

## BRIEF COMMENT ON THE AGENDA FOR THE SEVENTH G20 SUMMIT

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### G20 Background

The Group of Twenty (G20) is considered to be the premier forum for international economic cooperation.<sup>1</sup> It consists of 19 countries and the European Union, plus several international organisations that are treated as regular participants. The first G20 Leader's Meeting was convened in Washington in November 2008 principally for the purpose of seeking international cooperation in dealing with the global financial crisis. Subsequent summits were held in London (April 2009), Pittsburgh (September 2009), Toronto (June 2010), Seoul (November 2010) and Cannes (November 2011). The London Summit was pivotal to the G20's response to the global economic crisis; at that summit the Leaders agreed to deliver an unprecedented fiscal stimulus package estimated at over US\$5 trillion, as well as an additional US\$1.1 trillion in resources for the International Monetary Fund, as well as for multilateral development banks, and increased support for trade finance.<sup>2</sup>

The 2012 meeting is planned for Los Cabos, Mexico in June, with finance ministers and central bank governors meeting in April, October and November of this year. The Russian Federation is expected to host the G20 meetings in 2013. The host government, officially referred to as the G20 Presidency, chairs the meetings and drafts the agenda in consultation with the two previous hosts, and then seeks approval from the remaining members. Agendas are subject to change in response to unplanned events. For example, early in 2011, forecasts for a continued recovery from the global financial crisis, and from its recessionary effects in most of the member countries, allowed France to expand the topics for discussion to include other issues that could benefit from international cooperation, such as agriculture, employment, anti-corruption, economic and social development and energy.<sup>3</sup> However, by the middle of 2011 it was becoming clear that the financial markets were hammering Eurozone members for their failure to find a solution to the Greek government's debt problem,<sup>4</sup> which was quickly expanding into a much wider problem. As a result, 12 of the 26 policy statements in the final communiqué related directly or indirectly to the financial market concerns that were raised at previous summits.<sup>5</sup>

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<sup>1</sup> Australian Government, Department of Foreign Affairs and Trade, "G20" at <http://www.dfat.gov.au/trade/g20/index.html#formation>.

<sup>2</sup> *Ibid.*

<sup>3</sup> Wikipedia, "2012 G12 Mexico Summit at: [http://en.wikipedia.org/wiki/2012\\_G-20\\_Mexico\\_summit](http://en.wikipedia.org/wiki/2012_G-20_Mexico_summit).

<sup>4</sup> Wikipedia contains a brief statement of the problem with useful references and a convenient chart at: [http://en.wikipedia.org/wiki/Economy\\_of\\_Greece](http://en.wikipedia.org/wiki/Economy_of_Greece).

<sup>5</sup> The text of the communiqué is available at: <http://www.telegraph.co.uk/finance/financialcrisis/8870083/G20-Leaders-Summit-in-Cannes-final-Communique.html>. Note that 32 numbered statements are included, but some were associated more with procedural matters and were not counted as policy statements. Major events associated with the financial

## Priorities for 2012 and the Focus of Previous Two Summits

The priorities for 2012 G20 Summit were revealed in a speech by President Felipe Calderón Hinojosa that was delivered in Mexico City on 13 December 2011.<sup>6</sup> They are as follows:

1. To restore economic stability, as a essential pre-condition for growth and the creation of jobs;
2. To promote both the strengthening of financial systems and financial inclusion in order to boost economic growth;
3. To improve the international financial architecture so that it functions more effectively with a fully interconnected global economy;
4. To make progress on the issue of food security; and
5. To encourage sustainable development, including a comprehensive plan, an infrastructure agenda, energy efficiency, green growth and financing of sustainable development.

Although the wording of the agenda items differs somewhat from previous years, the nature of the issues has not changed substantially, the main features of which can stated as follows

**Cannes Summit in 2011:** Eurozone debt crisis, financial regulation, trade, jobs, food security, agricultural productivity and development.

- The Summit issued the “Cannes Action Plan for Growth and Jobs”, which was aimed at short-term vulnerabilities of growth and employment and sought ways to strengthen medium-term foundations for growth including plans for a G20 taskforce on youth employment.<sup>7</sup>
- The Summit made a commitment to ensure the adequacy of the European Financial Stability Facility for EU members and IMF resources for G20 members.
- The Summit reaffirmed the G20 anti-protectionism pledge that was initially agreed upon at the 2010 Toronto Summit and agreed to strengthen the World Trade Organisation by considering additional and parallel negotiations beyond the Doha Round of negotiations.
- The Summit endorsed a list of 20 “global systemically important financial institutions” and agreed to strengthen the regulation of “shadow banking activities”.<sup>8</sup>
- The Summit endorsed the 2011 Report of the Development Working Group, which added to the Pittsburgh framework and the Seoul Development Consensus for the purpose of establishing a firmer foundation for “strong and balanced” global economic growth.<sup>9</sup>
- The Summit endorsed the “Action Plan on Food Price Volatility and Agriculture” that was prepared in June 2011 by the G20 agricultural ministers to address the ultimate objective of improving global food security.<sup>10</sup>

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crisis, which formed the basis for the 12 statements that were counted as crisis-related, are outlined by Jean-Marie Harribey in “Economic Crisis: Fighting Back: We Need a Third Way, Now,”, *Le Monde Diplomatique*, 1 November 2011 at: <http://mondediplo.com/2011/11/05globalisation>.

<sup>6</sup> The text is available at: <http://g20mexico.org/index.php/en/press-room/speeches/159-palabras-del-presidente-de-los-estados-unidos-mexicanos-licenciado-felipe-calderon-hinojosa-durante-el-seminario-g20en-mexico-los-retos-actuales-para-el-crecimiento-economico-mundial-que-tuvo-lugar-en-est>.

<sup>7</sup> A short summary (2 pages) is available at: [http://www.g20-g8.com/g8-g20/root/bank\\_objects/Action\\_Plan.pdf](http://www.g20-g8.com/g8-g20/root/bank_objects/Action_Plan.pdf).

<sup>8</sup> More detail is available on this endorsement from the Financial Stability Board at [http://www.financialstabilityboard.org/publications/r\\_111104bb.pdf](http://www.financialstabilityboard.org/publications/r_111104bb.pdf). “Shadow banking” refers to agents and intermediaries who provide credit facilities independently of the banking system. A 40-page document is available on this at [http://www.financialstabilityboard.org/publications/r\\_111027a.pdf](http://www.financialstabilityboard.org/publications/r_111027a.pdf).

<sup>9</sup> The relevant document is available at: [http://www.g20-g8.com/g8-g20/root/bank\\_objects/20111028\\_REPORT\\_WG\\_DEVELOPMENT\\_vANG%5b1%5d.pdf](http://www.g20-g8.com/g8-g20/root/bank_objects/20111028_REPORT_WG_DEVELOPMENT_vANG%5b1%5d.pdf).

- The Summit endorsed the G20 Anti-Corruption Action Plan that established an “agenda for combating corruption, promoting market integrity and supporting a clean business environment.”<sup>11</sup>
- Finally the Summit welcomed voluntary participation in the “Extractive Industries Transparency Initiative”.<sup>12</sup>

**Seoul Summit in 2010:** Seoul Action Plan for macroeconomic recovery and sustainable growth, guidelines to address large current account imbalances, agreement on the Basel III package of reforms to strengthen supervisory oversight of the global financial system,<sup>13</sup> fight trade protectionism and promote open trade and investment, and progress in strengthening financial safety nets.

The Summit delivered the “Seoul Action Plan”<sup>14</sup> which included the following sub-divisions of actions:

- *Infrastructure:* develop comprehensive infrastructure action plans; establish a G20 high-level panel for infrastructure investment.
- *Human resources:* create internationally comparable skill indicators; enhance national employable skills strategies.
- *Private investment and job creating:* support responsible value-adding private investment and job creation.
- *Food security:* Enhance coherence and coordination; mitigate risk in price volatility and enhance protection for the most vulnerable.
- *Growth and resilience:* Support developing countries to strengthen and enhance social protection programs; facilitate the flow of international remittances.
- *Financial inclusion:* Establish the global partnership for financial inclusion; SME finance challenge and finance framework for financial inclusion; implement the action plan for financial inclusion.

## The World Economic Forum 2012

The World Economic Forum (WEF) is an “independent international organisation committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape, global, regional and industry agendas”.<sup>15</sup> Its direct connection with G20 summits is

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<sup>10</sup> The 24-page report is available at: [http://www.g20-g8.com/g8-g20/root/bank\\_objects/ANG\\_20110623\\_PLAN\\_D\\_ACTION\\_AGRI\\_vANG.pdf](http://www.g20-g8.com/g8-g20/root/bank_objects/ANG_20110623_PLAN_D_ACTION_AGRI_vANG.pdf).

<sup>11</sup> A 3-page statement is available at: [http://www.mofa.go.jp/policy/economy/g20\\_summit/2010-2/annex3.pdf](http://www.mofa.go.jp/policy/economy/g20_summit/2010-2/annex3.pdf).

<sup>12</sup> Information about the EITI is available at: <http://eiti.org/>.

<sup>13</sup> A good introduction to Basil III is available from PricewaterhouseCoopers: “A Practitioner’s Guide to Basil III and Beyond”. The first 27 pages can be obtained at: <http://www.pwc.com/gx/en/financial-services/publications/basel-III-and-beyond.jhtml> and this is probably all that most readers of this note would.

<sup>14</sup> The text of the Action Plan is available at: <http://www.economicsummits.info/2010/11/seoul-summit-annex-2-g20-action-plan-on-development/>.

<sup>15</sup> This statement was taken from World Economic Forum homepage at: <http://www.weforum.org/>.

relatively thin, but some observers consider it to be a form of weather vane<sup>16</sup> to show the direction and the magnitude of the wind that is likely to blow through to the subsequent G20 meeting.

The WEF held 260 sessions between 25 and 29 January with a wide range of topics, the diversity of which can be seen from the following set of 11 topics taken from the first page of the session appearing on the Internet site of the WEF:

- The Future Across Generations (with major emphasis on “debt, sustainability and social equity”).
- The Davos Debrief: Sustainability and Resource Models.
- The Global Agenda 2012 (with the top priority being the Eurozone crisis).
- The Davos Debrief: Social and Technological Models (with attention given to serious social, political and ethical issues arising from new technology).
- New Models for Ageing Societies.
- The Davos Debrief: Leadership and Innovation Models (with emphasis on accelerated communications and public demand for immediate information).
- The Davos Debrief: Growth and Employment Models (with emphasis on a human capital index to help close the gap between skills that are available and what business requires).
- After Doha: The Future of Global Trade
- Civilization and Transformation: Myths of Our Creation
- Brazil Outlook
- Beyond Basil: Financial Institution Regulation

Extensive coverage of the WEF is available from the *Financial Times*<sup>17</sup> and from *The Guardian*.<sup>18</sup> General comment from these and related sources convey the belief that the Forum was strong on elucidating problems but weak on finding solutions. As expressed by Larry Elliott, the economics editor for *The Guardian*:<sup>19</sup>

If the world economy was a video game, the central bankers and politicians have been struggling to master the controls – and remain stuck on the first level. ... There is a way through the labyrinth provided policymakers avoid the obvious pitfalls and work methodically. One problem has been that they have tried to find short cuts over the past few years rather than work their way through the levels in the right sequence. ... What does it mean? It means that blanket austerity is not working. And it means that what was originally a global response to a global crisis has become a series of national responses to

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<sup>16</sup> The phrase was used by Matthew Allen, “Europe Spoils WEF Party in Davos”, *Eurasia Review*, 29 January 2012. Available at: [http://www.eurasiareview.com/29012012-europe-spoils-wef-party-in-davos/?utm\\_source=feedburner&utm\\_medium=email&utm\\_campaign=Feed%3A+eurasiareview%2FVsnE+%28Eurasia+Review%29](http://www.eurasiareview.com/29012012-europe-spoils-wef-party-in-davos/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+eurasiareview%2FVsnE+%28Eurasia+Review%29).

<sup>17</sup> Available at <http://www.ft.com/intl/indepth/davos> but note that subscription is needed for most of the articles.

<sup>18</sup> Available at <http://www.guardian.co.uk/business/davos>.

<sup>19</sup> Larry Elliott, “Davos Policymakers are Playing Global Apocalypse – and Running Out of Lives”, *The Guardian*, 29 January 2012. Available at: <http://www.guardian.co.uk/business/economics-blog/2012/jan/29/global-economic-crisis-policymakers-apocalypse>.

national crises. It means that Europe is treating a three-dimensional problem (growth, banks, public finances) with a one-dimensional fix of deficit reduction. It means that the global economy is still struggling to get beyond level one of Global Apocalypse. And if policymakers don't start showing a bit more skill, it will soon be Game Over and time to play Global Apocalypse 2.

### **Assessment**

Each Summit mirrors the special interests of the respective host governments and generally displays the collective personality of ministers and public servants who are instrumental in forming the agenda and administering it with documents. While a major breakthrough in commitments made by G20 members is often sought, goals or objectives that are set into the future may not be as achievable, or if achieved may not be as beneficial, as was originally thought. For example, the Toronto Declaration in June 2010 secured a commitment by G20 members with “advanced fiscal deficits” to at least halve them by 2013 and to stabilise or reduce sovereign debt ratios by 2016.<sup>20</sup> Recent experience suggests that nations with fiscal deficits that are well above the average for similarly situated nations are likely to require more time and additional external support to achieve a constructive mixture of policies to stimulate growth and simultaneously to reign in excessive spending. The latter normally at least partly nullifies the former since either private or public sector spending is necessary to stimulate growth under conditions of weak aggregate demand.

The action plans that emerge from the summits are undertaken individually, but hopefully in a cooperative manner, by the 19 G20 member nations and the 27 members (as at November 2010) of the European Union. The structure of the G20 provides no means for monitoring progress, though some G20 Presidencies have pressed G20 members to summarise the planned timetable for their respective “actions”. Generally monitoring activities depend upon non-government organisations within each nation state and to an increasing extent upon private citizens who use blogs or other social networking facilities to query what their governments are doing. This lack of formal reporting procedures may be viewed as a weakness of the G20 structure, but monitoring within each member state is likely to prove more effective in the long run since it directly involves citizen participation. Such participation would appear to be essential to preserve democracy in a globalised economy with an accompanying proclivity for establishing supranational administrative units that officially answer only to their own boards of directors.

It is largely for this reason that the Australia-China Chamber of Commerce and Industry instituted a “G20 page” to monitor the economic and political issues among G20 members, as reported in the media and private-sector think-tanks, and to try to correlate these issues with those selection for potential action plans at the G20 Summit. The 2012 G20 Summit in Los Cabos may become an important one, if only to test the ability of the G20 to demonstrate success, rather than merely claiming it, in the continuing saga following the issue on which the G20 was founded – the global

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<sup>20</sup> Australian Government, Department of Foreign Affairs and Trade, “G20” at <http://www.dfat.gov.au/trade/g20/index.html#formation>.

financial crisis. Failure to demonstrate success could be construed as a basic failure of the member nation-states to tackle global issues on a cooperative basis. It could also be construed as evidence that nation-states no longer make and administer public policy within their sovereign jurisdiction and are no longer capable of controlling, regulation and influencing, persons, actions and events within their boundaries. Rather, failure might suggest that financial markets now inform the citizens of each nation-state as to what they must do and what they must not do.<sup>21</sup>

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<sup>21</sup> A statement similar to this was made by Wolfgang Streeck, "Democracy As Much At Risk As Economics: Markets Now Rule the World", *Le Monde Diplomatique*, 1 January 2012, available to subscribers at: <http://mondediplo.com/2012/01/07crisis>. Other writers have expressed similar views, one of which was cited in footnote 5 above. See also the comment by Ibrahim Warde, "The Markets You Didn't Vote for Control Your Governments: Higher Finance", *Le Monde Diplomatique* 1 September 2011 at: <http://mondediplo.com/2011/09/03finance>, also available only to subscribers.