders must not let this resistance deflect them from fulfilling their commitment.

The task of developing credible, effective cross-border resolution regimes to wind down failing international firms has been particularly difficult. If meaningful international progress continues to be elusive in this difficult task, the G20 leaders should support greater use of host country regulation, forcing systemically important institutions to establish separately capitalized local subsidiaries in the various countries where they operate. Although this approach would generate some inefficiencies and costs, it would at least offer some protection against poor regulation abroad. It would also simplify the implementation of Basel III’s new counter-cyclical buffers, which are currently subject to complicated reciprocity agreements between home and host authorities.

Second, the G20 leaders must carry through on their promise to impose greater public control over the enormous over-the-counter (OTC) derivatives markets. The 2008 financial crisis starkly exposed the vulnerability of global financial markets to a failure of a major counterparty in the opaque, poorly regulated global derivatives markets. This vulnerability remains — three years after the collapse of Lehman Brothers.

The G20 leaders have previously agreed that OTC contracts should be cleared through central counterparties (CCPs) and reported to trade depositories, and that more of their trades should occur on formal trading platforms. But this G20 consensus is unravelling as different priorities emerge across financial jurisdictions.

If this situation continues, inconsistent national rules will bring on competitive deregulation pressures due to the sensitivity of these globally integrated markets to regulatory differentials. Lax regulation in one jurisdiction will generate financial upheavals that affect everyone.
In addition to reaffirming their commitment to implement existing agreements in this area, the G20 leaders need to endorse new international minimum standards for the regulation and supervision of CCPs and trade repositories, which are growing in systemic significance. Greater attention is also needed in other areas of the poorly regulated “shadow banking system,” which, in many countries, remains — three years after the 2008 crisis — as large as or larger than the regulated banking system.

To support the G20’s current effort to reduce commodity price volatility, higher international minimum standards are required for the regulation (including position limits) and supervision of commodity derivatives. In addition, the European sovereign debt crisis has boosted the case for considering a ban on certain OTC derivatives contracts that may exacerbate crises, namely “naked” credit default swaps. These products allow investors to speculate on the likelihood of default on the underlying bond without owning that security, and they have been blamed for encouraging self-reinforcing bear raids.

Third, the G20 leaders must strengthen the Financial Stability Board (FSB), the institution they created in April 2009. Despite being assigned an ambitious mandate, the FSB is severely constrained by having less than two dozen staff members, all seconded from other organizations. To fulfill the tasks that the G20 leaders have given it, the FSB needs more staff and formal legal standing. Its activities should also be more transparent to the public. In addition, the FSB should work more closely with the other international standard-setting bodies to ensure that a more integrated view of prudential issues is achieved.

The FSB suffers from a legitimacy gap caused by the conflict between its narrow membership and its ambitious goal of promoting worldwide compliance with the international financial standards it develops or endorses. Its current initiative to create regional consultative groups with non-members participating, does not go far enough — non-members remain as “rule-takers” without a formal say in FSB proceedings, while they are asked to take on many of the obligations of FSB membership. A better strategy would be to offer those countries membership in the FSB and use the regional groups to provide a formal voice in the FSB’s decision making, perhaps through a constituency system such as that used in the International Monetary Fund.

To encourage compliance with international standards, the FSB relies heavily on peer reviews, whose effectiveness is weakened by the fact that they must be approved by a consensus of the FSB’s membership, thereby allowing countries under review to veto unwanted criticism. A step towards improving compliance would be to subject the approval of peer reviews to a supermajority rule. The consequences of failing to comply are also ambiguous in the FSB Charter and need to be specified. Penalties could range from losing certain privileges, or even loss of membership in the organization, to permitting members to deny firms chartered in jurisdictions judged to be non-complying access to their financial markets.

With effective actions on these three sets of issues, the Cannes summit can regain credibility for the G20 and make progress on the unfinished business of international regulatory reform.

WORK CITED

PREScriptions FOR THE G20
THE CANNES SUMMIT AND BEYOND

GLOBAL IMBALANCES:
BEYOND THE “MAP” AND G20 STOVEPIPING

Gregory Chin

KEY POINTS

- The G20 have created the MAP for addressing global imbalances, but how is this coordination mechanism actually working? Why has progress been slow going?

- Burden-sharing negotiations under the MAP should not be separated in the G20’s work from the benefit-sharing discussions on global development — which are useful for stimulating growth in the world economy.

- Innovative means to channel large surpluses in some regions to other parts of the world that require substantial investment in development and infrastructure, could create growth gains for the whole world, global North and South.

With the world economy beset again by financial turmoil, the G20 leaders’ summit will return to its original raison d’être — global crisis management. While this may be comforting, ironically, to the proponents of global macro-coordination, it should not be overlooked that the ongoing G20 discussions to put the world economy onto sustainable, and balanced growth had already entered a state of semi-paralysis before the current financial plunge.

At Pittsburgh in September 2009, the leaders launched the Framework for Strong, Sustainable, and Balanced Growth, and pledged to “work together to ensure a lasting recovery and strong and sustainable growth over the medium term.” They have placed their hopes on a multilateral process of “mutual assessment” of each other’s progress, and finding agreement on new rules for sharing the adjustment burdens — all to be done via the Mutual Assessment Process (MAP).

G20 finance ministry and central bank deputies have the role of advancing the MAP via a G20 Working Group (WG) on Sustainable and Balanced Growth, and India and Canada are the co-chairs. The WG members are tasked with brokering consensus among G20 members on early warning measures and procedures for crisis avoidance, and adjustment measures for surplus and deficit countries respectively. The International Monetary Fund (IMF) has been enrolled — at the “request of the G20” — to supply the technical analysis needed to evaluate how members’ policies fit together, or not.

The fact that G20 members reached agreement earlier this year on indicative guidelines on key imbalances was presented as a major step forward. But one can only imagine the contention that has arisen when discussions have turned to what is to be done about correcting the imbalances, as major surplus and deficit countries line up on each side of the divide. How is this coordination mechanism supposed to work? For example, would Brazil or China agree to share control of their currency or trade policy in return for the United States restraining quantitative easing, and the European and Japanese central banks also agreeing to some common rules?

Just posing this question illustrates that achieving substantial progress through the MAP is very remote.

Some suggest that if the G20 members cannot reach agreement on their own, then perhaps a supranational overseer, possibly the IMF managing director, can intervene to judge which imbalances are harmful and which are healthy, to gain international agreement on this diagnosis, and then persuade “rogue” governments to mend their ways?
However, efforts to bring back the IMF as the arbiter of exchange rates and develop new procedures for managing future imbalances are also slow going. It should not be surprising if the addition of the charismatic Christine Lagarde is not enough to get developing countries to overcome their long-held reservations about the impartiality or neutrality of the IMF, and its decisions.

Most disconcerting is that for developing countries, the main imbalance in the global economy is not the trade and financial misalignments between surplus and deficit countries, but the harsh realities of ongoing developmental imbalances — the very basic development gap between North and South.

Global development concerns are an intimate part of the world economy, yet they do not receive priority in the G20’s core agenda. Rather, “development” discussions are ghettoized in a separate G20 Development Working Group (DWG), and often consigned to the last item at G20 preparatory meetings.

The G20’s stovepiped MAP approach has left the DWG out of the discussions over addressing imbalances.

Why are the G20’s burden-sharing negotiations (over the MAP) divorced from its benefit-sharing DWG discussions?

One answer is that this stovepiping reflects the pre-established traditions of the G7/8 leaders’ summits, where the preparatory working group discussions on finance and economics, controlled by central bankers and finance officials, were separated from discussions about development — involving “development ministers,” who head the foreign aid agencies of the Western donors.

For the developing world, there is no separation of economy and development as policy issue areas. Development is not the work of a separate “development ministry.” Nor do the developing countries in the G20 have “development ministers.” Their central bank governors and finance ministers, and other economic officials, are also responsible for development. This actually makes the Southern representatives in the WG for Sustainable and Balanced Growth well-positioned to link the burden-sharing and benefit-sharing discussions.

Witness Indian Prime Minister Manmohan Singh’s suggestions at the Seoul G20 Summit in November 2010, that ways should be found to channel the large surpluses in some parts of the world to regions where huge investments are required for development and infrastructure. Repeating this message at a G20 finance WG in February in Paris, Finance Minister Pranab Mukherjee noted the Indian government’s hope that the High-Level Panel on Infrastructure Investment will offer recommendations to the leaders at Cannes to facilitate innovative ways to mobilize private, semi-public and public resources for national and regional infrastructure, and for a comprehensive review of multilateral development bank policy.

With economic conditions worsening in the G7 and the MAP making slow progress, can G7 governments afford the continuing divorce of global burden-sharing discussions from the talks on benefit-sharing? Wouldn’t G7 countries gain if benefit-sharing met not only developing world concerns but also some of the developmental (read: “growth”) needs of the global North?

Infrastructure is a sector where common purpose and shared needs between North and South — and innovative measures to alleviate the excess surpluses of some countries — could be worked out. Where the prospects for political agreement are high, and where multilateral and regional development banks could play a useful and targeted “intermediation role” in ensuring that tangible results are achieved.

Imagine the potential global growth gains, as well as the legitimacy gains for the G20. 😊
Prescriptions for the G20
The Cannes Summit and Beyond

TAKING ACTION TO ENSURE FOOD SECURITY: THE RESPONSIBILITIES OF G20 LEADERS

Jennifer Clapp

KEY POINTS

- G20 leaders need to act to make food security a priority.
- Tackling the issues of biofuel and commodity market speculation requires concrete, coordinated regulatory action by G20 countries.
- It is essential that G20 governments actually deliver on their earlier funding commitments for agricultural assistance.

The number of hungry people on the planet is close to one billion. This is one reason why France has put food price volatility and food security prominently on the G20 agenda. Through their policies and coordinating efforts, G20 governments can do more to stop wild price swings and rising hunger than either of the Rome-based UN food agencies, the World Food Programme and the Food and Agriculture Organization. These agencies have neither the authority nor the resources to respond adequately to the root causes of the global food crisis.

Biofuel and financial policies pursued by G20 governments have played a direct role in fostering food price volatility. These areas need urgent regulatory change coordinated at the global level. In addition, G20 countries are the only bodies with sufficient funds to reverse the decline in agricultural investment in poor countries — a pre-condition for food security.

The G20 agricultural ministers met in June and endorsed the components of an action plan to submit to the leaders at the Cannes summit in November. This plan has several positive elements, but it underemphasizes both biofuel and financial regulatory policy reform. At the same time, the role the agriculture ministers mapped out for the G20 as a catalyst for more effective agricultural assistance is weak. Leaders at the Cannes summit should address these limitations in the action plan being presented by the agriculture ministers as a priority.

Biofuel policy is the weakest aspect of the action plan. The G20 countries are the major players in global biofuel production, and many directly subsidize production and/or have blending mandates that encourage investment in biofuels, including the EU, US, Brazil, Canada, China and Australia. These policies are widely seen to distort markets and divert grain from food uses, which can drive up food prices. Yet the action plan only vaguely promises further analysis on the issue, without offering any action to curb the policies that distort food and biofuel markets. Strong commitments could be made to end subsidies to biofuels and remove blending mandates. Short of such strong measures, at the very least agreement could be made to suspend these policies when food prices rise beyond a certain trigger point. Neither is even broached in the action plan, as key players, specifically the US and Brazil, have been staunchly against such policy changes. This reluctance must be overcome if the G20 is to make any meaningful contribution to improving world food security.

Efforts with respect to speculation on commodity derivatives markets are also weak. It is now widely recognized that growing speculative investments in agricultural commodity derivatives have been an important contributor to food price volatility. The G20 is an obvious place to develop collective policy on this issue, because together, the G20 countries host nearly all of the world’s commodity futures markets (the US, Europe, India, China, Brazil and South Africa being the largest). It is important to coordinate regulatory changes to prevent commodity investors from moving to less regulated markets if one country decides to strengthen rules in key areas such as position limits. Although it is welcomed that the action plan recognizes the need for regulatory coordination, the agriculture ministers failed to offer a real plan on
this front. Rather, they left policy development to the finance ministers. The G20 leaders must make sure the finance ministers — who generally don’t focus on food security as a primary goal of their work — actually prioritize this issue.

The action plan also comes up short with respect to the G20’s envisioned role in providing agricultural assistance. It is laudable that the plan calls for greater investment in sustainable agriculture, including agricultural research and innovation to enable greater food production in the face of climate change. This part of the plan builds on promises, dating back to 2009, made at the L’Aquila G8 Summit and then endorsed at the Pittsburgh G20 Summit to provide US$20 billion in new agricultural investment. Very little of this money has, in fact, been committed to the multilateral channel that was supposed to receive these funds — the World Bank’s Global Agriculture and Food Security Program. Overall, only 22 percent of the pledged funds have been committed through both bilateral and multilateral channels. The G20 governments need to actually deliver the funds already promised, and to ensure they go toward genuinely sustainable agricultural initiatives.

The agricultural ministers’ plan, while weak in the above respects, places a great deal of emphasis on a new initiative: the Agricultural Market Information Service. The aim is to gather and disseminate information on commodity productivity and market transactions in the hope that it will contribute to better functioning, less volatile food and agricultural markets. Promising to gather information is politically easier than tackling tougher issues such as biofuels and commodity speculation, which require confronting powerful vested interests. And it is easier than coughing up $20 billion. But it’s also less likely to make significant improvements in food security. More information about the markets won’t necessarily reduce food price volatility. And we already know that the other measures can make a big difference in addressing food security. Now is the time for the G20 to act on the information that is already available.

Jennifer Clapp is the CIGI chair in Global Environmental Governance and professor at the Balsillie School of International Affairs and the University of Waterloo. Her published work covers a range of topics at the interface of the global economy, food and the environment, including the politics of agricultural trade, food aid, agricultural biotechnology and the role of transnational corporations in global environmental and food governance.
EMPLOYMENT AND FISCAL SUSTAINABILITY: TIME FOR A G20-BUSINESS PACT

Daniel Schwanen

KEY POINTS

• The G20 needs to nest its social and employment agenda within a strategy emphasizing business-led growth and financial sustainability of social programs.

• To restore normal business lending and spending patterns, the G20 should take action by removing barriers to productive, sustainable hiring and capital spending.

• Focused work by the OECD and the IMF on barriers to investment and business formation, a peer-review process on the adequacy and sustainability of social programs, and a compact with business focusing on employment and investment growth, are tools that should be used to spur action by the G20 in these areas.

In most G20 countries, the social impact of the 2008 global financial collapse continues to be acutely felt. The International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD) estimate that there are 20 million fewer jobs in the G20 relative to pre-crisis levels, and unless there is a significant pickup in growth, this number may double by the end of 2012.1 Sharp increases in long-term and youth unemployment threaten to permanently reduce the employability of those affected. Furthermore, many workers have had to accept contingent instead of full employment.

The monetary and fiscal stimulus provided by the G20 in the wake of the 2008 crisis worked to avert an immediate collapse in business and consumer confidence, but it has been inadequate, of itself, to return employment to pre-crisis levels. And it is showing its limits: public debt in many G20 countries is rising at an unsustainable rate, and serious doubts abound about the ability or willingness of a number of these countries to restore soundness to their public finances. The fiscal austerity that is required, however, will also have some dampening effect on demand.

This situation is weighing against the willingness of financial institutions to lend, and of businesses to hire and invest. In many G20 countries, we are now observing an unusually high accumulation of financial assets and debt repayment by the corporate sector, rather than the more normal pattern of net borrowing by corporations to invest and grow. This suggests that a lack of confidence and other barriers to business investment and employment creation, not a shortage of available funds, is preventing profitable corporations from hiring and investing.

An expansion in business and — in countries where household savings are high — consumer spending is, however, required to avoid a low-growth trajectory for the global economy, which would be most damaging for long-term employment and social prospects.

At previous summits, the G20 pledged to address the employment and social impact of the 2008 crisis, but it has not effectively linked this with a private sector growth renewal agenda. In Pittsburgh in 2009, the G20 welcomed a “Global Jobs Pact” adopted by the ILO,2 but this mainly provided governments with a menu of possible options for addressing unemployment. The G20 also commissioned the ILO to produce a G20 training strategy, but that strategy is focused on longer-term results and is dependent on individual countries taking action in light of their specific circumstances. In the context of weak demand, however, even the best training and skills strategy may not have the desired effect.

The declared social and employment priorities of the 2011 French G20 presidency include greater respect for social and labour rights, access to employment for the young and disadvantaged, and better international coordination on
these and other labour-related issues. These items are, in principle, unobjectionable, but are unlikely to address the fundamental problem of a lack of private sector dynamism.

Another objective of the French presidency is to discuss a new global floor for social services and income support. Regardless of its merits, surely the lesson of the experience of advanced economies in the past four decades is that such an objective can only be achieved across the G20 if social programs are put on a sustainable financial basis.

In light of these realities, the G20 should prioritize measures that will support business resuming its normal role as net borrower — and creator of jobs. It should also pledge to strengthen pensions and other social programs by, first and foremost, putting them on a sound financial basis.

Regarding business expansion, the G20 leaders at Cannes should instruct the OECD and the International Monetary Fund to update and expand on their past analyses of business lending and borrowing patterns, and to report on unusual or unproductive patterns in each G20 country, with a view to identifying broad elements of reform that could spur productive business activity. They should pledge to remove financing, legal, regulatory and tax impediments to business formation, business investment and hiring. A particular focus on small business is warranted, as this sector, which is key to employment creation and social mobility, is beset with significant barriers — such as difficulty in accessing finance — in almost every G20 country.

Regarding social programs, the G20 should build on the work of the OECD and numerous research institutions in G20 countries, to review the adequacy and sustainability of the implicit or explicit “social contract” in each member nation, with a view to identifying — with the help of a peer review process — how social programs can be strengthened in some countries, and put on a viable financial footing in countries facing large fiscal deficits driven by social entitlements. G20 leaders would pledge to act on these findings.

Building on the Seoul G20 business summit and the G20 SME Finance Challenge, the G20 should seek a compact with key business leaders and organizations, whereby the latter would pledge that G20 actions to support business expansion and fiscal sustainability would be accompanied by sustainable private sector job creation and investment, which would offset restraint in public sector expenditures.

Such a compact could also help reduce current account imbalances that foster global trade tensions — one more problem the world can do without, since openness to trade is a crucial source of good jobs in all G20 economies.

In short, the G20 in Cannes should pay particular attention to bridging its economic growth and fiscal sustainability agendas with its employment and social agendas. The two are inextricably linked.

ENDNOTES


4 The SME Finance Challenge was a competition aimed at finding new ways of making public programs more efficient in leveraging finance to small businesses. The G20 pledged to financially support implementation of the winning proposals.
FIGHTING CORRUPTION: G20 ACTIONS SUPPORT A GLOBAL MOVEMENT

Andrew F. Cooper

KEY POINTS

• Implementation of the G20 Anti-Corruption Action Plan could be advanced at the national level by forming multi-stakeholder groups in G20 countries.

• A financial intelligence unit focused on key components of the anti-corruption agenda should be a G20 priority.

• G20 finance ministers and business leaders should present a business pledge to G20 leaders in Cannes, to move forward a commitment on anti-corruption issues.

The G20’s effort to tackle the global problem of corruption, arguably one of the group’s least anticipated and most unsung success stories, builds on work started by the G8 and other entities. The G20’s anti-corruption efforts, linked to the increased accountability, credibility and transparency of the global financial system, have led to deeper institutional engagement and laid the grounds for further progress.

At the 2008 G8 summit in Toyako, Japan, member countries endorsed an Accountability Report that detailed actions taken by G8 members in response to their anti-corruption commitments. Several G8 members came under fire from groups such as Transparency International (TI) for falling short of their own declarations. Civil society groups pressed for a more sustained global campaign after another non-government organization, Global Witness, published a damning report showing how major banks have facilitated corrupt dealings with leading figures in resource-rich states.1

Against this background, several G20 countries saw an opportunity to advance a robust anti-corruption agenda for the G20. As early as 2002, G20 finance ministers expressed concerns in the wake of 9/11 regarding money laundering to finance terrorism and “other abuses” of the financial system.2

When the global financial crisis broke in 2008, these concerns escalated. In its final report on March 27, 2009, the G20 Working Group on Reinforcing International Cooperation and Promoting Integrity in Financial Markets urged that “international bodies responsible for prudential and regulatory standards, anti money laundering and terrorist financing, and tax matters...accelerate their work of identifying uncooperative jurisdictions and developing a toolbox of effective countermeasures against these jurisdictions.”

G20 leaders launched a more comprehensive initiative at the Toronto summit in June 2010, with the creation of its Anti-Corruption Working Group chaired by Indonesia and France. Operating quietly and effectively, this group released an Anti-Corruption Action Plan, subsequently approved at the Seoul G20 Summit in November 2010. Key features of the plan include:

• a push for the accession and ratification of the United Nations Convention against Corruption (UNCAC) and strengthened implementation of its peer review mechanism;

• criminalization and other measures to combat bribery of foreign public officials, including a call for more active engagement by members within the Organisation for Economic Co-operation and Development (OECD) working group on bribery;

• combating of money laundering through the Financial Action Task Force;

• a cooperative framework for denial of safe havens to corrupt officials;

• cooperation for the recovery of stolen assets; and

• a proposal for a public-private partnership on anti-corruption measures.
India has recently ratified the UN convention amid signs from other G20 countries affirming that the convention is a valuable tool. Such momentum could make it easier for France to achieve one of its priorities at the coming summit — the ratification of the peer review mechanisms under both UNCAC and the OCED’s Convention on Combating Bribery.

Nonetheless, other actions are required if major corruption is to be beaten back. To give the effort teeth, the G20 should ensure that a financial intelligence unit, privileging components of the anti-corruption agenda such as the recovery of stolen assets, is made a priority under UNCAC — and gets the resources to take up the task. Another step forward, proposed by TI, would be the formation of multi-stakeholder groups in G20 countries to advance the implementation of the G20 Action Plan at the national level, borrowing an idea from successful sectoral experiences such as the Extractive Industries Transparency Initiative.

In contrast to the indifference or tepid support shown for some parts of the G20 agenda, civil society organizations have embraced the anti-corruption agenda, with 77 organizations having urged the G20 in a letter to swiftly implement the Action Plan. Civil society groups worry that the G20 may not “walk the talk” as the November summit approaches — that transparency in business dealings will be trumped by more pragmatic considerations concerning national competitiveness.

Diplomatically, the anti-corruption initiative shows how concerted political will from diverse sources within the G20 can amplify movement towards an objective, moving it closer to success. President Sarkozy has made progress on the issue a priority for his G20 presidency. As in all the G20’s policy work, however, advances can be guaranteed only by collective ownership being shared between the traditional G8 countries and pivotal states from the Global South. In this case, the vital ingredient has been the championing of the initiative by Indonesia, a country that ranks 110 out of 178 countries in TI’s 2010 Corruption Perception Index. Yet, rather than avoidance, Indonesian officials have recognized the value of the G20 as a lever for problem solving. As the Indonesian G20 Sherpa Mahendra Siregar cogently stated, “The war against corruption will not succeed without good global cooperation” (quoted in Fadillah 2010).

This point was underscored by recent, highly visible episodes of corruption that have come to light in connection with the Arab Spring. Maintaining momentum on anti-corruption could not be more timely.

ENDNOTES
1  See the report at www.globalwitness.org/library/undue-diligence-how-banks-do-business-corrupt-regimes.

WORKS CITED


When the G20 leaders meet in Cannes in early November, it will be clearer if, and why, the world economy has entered into a second recession in the space of less than four years. Even at the most optimistic, the world economy has performed less well than was anticipated at the time of the last two, or perhaps even three, G20 summits.

Part of the reason for this current stretch of poor and unstable economic performance, particularly in the developed world or OECD countries, has been a lack of confidence — on the part of consumers, financial and non-financial institutions, firms, investors, and even governments. This economic uncertainty has begun to spread into one of the few areas that, historically, has been working well, but now needs considered attention by the G20 leaders.

Over the past 65 years, the international trade regime has been a symbol and manifestation of successful international cooperation, coordination and consensus on the rules of the game, and a major contributor to global prosperity. It has, to date, escaped close scrutiny by the G20 leadership because, despite fears expressed when the 2008 global financial crisis broke out, nations have, by and large, resisted the temptation to lurch towards protectionism. Whether they will continue to do so — in the face of continuing financial instability, very slow growth and debt problems — remains to be seen. At the very least, G20 leaders must remain vigilant to any 1930s-style threat of beggar-thy-neighbour policies and new strains of protectionism.

While the evidence at one level gives the sense that all is well on the international trade front — millions of goods and services transactions cross borders every day, and governments are, on the whole, abiding by internationally agreed trade rules — stresses and strains in the international trade regime are becoming increasingly evident. These pressures on the system will intensify with time, posing the risk of serious longer-term damage to the global economy.

The contributing factors are many, including: shifts in influence among the major world economic powers; growing diversity of interests on the part of the big and the small, the rich and not-so-rich; structural changes in global manufacturing and in a growing range of services; and the instability and uncertainty created by volatile exchange rates. Less support for the belief in more open markets, particularly at a global level, in many countries is another possible factor.

The World Trade Organization (WTO), the centrepiece of multilateral trade governance, is feeling tremendous strain from the weight of regional trading arrangements (RTAs), which now include negotiations among developed economies such as Canada and the European Union, as well as among developing countries. RTAs are proliferating, becoming more comprehensive in their terms and embody many differing rules. Further, the WTO’s centrality is weakened by the incapacity of nations to cooperate or reach agreement on a number of trade issues and the spectacular failure to
conclude the Doha Development Agenda (DDA), the current multilateral trade round. Some observers believe a number of leading economies are losing confidence in the WTO system. Cracks are also starting to show in the WTO’s dispute settlement machinery.

So, although the WTO has worked well in the sense that its members still adhere to its rules, there are growing doubts that the function, credibility and even the institutional form of the trade system as presently organized — its governance — is still suitable. Experts have warned that further delays in addressing much-needed institutional reform and embracing currently uncovered trade-related issues, will increasingly call into question the WTO’s centrality.1

A forward-looking, revitalized trade regime will have to: grapple with the trade-related aspects of climate change (for example, border tax adjustments), food security and energy security; deepen market openings for many services; make trade facilitation measures more efficient; promote innovation and its diffusion across borders; and support the expanded movement of skilled persons internationally — all matters that are currently outside the purview of the WTO and most regional trading arrangements, or are inadequately dealt with.

There can be little progress on these broader issues while the Doha impasse remains. The G20 leaders have collectively pledged their commitment to complete the DDA since their first meeting in Washington in 2008. At Cannes, they should express regret and accept responsibility for the failure to reach an ambitious outcome for the Doha round. While their credibility on this issue is wearing thin, they should, nonetheless, pledge redoubled efforts to agree on an outline of a balanced outcome by mid-2012.

The G20 has a unique chance to jump-start the revitalization process when the eighth WTO Ministerial Meeting convenes in Geneva on December 15–17, 2011, six weeks after the G20 summit. A strong expression of political support for the trade system must emerge from the Cannes summit. Leaders should reassert the importance of the multilateral trade system and the WTO as providing a canopy of rules, disciplines, consultation and judicial procedures covering all cross-border, non-financial economic transactions, one that works in the interests of all countries, big and small. In addition, the leaders should reaffirm earlier pledges to maintain a standstill on protectionist measures, notwithstanding current slow growth and debt problems. They should agree on more stable macroeconomic frameworks to lessen exchange rate volatility. As they look ahead to the December meeting, leaders also should instruct their ministers to look at the mandates, institutional capacity and processes required to re-invent the WTO and, thus, the global trade regime for the twenty-first century, including the integration of the many praiseworthy RTAs into the broader global system.

ENDNOTE

1 See, for example, Ujal Sing Bhatia, “WTO’s Role in the 21st Century” and the surrounding discussion at http://groups.google.com/group/cuts-tradeforum/browse_thread/thread/ed366d8244d91f5b/91afc15f047676d2?lnk=gst&q=Bhatia#91afc15f047676d2.
The summer of 2011 was not a time when key players in the international economic arena could relax on the beach. With the world facing an international economic crisis, one might have expected that the world’s “premier forum for international economic cooperation” — the G20 — would have been centre stage. Indeed, former UK Prime Minister Gordon Brown called for a special meeting of the G20. It did not happen.

Not only was there little mention in the media of the G20’s engagement, but Tiff Macklem, the senior deputy governor at the Bank of Canada, stated that the G20 had “fallen short in correcting the imbalances that are plaguing the global economy.”

The G7 grouping of advanced economies was more engaged. When the G20 was formed, the understanding was that the G7 at the finance ministers’ and deputies’ levels would be continued, but with a very low profile. Over the summer, however, G7 ministers and officials met and purported to speak as a crisis management committee in an attempt to calm financial markets.

When the G7 meets instead of, or even at the same time as, the G20, what are the excluded 13 countries to think? Consider China, with its huge and growing economy, including its substantial holdings of US treasuries. Is it reasonable to expect the Chinese to not participate in multilateral discussions among North Americans, Europeans and the Japanese, when their interests are also vitally at stake, and when G7 countries subsequently want China to do, or not to do, certain things?

The G20 was all about abolishing antechambers. Nonetheless, by its recent actions, the G7 perpetuates antechambers (and implicitly slights the “G13”) with no clear explanation as to why. What is at stake is the future of global governance writ large — institutions, leaders and the balance between sovereignty and managing global interdependence.

When government leaders of the G20 meet in Cannes in November, it is important that they look ahead to the following summit in 2012. They must think about the broader architecture and environment as well as dealing with the crisis du jour.

US President Barack Obama has stated that he will host the G8 (the G7 plus Russia) and NATO summits back-to-back less than a month before the G20 convenes in Mexico next June. To the extent the G8 and NATO meetings deal with political and security issues, there is no problem in their proximity. To the extent there is an overlap of agendas between the G8 (and residual G7) and the G20, however, there will be a problem, and the future of the G20 will be imperilled.

If the G8 discusses issues that will also be on the G20 agenda meeting only weeks later, there will inevitably be a feeling among non-G8 members of the G20 that the G8 is being used as an inner group to “prepare” the G20.
Part of the reason the G20 has not simply replaced the G8 is that it is clear that G8 leaders are more comfortable with the smaller and relatively informal arrangement of only government leaders around the table, with the use of first names the norm. Leaders have only one adviser — the Sherpa — a distance behind them, instead of a room full of advisers.

There are, of course, other important factors that explain the survival of the G7. The G7 countries are at a different point in their economic development than the rest of the G20, and there is greater political and cultural proximity among them.

The G20, by contrast, has upwards of 50 seats at the table and several hundred people in the room. Meetings are shorter than is the case for the G7 or G8. Leaders often read speeches, then leave the room or chat with neighbours.

Summits are, or at least ought to be, very much about developing empathy. Knowing each other on a personal basis helps key leaders resolve global deadlocks. It is important that leaders engage informally, without the restrictions imposed by detailed agendas and set-piece speeches.

Having 20 countries around the table has worked when G20 finance ministers meet — they have their central bank governor alongside them and their finance deputy behind. There are only three people from each country. Ministers, central bank governors and the deputies eat one or more meals separately, continuing their substantive discussions in a more informal context. In most cases, they develop first-name relationships.

Politically interesting subjects should be on the leaders’ agenda. Subjects of a technical nature should be returned to finance ministers, with oversight by leaders in the event agreement cannot be reached. Efforts should be expended to cut down on the number of people who remain in the room when leaders talk.

The process of refining the G20’s procedures may take time. There must be consensus for it to succeed. The acid test is that the G8 stay out of any issues destined for the G20. This includes the Internet and nuclear safety — what conceivable rationale is there for discussing these subjects in a forum that includes Russia, but excludes China and India (unless, of course, the latter do not want to participate)? Nor is it clear why development should remain on the G8 agenda, except perhaps to deal with the legacy of the earlier G8 African initiative.

Eventually, we must hope that the full range of subjects, including those with a security or broadly political character, will be discussed by G20 leaders. Meanwhile, it is important to assure the success of the G20; in practice, this means avoiding the impression that the G7 or G8 are “pre-discussing” matters that will eventually appear “pre-resolved” on the G20 agenda.

WORK CITED


A former Canadian deputy cabinet minister, NATO ambassador and G7/G8 Sherpa, Gordon Smith is a leading expert on the evolution of the G20 and global summity. Since joining CIGI in 2010 as a distinguished fellow, Gordon has been a key contributor to CIGI’s G20 research activities, events and publications.
The G20 is the self-described “premier forum for international economic cooperation.” With the creation of the G20 at the leaders’ level, a clear line was drawn between “insiders” and “outsiders.” Like the G8 before it, some of those excluded from the new club perceive it as having a deep legitimacy problem. The G20 has been assailed with such sharp epithets as “international gang rule” (Åslund, 2009) and “one of the greatest setbacks since World War II” (Støre, 2010).

Hyperbole aside, there is justifiable concern, given decisions made by G20 leaders carry consequences for the whole world, that concerted effort is required to ensure that the views and interests of non-participating governments are considered, and that other key stakeholders, such as business and civil society, are engaged during the summit preparatory process. To improve its legitimacy, the G20 needs wider global buy-in to resolve its “inclusiveness/exclusiveness conundrum” (Heinbecker, 2011: 4).

Membership of the G20 was first established in 1999, when finance ministers and central bank governors of the 20 leading economies met in response to the Asian financial crisis. The membership structure was retained when the group was elevated to the leaders’ level in 2008. There are no explicit criteria for permanent membership in the forum at the leaders’ level, and, various attempts notwithstanding, there is no easy way to establish a satisfactory criterion or weighting for G20 membership.

At summit meetings, member nations speak only for themselves and not for their regions. To improve representation without overcrowding the room, it has become standard practice for the summit host to extend invitations to five non-members and/or regional representatives. In this way, the host ensures some degree of broader representation. At Cannes, France is inviting Equatorial Guinea, the current chair of the Africa Union; Ethiopia, chair of the New Partnership for Africa’s Development; Singapore, representing the Global Governance Group (3G), with 27 member countries; the United Arab Emirates, chair of the Gulf Cooperation Council; and Spain.

The precise role of invited guests is unclear. They may engage in the G20’s working groups — all of this year’s invitees took part in the recent G20 development meeting, for example — but they do not have agenda-setting power or sway over the final communiqués. After all, the Leaders’ Declarations issued at the close of each summit commit the leaders of the G20, not the invited guests. Nor are non-members bound by pledges made at past summits.

There is value in having regional representatives present when mutual interests are at play, as they can strengthen the legitimacy of the G20 and enrich the discussion with fresh perspectives. Given that there are no agreed criteria for selecting the “guests,” the heads of regional organizations from around the world should be made permanent guests to guarantee their presence at future summits. Other guest invitations should be reassessed. Spain, for example, has attended every leaders’ G20 summit since the first one in Washington in 2008, enjoying the privilege of a “permanent guest.” Does Spain need to be at every summit?
With employment on the agenda this year, France has made the International Labour Organization a permanent invitee at the G20 by granting it “permanent guest” status. Several intergovernmental and international organizations have typically earned a seat at the table for technical or functional reasons. The G20 itself possesses no permanent secretariat. The International Monetary Fund acts as technical adviser and supervises the G20 Mutual Assessment Process, the World Bank Group is involved in moving forward the G20’s infrastructure agenda, the Organisation for Economic Co-operation and Development (OECD) and World Trade Organization support the work of the G20 with analysis and reporting, while the Financial Stability Board coordinates financial regulatory initiatives. The United Nations has convened several informal plenary meetings on the G20 to promote interaction between the two entities and brief interested member states. When he attends the summits, the UN Secretary-General does not have a formal mandate to represent the G172 at the summits, but non-G20 members, through the 3G, for example, are working to build bridges with the G20.

G20 outreach, however, should not be limited to dealings with international and intergovernmental organizations. While President Sarkozy has conducted a variety of forms of consultation — with the Africa Progress Panel, Academies of Science of the G8 and G20 countries, Bill Gates, non-government organizations (NGOs), and Club of Madrid, for instance — they have generated few communiqués and even fewer headlines. By contrast, Korea did a far better job of promoting its G20 consultations with business and civil society in 2010. Even Russia’s President Putin gained considerable attention when he met with NGOs in preparation for the St. Petersburg G8 Summit in 2006. While President Sarkozy understands that there are many actors who have a contribution to make, his consultations have lacked the transparency and attention necessary to reduce the legitimacy gap between the G20 and broader society.

The perceived legitimacy of the work of the G20 could be improved through a global relations strategy. The G20 could do worse than model its approach on the OECD. To strengthen the global relevance and impact of its activities, the OECD has developed external engagement strategies and frameworks for interaction, which include an External Relations Committee to monitor cooperation with non-members and other international organizations, and Enhanced Engagement programs with non-members to promote participation in OECD work.1 Permanent outreach mechanisms will help break down the exclusion that non-G20 members feel.

ENDNOTE
1 These strategies are published online, see: www.oecd.org.

WORKS CITED


As a global leadership forum, G20 summits provide an opportunity to transform international interactions into new patterns of negotiation and new forms of behaviour, resulting in new global breakthroughs. So far, leadership within the G20 forum has, however, been tentative, minimalist and too often narrowly circumscribed by the primacy of member governments’ domestic concerns and constraints. G20 leaders have yet to hit their stride in finding modes of discourse, debate and decision that strengthen global regimes for managing global challenges and that convincingly address the anxieties and concerns of their publics.

Along with the more widely acknowledged crisis in economics and finance, there is a deep-seated political crisis of trust in national and global leadership. Polling evidence suggests that trust in political leaders in G20 countries is at historically low levels. Leaders have failed to think through in advance what matters most to publics, and to articulate a vision of concerted action by the G20 that corresponds to these vital hopes and concerns.

Leaders at Cannes in November and at the Mexico summit next June have a chance to change the script and write a new narrative for the G20. They need to focus on exercising effective political leadership that leads to solid policy outcomes responsive to public concerns.

The first step toward strengthening global leadership would be to delegate the more technical aspects of the G20’s economic agenda back to finance ministers, and define the high ground that is appropriate for leaders in ways that more directly resonate with people’s concerns.

Understandably, at the moment of the 2008 financial crisis, the leaders focused the whole of their efforts on steering the world economy away from the brink and onto a path of recovery. But the technical agenda of finance ministers has continued to dominate at recent summits. While, for example, the G20 Framework for Strong, Sustainable and Balanced Growth is an important new mechanism for international economic cooperation, the G20 economic agenda is too technical for the general public, most of whom will never understand the complexities of exchange rates and current account rebalancing.

The economic exigencies cannot be ignored. Leaders, however, need to focus more directly on domestic public concerns such as jobs, livelihoods, security and planetary survival, and emphasize the vital links between these domestic anxieties and addressing global challenges. Polling data can be used to identify these top public concerns as well as the kind of discourse that will resonate with the public. G20 summits should become vehicles for expressing leadership on these fundamental concerns, and making a credible vision of the global community, connected to national societies and local settings.
Parliaments should be brought into the picture as they are crucial to taxation policy, financial regulatory legislation, pension-social security-health insurance reforms, employment policies and other issues vital to the G20 agenda. Leaders need to form mechanisms for the involvement of parliamentarians in the G20 agenda. Networks such as the Inter-Parliamentary Union and the Parliamentary Network on the World Bank, among others, should be linked systematically to G20 processes and work.

There has been a woeful failure by leaders to use the presence of national press corps at summits to connect directly with their publics and parliaments. G20 leaders need to use summits as “teaching moments” to communicate key messages on the links between global forces and domestic conditions, and to demonstrate positive feedback loops from global decisions to domestic improvements in people’s lives. National leaders have lost control of the summit narrative, letting the international media write it for them, too often in unflattering terms that highlight national differences and esoteric “exchange rate” or “currency” conflicts.

The leaders should differentiate themselves at Cannes, where undoubtedly the European crisis means that the economic agenda could overwhelm other initiatives again. One way in which leaders could lead is by announcing two major action items that go beyond financial stabilization and sovereign debt workouts to address peoples’ concerns for growth and sustainability.

G20 leaders could announce a global infrastructure investment action plan to be supported by expanded lending by the global and regional multilateral development banks to generate jobs, productivity growth and economic integration worldwide, boosting incomes, demand and exports globally. Second, they could support a major effort by nuclear powers to strengthen nuclear safety and security to reverse the nuclear backlash in the wake of Fukushima, and to stimulate long-term investment in nuclear power plants to provide long-run job growth in highly skilled sectors, and generate cleaner-than-coal electricity. France, with 80 percent of its electricity generated by nuclear plants, is the ideal launch for such an initiative.

These two proposals by G20 leaders could complement the financial measures being developed by finance ministers and create an overall thrust toward job growth, financial stability and environmental sustainability. Publics would perceive a larger vision, more integrated and balanced, in which necessary moves to stem the current phase of the financial crisis would be linked to actions to address peoples’ needs for sustainable livelihoods and a healthier planet.

ENDNOTES


Colin Bradford is a CIGI senior fellow and a nonresident senior fellow at The Brookings Institution. He is project leader of the Brookings-CIGI Global Governance Reform project, and the joint CIGI-Brookings National Perspectives on Global Leadership (NPGL). His current research focuses on the G20 agenda and process. He has also served as chief economist at USAID and head of research at the Development Centre of the OECD in Paris.
BEYOND CANNES: LOOKING AHEAD TO 2012 AND MEXICO

Barry Carin

KEY POINTS

• Mexico has an opportunity to re-energize the G20 by building on work accomplished and placing financial integrity for development at the heart of the 2012 agenda.

• China should be encouraged to play a more major role by locating new institutions in Beijing and asking it to chair future G20 working groups.

• The imperative for Mexico is to enable the leaders’ meeting to be informal and unscripted while still facilitating concrete discussion on complex issues.

Mexico is thinking about its hosting of the 2012 G20 summit. The Ministry of Finance, the Sherpa office and other offices in the Ministry of Foreign Affairs, Labor and Agriculture are planning well in advance to help ensure a successful summit next June. Mexico’s scope for sculpting the agenda and preparatory process will be influenced by developments in the current economic turmoil — the G20’s priority will be action to avert a downturn scenario. Economic and financial issues may monopolize attention, sidelining non-financial issues for the moment.

Nonetheless, Mexicans are quietly gathering ideas and launching discrete “trial balloons.” In May, President Felipe Calderon had a meeting with the celebrity Bono, where they discussed potential G20 agenda items, including corruption, improving healthcare and boosting agriculture (ONE, 2001). In June, President Calderon and Economy Minister Bruno Ferrari discussed the current G20 agenda and the Mexican summit with the International Chamber of Commerce (ICC) — the topic was the prospects for putting trade on the agenda (ICC, 2011). Following Mexico’s supportive role at Seoul in 2010, where it supported Korea’s initiative on development and a commitment to poverty eradication, Ambassador Martha Ortiz de Rosas Gomez was quoted as saying: “We would like to see more elements aimed at helping not just the countries with the lowest incomes, but also emerging economies that have large poor populations...Within the G20 there are still deprived regions and vulnerable populations that need to overcome considerable challenges. The G20 should be one of the mechanisms to overcome them” (Young-jin, 2010).

Since the G20 is a process, where each summit builds on the work of its predecessor, Mexico is constrained by the forthcoming Cannes summit, and must follow up the outcomes and commitments made this November. Being the host of the G20 is beginning to resemble the difficulty of a captain steering a supertanker. In exercising the chair’s traditional prerogative to add new issues (Korea added development; France added commodity price volatility), Mexico must restrain its ambition to widen the agenda, remembering that the G20 is not the “committee to save the world” (Price, 2011). While it should not dilute the G20 focus by adding heavyweight issues, Mexico may kill two birds with one stone by reinforcing action on the existing agenda while simultaneously pursuing Mexican priorities. A good example is to craft the flow of work on existing agenda items, building on G20 work to date on illicit financial flows, tax havens, anti-corruption and development.

If the global financial situation is calmed, Mexico may put financial integrity for development at the heart of the 2012 G20. This would involve, for example, a G20 agreement on the automatic exchange of tax information, supplanting the largely ineffective “on request” exchange of information embodied in the Organisation for Economic Co-operation and Development’s bilateral Tax Information Exchange Agreements (Cobham, 2011). This could include requiring banks to report all interest payments to non-residents, as proposed by the US Treasury (Tax Justice Network, 2011). It is in every G20 member’s interest to counter tax abuse and arrest illicit flows, which deprive governments of revenues needed to promote effective, clean administrations.
Beyond Cannes: Looking Ahead to 2012 and Mexico

Mexico (like Australia, Canada, Korea and Turkey) is aware that the stakes are high if the G20 does not succeed — Mexico will likely not be included in the successor arrangement. Mexico may therefore attempt to institutionalize an effective preparatory process to ensure the success of the G20 during 2012. This entails deflecting pressure to add agenda items by devising ingenious “off-ramps” for issues like climate change — proposing terms of reference and inviting future reports to subsequent G20 summits from international institutions, groups of ministers and experts. Catalyzing the appropriate research and policy analysis efforts can be the most effective way to attack complex global deadlocks.

Encouraging emerging countries to assume the burdens of leadership will be an art. President Sarkozy pronounced that “with rights, come duties and responsibilities” (Sarkozy, 2010). Mexico must deal with Chinese reticence to assume leadership. Consistent with former leader Deng Xiaping’s strategy of “keeping a low profile,” China appears unwilling to accept more international responsibility. Chinese interlocutors insist it is still a developing country and it will take “the strenuous efforts of several and even a dozen generations before China can truly achieve modernization.” Mexico is better placed than the US or European countries to overcome Chinese reticence to play a major role in international affairs. Perhaps a way forward will be to locate new institutions in Beijing or to ask China to chair future working groups commissioned by the G20.

Aside from containing the agenda, managing outreach and engaging China, India and Brazil, Mexico must preserve the value of the G20 in building trust and good relations among leaders. The imperative is to enable the leaders’ meeting to be informal and unscripted. Mexico must square the circle of dealing with complex, highly technical problems while maintaining a “fireside chat” degree of intimacy. The secret will be in the preparation of the meeting, so that leaders find the G20 worthwhile and a pleasant experience.

Last year, Mexico picked up the pieces of the fractured negotiations on climate change, very skillfully hosted COP 16 (the United Nations Climate Change Conference) and set the stage for future progress. The G20 appears to be in good hands for 2012.

Works Cited


Barry Carin has served in a number of senior official positions in the Government of Canada and played an instrumental role in developing the initial arguments for the G20 and a leader’s level G20. A senior fellow at CIGI, Barry brings institutional knowledge and experience to his research on the G20, international development, energy and climate change.
CIGI G20 RESOURCES

G20 PAPER SERIES

The Financial Stability Board and International Standards
Eric Helleiner, CIGI G20 Paper No. 1 (June 2010).

Making the G20 Summit Process Work: Some Proposals for Improving Effectiveness and Legitimacy
Barry Carin, Paul Heinbecker, Gordon Smith, Ramesh Thakur, CIGI G20 Paper No. 2 (June 2010).

The G20 and the Post-Crisis Economic Order
Andrew F. Cooper and Colin I. Bradford Jr., CIGI G20 Paper No. 3 (June 2010).

The G20 Framework for Strong, Sustainable and Balanced Growth: A Study in Credible Cooperation
Daniel Schwanen, CIGI G20 Paper No. 4 (June 2010).

The Future of the G20 and Its Place in Global Governance

G7 to G8 to G20: Evolution in Global Governance
Gordon S. Smith, CIGI G20 Paper No. 6 (May 2011).

COMMENTARIES

Benefit Sharing for the French G20: The Role of Asia
Gregory Chin (February 2011).

Understanding Global Interdependencies: The Contribution of Economic Models
Badye Essid and Paul Jenkins (April 2011).

The Global Rebalancing and Growth Strategy Debate
Colin Bradford (April 2011).

REPORTS AND PAPERS

Flashpoints for the Pittsburgh Summit
Edited by Andrew F. Cooper and Daniel Schwanen, CIGI Special G20 Report (September 2009).

The Future of the International Monetary Fund: A Canadian Perspective

The Financial Stability Board: An Effective Fourth Pillar of Global Economic Governance?
Edited by Stephany Griffith-Jones, Eric Helleiner and Ngaire Woods, CIGI Special Report (June 2010).

Leadership and the Global Governance Agenda: Three Voices
Alan A. Alexandroff, David Shorr, Wang Zaibang, CIGI Special Report (June 2010).

Challenges and Opportunities for the French Presidency: The G20 — 2011 and Beyond

The G20 Agenda and Process: Analysis and Insight by CIGI Experts
Compiled and with an introduction by Max Brem, Special Report (March 2011).

Preventing Crises and Promoting Economic Growth: A Framework for International Policy Cooperation

CIGI ’11 — An Unfinished House: Filling the Gaps in International Governance
Barry Carin, Paul Heinbecker, Paul Jenkins and David Runnalls, Background Paper (October 2011).

NATIONAL PERSPECTIVES ON GLOBAL LEADERSHIP

National Perspectives on Global Leadership: Soundings Series — Summity and Public Perceptions
A joint CIGI-Brookings Institution Project, Colin Bradford et al. (March 2011).

NPGL Soundings Series: www.cigionline.org/npgl

ONLINE RESOURCES

G20 Web Page: www.cigionline.org/g20

NPGL Soundings Series: www.cigionline.org/npgl

Summit Speak Blog: www.cigionline.org/publications/blogs/summitspeak

G20 Twitter Feed: twitter.com/cigionline