G20 MONITOR

From Turkey to China: What lies ahead for the G20 in 2016?

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OVERVIEW

TRISTRAM SAINSBURY[1]

The 17th issue of the G20 Monitor examines the progress made by the 2015 Turkish G20 Presidency and explores potential priority areas for the 2016 Chinese Presidency.

In their paper on Turkey's 2015 Presidency, **Ussal Sahbaz** and **Feride Inan** outline the core agenda that has taken shape so far, and suggest that the G20 has made headway across each of its three priority 'I's' of investment, implementation, and inclusiveness. In particular, the Turkish Presidency has introduced two key initiatives that will contribute to the G20's ongoing efforts in the pursuit of strong, sustainable, and balanced growth: an accountability framework for G20 efforts on growth, and country-specific investment strategies for each G20 member. In addition, Sahbaz and Inan assert that the Turkish Presidency's inclusiveness agenda is indeed resonating, with the establishment of the World Small and Medium Enterprise (SME) Forum a key achievement of Turkey's host year. However, deeper policy coherence across working streams is needed to ensure more substantial gains on the G20's development agenda.

China will need to be ambitious yet realistic in what issues it prioritises.

The 2016 Chinese G20 Presidency is shaping up as one of the most highly anticipated since the G20 was elevated to a leader-level forum in 2008. China will need to be ambitious yet realistic in what issues it prioritises and the reforms that it will stake its reputation on, as G20 host. However, as yet it is unclear what China's priorities will be. This is to be expected given there are still three months until the Chinese host year commences, and the global economic and political context could undergo significant shifts in this time. The global economy will continue to evolve in ways that will send important signals about the nature of macroeconomic cooperation and that will underpin G20 policy discussions. Several key G20 meetings are also scheduled between September and November that will form the platform for China's host year, including among finance ministers and central bank governors, energy ministers, and leaders. At these meetings, the G20 will make decisions that affect all three 'I's' of Turkey's agenda, and also make progress across the broader G20 agenda, including decisions on the capital requirements for too-big-to-fail banks and the final eight recommended actions as part of the two-year G20/OECD Base Erosion and Profit Shifting (BEPS) agenda.

The Chinese G20 agenda will also be influenced by other international and domestic events. Key international meetings on the post-2015

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Sustainable Development Goals in September and the United Nations Framework Convention for Climate Change (UNFCCC) Conference of the Parties (COP21) meeting in Paris in December will define the future direction of key fields of interest to the G20. Further, China will unveil its domestic social and economic agenda when it releases the initial draft of its 13th Five Year Plan in October 2015.

In the course of its preparations as host, China is consulting broadly, thinking deeply, and remaining open to a broad range of priority areas. Indications are that China will seek pragmatic progress that largely conforms to the existing and well-defined G20 agenda, rather than making more controversial transformative changes to the G20 remit. However, the G20's present scope is still remarkably broad. Areas as diverse as growth, employment, investment, trade, finance, taxation, energy, climate change, development, and anti-corruption already offer substantial opportunities to prosecute the G20's central ambitions of strong, sustainable and balanced growth, and increased economic resilience.

…China will seek pragmatic progress that largely conforms to the existing and well-defined G20 agenda…

Ye Yu suggests that the Chinese G20 Presidency comes at an opportune time in the forum's evolution from managing the response to the financial crisis to promoting short-term growth and longer-term economic development. In particular, the forum is now faced with addressing some of the more long-term challenges of economic development. Dr Ye explores the broad range of opportunities that are available for the Chinese Presidency, and argues that the G20 will need to do three things: implement past commitments, push forward unsolved issues on the economic agenda, and be ready to react to new global developments. She canvasses options for financial regulatory reform, the financial safety net, growth, investment, trade, and development.

This edition of the G20 Monitor also explores two areas through which China could establish itself as a credible and constructive power in the governance of the global economy: energy governance and multilateral trade. **Hannah Wurf** asks what the G20 can do to promote the energy agenda in 2016, reflecting on a conference in Shanghai in July 2015, "The Impact of Low Oil Prices and the Role of the G20 in Global Energy Governance". In light of the G20 leaders' landmark agreement last year to bring together G20 energy ministers to discuss options to take forward the G20's Principles on Energy Collaboration, Wurf examines the prospects of membership reform of the International Energy Agency. She also considers the nexus between climate change and energy, and offers thoughts about how China could advance the energy agenda in 2016.

Heribert Dieter notes that the G20 has had limited success in reinvigorating the multilateral trade agenda, and that the key opportunity for the G20 in this constrained policy space is in exploring innovations that could turn rhetoric into action. As Dieter reminds us, at the 2014

Brisbane Summit, leaders committed to discuss how to make the trade system work better at the Antalya Summit the following year. In light of proliferating mega-regional trade arrangements such as the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP), there is potential for an ambitious 2016 Chinese Presidency to take pragmatic steps forward in reviewing the way that the World Trade Organization (WTO) makes decisions. In addition, Dieter suggests that China's Presidency presents an opportunity for G20 leaders to push their trade minsters to finally conclude the long-stalled Doha Development Round.

Finally, **Barry Carin** and **I** explore ways that China can improve G20 processes in 2016. We suggest that the longevity of the G20 depends on smooth, efficient processes that lay the groundwork for the annual leader-level summit. Better processes underpin the delivery of better outcomes, which both legitimise the G20 and help maintain buy-in from leaders and officials. The G20 has benefited from its informal structure and flexibility, and we explain that there are compelling arguments against suggestions that the G20 establish a permanent secretariat. However, the G20 remains a relatively new forum and its success requires the ongoing commitment of G20 presidencies to improve the informal process and maximise chances of success. We suggest that China focus on ensuring that the right people are in the room, using the troika to its full potential, and investing in better communication to the broader community.

TURKEY'S G20 PRESIDENTIAL PRIORITIES CRYSTALLISE AHEAD OF THE ANTALYA LEADERS' SUMMIT

FERIDE İNAN AND USSAL SAHBAZ[1]

INTRODUCTION

The priorities of the Turkish G20 Presidency in 2015 are the right place to start the discussion of China's G20 Presidency next year. The Turkish Presidency's priorities of inclusiveness, implementation, and investment for growth (referred to as the three 'I's') constitute an important step towards voicing issues that concern developed, emerging, and developing economies. Building on the experience of previous G20 hosts, these priorities ensure continuity in the G20 agenda. In addition, the Turkish Presidency has identified two priority areas: small and medium sized enterprises (SMEs) and low-income developing countries (LIDCs). This paper highlights the Turkish G20 Presidency's signature priorities regarding the G20 growth strategies and infrastructure and investment (as part of both the implementation and investment priorities) as well as development, SMEs, and employment (all of which address the third priority of inclusiveness). We conclude with an analysis of achievements and setbacks in realising the Presidency's signature initiatives, and point to implications for the Chinese G20 Presidency.

IMPLEMENTING GROWTH STRATEGIES

At the 2014 Brisbane Summit, G20 leaders unveiled 1000-plus actions that, if fully implemented, are expected to add 2.1 per cent to G20 growth by 2018. Further, each country prepared growth strategies covering a substantial number of macroeconomic and structural reform commitments that aim to enhance growth by "fostering better-quality public and private investment, particularly in infrastructure; promoting competition; enhancing trade; and lifting employment and participation."[2] The IMF and OECD claim that these actions have the potential to meet

[1] Feride İnan is the Think20 (T20) coordinator and Ussal Sahbaz is Director of G20 Studies Center at the Economic Policy Research Foundation of Turkey (TEPAV), which is chairing the T20 in 2015.

[2] G20, *Brisbane Action Plan,* November 2014, https://g20.org/wp-content/uploads/2014/12/brisbane_action_plan.pdf.

the leaders' commitment to lift G20 output by more than 2 per cent over five years.[3]

To ensure that the 2 per cent growth target is met, the Turkish 2015 G20 Presidency is developing an accountability framework. Of the 1000-plus growth pledges, Turkey has asked each country to emphasise only a small number of their most important commitments that will have the greatest impact on growth.[4] These will be assessed against an evaluation framework developed by the IMF, OECD, and the World Bank. The IMF and OECD will make an assessment of where the G20 stands in terms of meeting the overall growth ambition at the Antalya Summit.[5]

The accountability framework aims to help countries adapt their growth strategies to changing circumstances. In their February meeting in Istanbul, G20 finance ministers and central bank governors emphasised a focus on reducing external imbalances and income inequalities as part of the accountability framework. The emphasis on income inequalities was reinforced at the meeting of finance ministers and central bank governors in April 2015.

INFRASTRUCTURE AND INVESTMENT

To support the 2 per cent growth ambition, the Turkish Presidency asked each country to develop an investment strategy.

To support the 2 per cent growth ambition, the Turkish Presidency asked each country to develop an investment strategy. The country-specific investment strategies will focus on infrastructure, small and medium enterprises, and the investment environment, and will include a quantitative assessment of the public and private investment pledges included in the strategies. Countries will present their individual investment strategies to leaders at the November summit. The investment strategies are designed to help countries address shortfalls in their growth outlooks by stimulating more infrastructure investment. They will also support the G20's multi-year Global Infrastructure Initiative.

To continue to boost private investment in infrastructure globally, the Turkish Presidency is supporting improvements in global infrastructure investment. These improvements include optimising the use of multilateral and national development bank resources, facilitating the development of appropriate financial vehicles such as securitisation and

[3] G20, *G20 Leaders' Communiqué*, Brisbane, 15–16 November 2014, https://g20.org/wp-content/uploads/2014/12/brisbane_g20_leaders_summit_communique1.pdf.

[4] G20, *Finance Ministers and Central Bank Governors Meeting Communiqué*, 16–17 April 2015, Washington DC, https://g20.org/wp-content/uploads/2015/04/April-G20-FMCBG-Communique-Final.pdf.

[5] G20, *Finance Ministers and Central Bank Governors Meeting Communiqué*, 9–10 February 2015, Istanbul, https://g20.org/wp-content/uploads/2015/02/Communique-G20-Finance-Ministers-and-Central-Bank-Governors-Istanbul1.pdf.

asset-based financing structures, and strengthening "capacity building and the functioning of PPP models."[6]

DEVELOPMENT AND LOW-INCOME DEVELOPING COUNTRIES (LIDCS)

The Turkish Presidency has put development at the centre of its agenda this year under its inclusiveness priority. In doing so it has placed special emphasis on the global development agenda, which includes major events in 2015: the Third International Conference on Financing for Development in Ethiopia which took place in July, the UN General Assembly in New York in September where the Sustainable Development Goals (SDGs) will be adopted by member states, and the Conference of the Parties meeting on the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in December.[7]

In its priorities document, the Turkish Presidency emphasised the global economic integration of low-income and developing countries "through concrete and growth-oriented actions."[8] The focus areas for low-income and developing countries include improving infrastructure investment, broadening financial inclusion, reducing average costs of remittances transfers globally, building local capacity for low-income and developing countries to benefit from the international tax agenda, supporting food security, developing human resources as well as enhancing the private sector's role and contribution in development.[9]

Three G20 Development Working Group (DWG) meetings have taken place under the Turkish Presidency. In these meetings, five areas of the existing G20 development agenda were brought into focus: infrastructure, domestic resource mobilisation, human resource development, financial inclusion and remittances, and food security and nutrition. In the first meeting, working group members also decided to initiate work on an inclusive business framework in relation to the role of the private sector in development.[10] A day before the second G20 DWG meeting, a G20-B20 Inclusive Business Workshop was held in Ankara.[11]

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[6] Ibid.

[7] G20, *Turkish G20 Presidency Priorities for 2015*, 1 December 2014, https://g20.org/wp-content/uploads/2014/12/2015-TURKEY-G-20-PRESIDENCY-FINAL.pdf.

[8] Ibid.

[9] Ibid.

[10] G20, First Development Working Group Meeting, Istanbul, 2–3 February 2015, https://g20.org/g20-dwg-meeting-held-istanbul/; Second Development Working Group Meeting, Ankara, 9–10 April 2015, https://g20.org/second-g20-development-working-group-meeting-held-in-ankara/; Third Development Working Group Meeting, Izmir, 4–5 June 2015, https://g20.org/third-meeting-of-the-g20-development-working-group-held-in-izmir/.

[11] G20-B20, Workshop on "Inclusive Business", 8 April 2015, Ankara https://g20.org/turkey-hosted-g20-b20-workshop-on-inclusive-business/. See also

This year, the financial inclusion agenda has also put special emphasis on the perspectives of non-G20 countries, specifically LIDCs. The Turkish Presidency has also driven a focus on youth, the economic empowerment of women, access to finance for small and medium enterprises, increasing the private sector's role in financial inclusion, supporting the G20's target to reduce the global average cost of transferring remittances to 5 per cent, and continuing to monitor countries' responses to the G20's call to action on remittances.[12]

For the food security agenda, G20 Agriculture Ministers met in Istanbul in May 2015. They underlined their commitment to meet the challenges of food security, sustainable food systems, and reducing food waste, and agreed to prepare a G20 Action Plan on Food Security and Sustainable Food Systems to be passed onto leaders.[13]

Access to energy for all (with a focus on Sub-Saharan Africa) has also been a central focus this year in the G20.

Access to energy for all (with a focus on Sub-Saharan Africa) has also been a central focus this year in the G20.[14] On 1 October 2015, the high-level conference on access to energy in Sub-Saharan Africa will be held, one day before the first G20 Energy Ministers' Meeting. A G20 Energy Access Action Plan with a particular focus on Sub-Saharan Africa is on the table.

The G20 finance track also began with an ambitious agenda for low-income and developing countries, although efforts do not appear to have delivered anything substantial to date. In both the February 2015 and April 2015 finance ministers and central bank governor communiqués, the G20 extended its support to the three UN agenda meetings in 2015, without stating any specifics.[15] Also engaging with the UN agenda, the G20 Turkish Presidency held two side events at the Third International Conference on Financing for Development: "Inclusive Business as Contributor to the SDGs Implementation" in collaboration with Coalition for Dialogue on Africa (CoDA), the World Bank Group (WBG), the United Nations Development Programme (UNDP), Business20 (B20) and Think20 (T20); and "Priorities of the Turkish G20 Presidency with

https://g20.org/wp-content/uploads/2015/05/Agenda-Concept-Paper-Speakers----Biographies-and-List-of-Participants.pdf for agenda, concept paper, speakers' biographies and list of participants.

[12] G20, *Global Partnership for Financial Inclusion: Turkish 2015 Priorities Paper*, http://www.gpfi.org/sites/default/files/documents/Turkish%202015%20GPFI%20Priorities%20Paper.pdf.

[13] G20, *Agriculture Ministers Meeting Final Communiqué*, Istanbul, 7–8 May 2015, https://g20.org/wp-content/uploads/2015/05/G20-Agriculture-Ministers-Final-Communique.pdf.

[14] G20, First Meeting of the Energy Sustainability Working Group, 24–25 February, Antalya, https://g20.org/first-g20-energy-sustainability-working-group-held-in-antalya/; Second Meeting of the Energy Sustainability Working Group, 25–26 May, Istanbul, https://g20.org/second-meeting-of-the-energy-sustainability-working-group-held-in-istanbul/.

[15] G20, *Finance Ministers and Central Bank Governors Meeting Communiqué*, 16–17 April 2015 and G20, *Finance Ministers and Central Bank Governors Meeting Communiqué*, 9–10 February 2015.

Particular Focus on Development" in collaboration with Civil20 (C20), T20 and Network of Southern Think-Tanks (NeST).

SMALL AND MEDIUM SIZED ENTERPRISES (SMES)

Central to the Turkish Presidency's priority of inclusiveness has been the emphasis on SMEs, which are critical for job creation globally. They are also critical for social cohesion, equitable growth, and poverty alleviation. SMEs employ more than two-thirds of the workforce in the private sector, and provide more than 80 per cent of net job growth.[16]

In 2015, the Turkish Presidency also seeks better integration of SMEs into global value chains and to improve SME access to finance. Most significantly, in May 2015 the Turkish Presidency endorsed the creation of the World SME Forum, established by the Union of Chambers of Turkey (TOBB) in partnership with the International Chamber of Commerce. The World SME Forum is envisioned as a multilateral organisation consisting of different SME organisations including related unions of chambers, as well as entities involved in the financing of SMEs and those that include SMEs in their supply chains. The World SME Forum will advocate for the economic interests of SMEs globally. It aims to ensure that SMEs are effectively represented in international governance institutions, such as the G20, Asia-Pacific Economic Cooperation (APEC), and the Association of Southeast Asian Nations (ASEAN), and will provide advisory and technical assistance services, and establish digital platforms to facilitate the inclusion of SMEs into global supply chains.

G20 finance ministers and central bank governors recognised the establishment of the World SME Forum during the IMF-World Bank Spring Meetings in April, and G20 countries have also indicated an interest in supporting the Forum.[17] The G20 finance track has also ensured that SMEs are one of the three focus areas that comprise the country investment plans that will be submitted to G20 leaders in Antalya.

EMPLOYMENT

Addressing rising inequalities and promoting inclusive growth are integral to the G20 employment agenda in 2015. The main priority areas in the employment agenda are the links between growth and employment, gender equality, youth employment, better occupational health and safety, and skill strategies.

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[16] Chiara Criscuolo, Peter N. Gal and Carlo Menon, "The Dynamics of Employment Growth: New Evidence from 18 Countries," *OECD Science, Technology and Industry Policy Papers*, No. 14 (Paris: OECD Publishing, 2014), http://dx.doi.org/10.1787/5jz417hj6hg6-en.

[17] G20, World SME Forum Launched in Istanbul by G20 Turkish Presidency, 23 May 2015, https://g20.org/world-sme-forum-launched-in-istanbul-by-g20-turkish-presidency/.

In its priorities document, the Turkish Presidency called for a discussion of the causes of persistent unemployment trends to better understand the factors that lie behind the increase in jobless growth. Turkey also indicated that it would initiate a discussion on the decline in labour incomes as a share of GDP.[18]

The G20 Employment Task Force was elevated to the G20 Employment Working Group (EWG) during Turkey's Presidency. At its first meeting, the G20 EWG focused on strengthening the link between employment and growth, enhancing policy coherence between growth strategies and employment plans, and examining the impact of labour income share on employment and growth.[19] A sub-group was established on Labour Income Share and Inequalities, which had its first meeting on 5 May 2015. It is still early days in discussions about this complex problem.[20]

In line with its priority of inclusiveness, the Turkish Presidency has also emphasised its "commitment on strengthening gender equality in employment as well as addressing youth unemployment."[21] The EWG has sought to monitor progress on the gender employment gap target (to reduce the gender gap by 25 per cent by 2025) that leaders outlined at the Brisbane Summit.[22] The EWG has also focused on measuring trends and monitoring progress on youth employment and whether the G20 should set a youth target for employment.[23] The EWG also held an informal meeting on 'safer workplaces' where they shared their own country experiences and discussed how to better monitor and report on progress related to occupational health and safety measures.[24]

Skill strategies have also been on the agenda this year, including vocational training and quality apprenticeships. The second G20-OECD Conference on Promoting Quality Apprenticeships was held in Antalya, alongside the first G20 EWG meeting, with representatives from the B20, C20 and international organisations, as well as CEOs.[25] The B20 and Labour20 (L20) will also present a joint declaration titled "Jobs, Growth and Decent Work" to the G20, emphasising education and training for "developing skills for better adapting to constant changes in technology

[18] G20, *Turkish G20 Presidency Priorities for 2015*.

[19] G20, First Employment Working Group Meeting Held in Antalya, 26–27 February 2015, https://g20.org/first-employment-working-group-meeting-held-in-antalya/.

[20] G20, Second Employment Working Group Meeting Held in Istanbul, 7–8 May 2015, https://g20.org/second-meeting-of-the-g20-employment-working-group-held-in-istanbul/.

[21] G20, *Turkish G20 Presidency Priorities for 2015*.

[22] G20, *G20 Leaders' Communiqué*, Brisbane, 15–16 November 2014.

[23] G20, First Employment Working Group Meeting Held in Antalya.

[24] G20, Second Employment Working Group Meeting Held in Istanbul.

[25] G20-OECD, Conference on Promoting Quality Apprenticeships, Antalya, 9 July 2015, https://g20.org/g20-oecd-conference-on-promoting-quality-apprenticeships-held-in-antalya/.

and the digital age."[26] On a similar note, the T20 presented a proposal to the G20 EWG for the establishment of the Global Skills Accelerator, intended to promote global cooperation to develop skills and capacities that match international market standards, including digital skills.[27]

SUMMARY OF TURKEY'S PROGRESS

The Turkish Presidency's efforts on its core priorities lead us to four conclusions: Turkey has made headway in ensuring the implementation of G20 growth commitments; the Presidency's inclusiveness agenda is resonating; deeper policy coherence across working streams for the development agenda remains a work in progress; and greater G20 policy coherence can be achieved through better coordination, especially at the bureaucratic level.

In 2015, the Turkish Presidency has introduced two key growth initiatives: the accountability framework and country-specific investment strategies. The accountability framework aims to help countries adapt their growth strategies to changing global circumstances in order to achieve the 2 per cent growth target, with a focus on each country's most substantive commitments. Country-specific investment strategies are envisioned to help countries address shortfalls in their growth commitments by stimulating more infrastructure investment.

The successes of the Turkish Presidency's inclusiveness agenda can be seen most clearly through the development agenda, the inclusive business framework, and the employment agenda. The G20 development agenda and Turkey's focus on low-income and developing countries aligns with this year's key UN development initiatives; however, how effectively the G20 will engage with the UN development agenda is yet to be seen. Two ministerial meetings are being held for the first time in 2015: G20 Agriculture Ministers met in May and G20 Energy Ministers will meet in October.

The successes of the Turkish Presidency's inclusiveness agenda can be seen most clearly through the development agenda, the inclusive business framework, and the employment agenda.

The newly designed country-specific investment strategies are critical to keep the SME agenda afloat. Moreover, the creation of the World SME Forum endorsed by the Turkey's G20 Presidency may prove to be an important step towards linking SMEs to the broader economy. The Turkish Presidency's employment agenda has also highlighted the link between growth and employment, putting a greater emphasis on skill strategies, reaching out to engagement groups, and paving the way for a

[26] B20-L20, *Draft Joint B20-L20 Statement on Jobs, Growth and Decent Work*, 18 July 2015, http://www.ioe--emp.org/fileadmin/ioe_documents/publications/Policy%20Areas/business_and_human_rights/EN/_2015-07-31__C-179_Link_B20-L20_Statement.pdf.

[27] Think 20 Turkey, *A Proposal for a Global Skills Accelerator*, May 2015, http://www.t20turkey.org/images/pdf/A%20Proposal%20for%20a%20Global%20Skills%20Accelerator.pdf.

discussion on the labour market adjustments needed to respond to changes in technology and the digital economy.

The development agenda cuts across other policy areas, yet the lack of policy coherence among working streams, particularly finance and development, has had a negative effect on the G20's development agenda. Developmental issues such as food security, energy access, and financial inclusion require infrastructure as well as financial tools to be implemented. While the G20 finance track started off with an ambitious agenda to establish a comprehensive framework for LIDCs, including developing relevant financial tools, the initiative seems to be put on hold for the moment. There is a need to improve policy coherence between the G20 Development Working Group and other working groups, particularly the G20 Infrastructure and Investment Working Group and the G20 Employment Working Group.

Under the Turkish Presidency, a joint Labour and Finance Ministers Meeting is being planned in September. While such a meeting may provide an opportunity to coordinate policies, it is critical that it produces tangible outcomes in order to demonstrate that G20 members are coordinating at the political level and policy-making level.

IMPLICATIONS FOR CHINA IN 2016

Turkey's 2015 G20 Presidency has focused on continuing previous commitments as well as introducing some new elements to the agenda. Several lessons seem pertinent for China's host year in 2016. China should leverage Turkey's work on the accountability framework and on identifying key growth commitments for each country to make sure the growth plans are on track to meet the 2 per cent target. China could build on the 2015 Presidency by continuing to push forward the G20 work on infrastructure and investment, which aligns with China's own interest in better cooperation on investment. China should embrace the narrative of inclusiveness, which is important for G20 legitimacy and helps change the perception that the G20 is an elite group. One way China can continue Turkey's work on inclusiveness is to clearly articulate the G20 development agenda vis-à-vis linking the development agenda to the G20 finance track, in particular in infrastructure and investment.

CHINA'S 2016 G20 PRESIDENCY: TRENDS, ISSUES, AND REALISTIC EXPECTATIONS

YE YU[1]

INTRODUCTION

The G20 was established and elevated to the leader level in recognition of the need for major advanced and emerging economies to come together and bridge gaps in global economic governance. This paper explores the opportunities and challenges for China's G20 Presidency next year. First, it details the economic backdrop that will underpin next year's G20 Presidency. It then outlines the G20's objectives and how the G20 emphasis has shifted over time from stability and crisis response to growth and long-term economic development. The last section looks at specific policy areas that China could address.

THE CONTEXT OF THE CHINESE 2016 PRESIDENCY

The weak and uneven recovery of the world economy is expected to continue, but momentum is shifting to the advanced economies. Most recently, the IMF has predicted that 3.3 per cent global growth in 2015 will increase to 3.8 per cent in 2016.[2] Growth in advanced economies is expected to improve, while growth in emerging and developing countries is slowing down.[3] Most significantly, the Chinese economy is expected to further adjust to a 'new normal' and growth is expected to decelerate to just above 6 per cent in 2016.[4] The world economy continues to be threatened by risks and uncertainties, including monetary policy changes, volatile financial and commodity markets, prolonged uncertainty in the euro area, and geopolitical conflicts.

With regards to the trends within global economic governance, regionalisation continues in trade, investment, and development. Regional initiatives will remain the priority of major economies in the

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[2] IMF, *World Economic Outlook Update*, July 2015, http://www.imf.org/external/pubs/ft/weo/2015/update/02/.

[3] The World Bank Group, *Global Economic Prospects, The Global Economy in Transition*, June 2015, http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015b/Global-Economic-Prospects-June-2015-Global-economy-in-transition.pdf.

[4] IMF, *World Economic Outlook Update*, July 2015, http://www.imf.org/external/pubs/ft/weo/2015/update/02/.

short and medium term. Leading trade economists predict that the Doha Round of the World Trade Organization (WTO) is unlikely to conclude before 2020 and WTO engagement in supply-chain issues is unlikely before the Doha Round concludes.[5] The multilateral trade regime continues to fragment, for example through the Trans-Pacific Partnership (TPP), China–US Bilateral Investment Treaty, Regional Comprehensive Economic Partnership (RCEP), and Trans-Atlantic Trade and Investment Partnership (TTIP). The launch of the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (NDB) has created new regional and cross-regional development banks.

Despite the trend towards regionalisation, some major global summits will take place before the Chinese G20 Presidency. These have the potential to generate momentum for multilateralism: the post-2015 Sustainable Development Goals (SDGs) will be adopted by the UN General Assembly in September, and the United National Framework Convention on Climate Change (UNFCCC) Conference of the Parties negotiations will be held in Paris in December. These summits could set some key milestones for future global cooperation. However, if outcomes disappoint, their failures will shake public confidence in multilateralism, the G20, and the ability of the world to negotiate outcomes on the pressing issues that the world faces.

THE G20'S GOALS: STABILITY, GROWTH, DEVELOPMENT

…G20 agenda can be framed broadly as the pursuit of stability, growth, and development.

The G20's core mission is to foster strong, sustainable, and balanced global economic growth. Theoretically, there are three 'wheels' to be kept in balance for the global economic system to run well: stability, efficiency, and equity. Corresponding to this tripartite division, the increasingly expanding and diverse G20 agenda can be framed broadly as the pursuit of stability, growth, and development.

The stability agenda primarily refers to ad hoc macroeconomic coordination and the systematic reform of the international monetary and financial system. This includes IMF reform and strengthening financial regulation and global coordination to manage the spillover effects of monetary policy changes. The G20 has to adapt to changing situations when managing crises, emergencies, and uncertainties such as financial market volatility.

The core focus of the growth agenda is the implementation of structural reforms that are intended to increase global supply and demand. Leaders acknowledged in Brisbane in November 2014 that the global economy is being held back by a shortfall in demand, and thus addressing supply constraints is key to lifting potential growth. Countries

[5] Richard Baldwin, "WTO 2.0: Thinking Ahead on Global Trade Governance," *CEPR Policy Insight* No. 64, 22 December 2012, http://www.cepr.org/sites/default/files/policy_insights/PolicyInsight64.pdf.

have committed to a wide range of regulatory and institutional policies that are supposed to boost consumption, increase trade, and lift investment, particularly through infrastructure and reform of labour markets.

The development agenda is the broadest. It aims to ensure that growth is more balanced, inclusive, and sustainable in the long term. A gradual shift has occurred in the argument on the balance between efficiency and inequality — that is, rising social inequality is increasingly recognised as an obstacle for growth and development. The threat of environmental degradation and climate change is also at the top of the global development agenda.

In the immediate aftermath of the global financial crisis, the G20 was fully occupied by its stability agenda. Its focus was on coordinating the rescue of the banking system, mobilising resources for insolvent sovereign countries in the eurozone crisis in 2010, overhauling the global financial regulatory system, and pushing for reforms of international financial institutions (IFIs). The measures that the G20 took to stimulate demand, along with the standstill on trade protectionism and actions taken to make the financial system safer, have earned the G20 a good reputation. However, the financial regulatory reform process and unfinished IMF reform still leave a lot of questions unsolved.

As the world economy has entered into a weak recovery, the G20 agenda has correspondingly shifted from managing crisis to promoting growth and development. While multilateral trade efforts have delivered little progress, infrastructure investment has emerged as a new priority. The G20 has also focused on supply-side structural reforms. G20 countries have been tasked with different priorities; for example, China needs to ensure the markets play a decisive role in allocating resources while the advanced economies have been asked to focus on fiscal consolidation.[6] Driven by the need to mobilise more revenue, the United States and European countries have very successfully globalised their efforts to crack down on tax havens through the G20.

While the UN remains the main channel for global negotiations on post-2015 development cooperation, aspects of the development agenda have spilled over into the G20 incrementally, especially regarding energy and climate change. Inclusive development is a highlight of Turkey's 2015 G20 Presidency, with attention on gender equality and small and medium sized enterprises. In order to streamline the development agenda, the Australian G20 Presidency helped to bring about the G20 Development Working Group Accountability Framework in 2014.[7]

[6] OECD, *Economic Policy Reforms: Going for Growth*, accessed 14 August 2015, http://www.oecd.org/eco/goingforgrowth.htm.

[7] G20, *Development Working Group Accountability Framework*, 5 September 2014, https://g20.org/wp-content/uploads/2014/12/g20_development_working_group_accountability_framework.pdf.

CHINA'S 2016 G20 PRESIDENCY: A CHANCE TO BE A RESPONSIBLE GLOBAL STAKEHOLDER

In recent years, China has become the second largest economy in the world and the largest trading partner of many countries. Despite China's global economic weight, its ability to shape the global economic order is still relatively weak, and China is in many respects still a developing country with a defensive mindset on the spillover effects of many key economic issues. It is this obvious disparity that has led to calls for China to take on more responsibility within the G20.

G20 membership has already encouraged China to participate more actively in global economic governance. China has provided financial resources to shore up the world economy and has supported consensus initiatives. China worked together with the BRICS countries to push forward reforms of the Bretton Woods institutions in 2009, and with the United States and Australia to develop G20 principles on energy collaboration in 2014. However, in some areas, such as in the G20's ongoing efforts on financial regulatory reform, China's role has been confined to following others. In addition, during discussions on macroeconomic coordination in 2010, China clashed with other G20 members' efforts to set quantitative targets for its national trade surplus and other indicators.

There are high hopes that the 2016 G20 host year will give China a stronger sense of ownership over global economic governance, which will make China more willing to contribute to multilateralism, for the world's benefit. There are three forms of leadership in international institutions: structural, entrepreneurial, and intellectual.[8] China needs to be more proactive intellectually and entrepreneurially.

The G20's basic function is to help manage the spillover effects of major economies' policies and to protect the interests of smaller countries. China is now a significant player in the global economy and its domestic strategic choices may have important implications for other countries. China will need to consider how its own policies might affect other parts of the world. The G20 host experience is a chance for the international community to encourage China to make decisions from a global perspective.

The G20 Presidency also offers the potential for deeper and more open communications between China and the world. The G20 is not only an intergovernmental forum, but also a multi-level platform that can mobilise the whole of Chinese society to express their views and support for global economic governance. The 2016 Presidency presents the opportunity to better align China's own unilateral, bilateral, and regional

[8] Oran R. Young, "Political Leadership and Regime Formation: On the Development of Institutions in International Society," *International Organization* 45, No. 3 (Summer, 1991), 281–308.

strategies with the G20's global agenda, and puts pressure on China to implement its domestic reform agenda. At the same time, there is no solid consensus yet within Chinese society on the merits of China assuming a greater role in global economic governance. As a network, the G20 provides the opportunity for dialogue between Chinese think tanks, universities, companies, and individuals with their international counterparts, especially through the engagement groups. The significance of this should not be overlooked considering the misunderstanding and distrust that sometimes exists between China and the world.

Despite high expectations for the 2016 G20 Presidency, it would be unwise to expect too much from China and the Hangzhou Leaders' Summit will have its limitations. China's leadership is complicated and ambiguous, and China still faces many domestic challenges that will take up the attention of policymakers. In particular, China is conscious about avoiding the dual traps of a 'security trap', in which security tensions damage economic growth prospects, and a 'middle-income trap' in which it is unable to transform its economy in ways that sustain income growth.

Despite high expectations for the 2016 G20 Presidency, it would be unwise to expect too much from China.

There is also a risk that the US presidential election at the end of 2016 may loom large and be a political distraction for progressing substantive reform during next year's G20. There is a joke among some G20 circles that 'all G20 members are equal, although some are more equal than others', which usually refers to the importance of understanding the US position on agenda items. All major issues on the G20 agenda, including on finance, currency, tax, trade, and development are still very dependent on the attitude and role of the United States. In a time of increasing anti-globalisation sentiment, US presidential candidates usually choose to court domestic interests at the expense of the global agenda.

The G20 may see positive developments in global governance, but China will face challenges next year. China will need to take care to manage its priorities and be skilful in the way it negotiates with G20 members to build consensus.

A G20 WITH VISION: CHINESE PRIORITIES FOR 2016

China's presidency will need to do three things: implement past commitments, push forward unsolved issues on the core economic agenda, and be ready to react to new global developments. This will require political will and innovative ideas rather than just adding to the long list of existing agenda items. Some of the possible areas that China can focus on in each of the stability, growth, and development agendas are explored below.

STABILITY AGENDA

FINANCIAL REGULATORY REFORM

The G20 has made significant progress in responding to the causes of the global financial crisis over the past seven years.[9] However, financial regulatory reform has mainly been a trans-Atlantic negotiation with very little input from emerging and developing countries, including China. China and other emerging economies in the G20 could work on better engagement with the Financial Stability Board (FSB), as well as on assessing the impact of the new rules on the developing world.

THE GLOBAL FINANCIAL SAFETY NET

The G20 has put a lot of effort into pushing for a breakthrough in the stalled 2010 IMF reforms, including during the Australian and Turkish Presidencies, without success. China is unlikely to be more persuasive in changing the minds of the US Congress, particularly during this part of the election cycle. There has been strong rhetoric from the G20 and the International Monetary and Financial Committee about pursuing alternatives to IMF reform, but to date there is no feasible and pragmatic ‘Plan B’. IMF reform seems destined to remain in limbo in 2016.

Yet IMF governance will still remain an important issue for the 2016 G20 Presidency. The reform stalemate is causing a new headache for IMF reform negotiators: deciding on what to do about the $369 billion in bilateral loans that is currently the IMF’s second line of defence, and that will expire in late 2016 and 2017.[10] Broadening the IMF’s special drawing rights (SDR) currency basket to include the renminbi seems to be a compromise for both the IMF and China and would symbolise some progress in IMF governance. But if the SDR addition is classified as “a change in the principle of valuation or a fundamental change in the application of the principle in effect,” the decision will need US approval to get through the 85 per cent majority vote.[11] If the renminbi is not deemed to meet SDR technical criteria in time for the 2015 review, another SDR review should be brought forward to 2016 or 2017, rather than waiting until 2020.

Tristram Sainsbury has advocated that China use its G20 Presidency to be a champion of the IMF and to instigate negotiations for a new round of bilateral loans to bolster the IMF’s ‘firewall’. This would help

[9] Malcolm D. Knight, “Reforming the Global Architecture of Financial Regulation: The G20, the IMF and the FSB,” CIGI Papers No. 42, September 2014, https://www.cigionline.org/sites/default/files/no42.pdf.

[10] Tristram Sainsbury, *US Global Economic Leadership: Responding to a Rising China*, Lowy Institute Analysis (Sydney: Lowy Institute for International Policy, 2015), http://www.lowyinstitute.org/publications/us-global-economic-leadership-responding-rising-china.

[11] IMF Articles of Agreement, 2011 edition, Art. XV.

demonstrate to the international community that China is serious about being a responsible global stakeholder.[12]

GROWTH AGENDA

Next year will be the halfway point of the 2014 G20 plan to increase global economic output by 2 per cent through structural reforms by 2018. The first IMF and OECD progress report on this growth target will be delivered to leaders in Antalya in November 2015. Chinese leadership needs to ensure that G20 members respond positively to the findings and actively search for new policy commitments. China will need to be proactive about encouraging the implementation of G20 growth plans, which are important for G20 credibility.

There are three further ways that China can boost the growth agenda.

- *Showcase a number of bankable infrastructure projects.* Infrastructure investment unites G20 countries and there is a domestic incentive for China to encourage infrastructure investment as part of its 'Belt and Road' initiative. The challenge for the G20 will be to align public and private investor interests. Showcasing a pipeline of bankable infrastructure projects may add value to the G20's Global Infrastructure Hub, the World Bank's Global Infrastructure Facility, and the two new multilateral banks.

- *Set a vision for the global trade and investment regime.* It is unlikely that the WTO will be revived in the short term, and changes to its negotiating structure are essential. In 2016, China could direct the G20 to provide a vision for the future trade agenda; that is, planning a roadmap to WTO Version 2.0. Justin Lin has also proposed that the G20 could initiate discussion on a Multilateral Investment Treaty for Development.[13]

- *Promote innovation on the supply side.* Structural reform and innovation is important for global growth. The G20 cannot seek commitments from its members on this divisive issue, but knowledge sharing and better communication would be useful. For example, the Chinese 'new supply-side school' outlines a plan for China to let the market play a more decisive role in allocating resources through tax reduction, elimination of red tape, breaking industry monopolies,

[12] Sainsbury, *US Global Economic Leadership*.

[13] Justin Lin, "林毅夫：中国的G20议程——呼吁一个以发展为目标的多边投资框架 [The G20 Agenda under Chinese Presidency: Calling for a Multilateral Investment Framework for Development]," 23 July 2015, http://www.aiweibang.com/yuedu/caijing/39568633.html.

reforming state-owned enterprises, and liberalising resource prices while reducing the cost of infrastructure and basic services.[14]

DEVELOPMENT AGENDA

Links between the development agenda and the broader G20 agenda have generally been weak. Continuing Turkey's emphasis on development in 2015, China may seek to define a longer-term legacy by introducing a more systematic approach to development in the G20.

The G20 could formulate a road map and timetable for the implementation of the post-2015 SDGs and climate change negotiations. The G20 should not attempt to circumvent the role of the United Nations in these processes, but it could take up the 'relay baton' and use its comparative advantage of political leadership to ensure implementation.[15] For example, Barry Carin of the Centre for International Governance Innovation (CIGI) has suggested the G20 could pick four or five critical goals of the 17 likely SDGs, and drive these forward.

China…[has] the capacity to provide more strategic vision for the forum and to energise multilateralism.

CONCLUSION

In 2013, Chinese State Councillor Yang Jiechi summarised the role of China in global economic governance as an "active participant, supporter, and contributor."[16] When China takes up the G20 Presidency, its role as a contributor will be strengthened. China is not in a position to reverse the world's regionalising trends, but it does have the capacity to provide more strategic vision for the forum and to energise multilateralism.

[14] Lu Yü, "陆宇, 供给学派的中国经济"药方 [Prescriptions for Chinese Economy Given by the Supply School]," 《21世纪经济报道》[*The 21st Century Business Herald*], 29 June 2013.

[15] UNDP, SIIS and CCIEE, *Rebalancing Global Economic Governance*, Chapter 4, June 2015, http://www.siis.org.cn/uploadfile/2015/0701/20150701071216928.pdf.

[16] Yang Jiechi, "杨洁篪：中国是二十国集团的积极参与者、支持者、贡献者, [China is an Active Participant, Supporter of and Contributor to the G20]," 2 November 2013, http://www.gov.cn/guowuyuan/2013-11/02/content_2584592.htm.

WHAT CAN THE G20 DO FOR ENERGY GOVERNANCE?

HANNAH WURF[1]

This paper reflects on discussions from "The Impact of Low Oil Prices and the Role of the G20 in Global Energy Governance" conference held in Shanghai on 27 and 28 July 2015. It was organised by the Shanghai Institute for International Studies (SIIS), with support from the Lowy Institute for International Policy, the Korea Development Institute, the Centre for International Governance and Innovation in Canada, and the Economic Policy Research Foundation of Turkey (TEPAV).

INTRODUCTION

The dramatic fall in oil prices at the end of 2014 put pressure on the budgets of oil-exporting countries and heightened the risk of financial stability.[2] On the other hand, it was estimated to give an overall net boost to global GDP by easing the burden of oil-consuming and importing countries and providing new policy opportunities.[3] For example, India and Indonesia reduced domestically popular but fiscally damaging fossil fuel subsidies. However, oil prices have long been volatile and the 50 per cent drop in oil prices in the second half of 2014 is one of six episodes of significant oil price decline over the past three decades.[4] It is currently unclear whether oil prices will bounce back, decrease, or stabilise.

Although oil prices are an important context to energy governance and have an effect on energy producer and consumer relationships, it is risky for governments to try to influence prices. Certainly governments can try to mitigate the effects of oil price volatility, such as through social safety nets and fossil fuel subsidies, but ultimately the market drives prices and attempts to control or stabilise prices would be misguided.

Rather than trying to control oil price fluctuations, energy governance decisions should be based on two primary goals: ensuring affordable

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[2] Rabah Arezki and Olivier Blanchard, "Seven Questions about the Recent Oil Price Slump," *IMF direct* (blog), 22 December 2014, http://blog-imfdirect.imf.org/2014/12/22/seven-questions-about-the-recent-oil-price-slump/.

[3] Brad Plumer, "One Upside of Cheap Oil — Countries are Ditching their Fossil-Fuel Subsidies," *Vox*, 29 January 2015, http://www.vox.com/2015/1/29/7945525/fossil-fuel-subsidies.

[4] John Baffes et al., "Understanding the Plunge in Oil Prices: Sources and Implications," *Global Economic Prospects*, World Bank, January 2015, http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015a/pdfs/GEP2015a_chapter4_report_oil.pdf.

energy for all and transitioning to a low-carbon future. An estimated 1.2 billion people in the world do not have access to electricity.[5] Global energy security is an important component for economic growth and there are obvious advantages to cooperation between energy producer and consumer countries with regards to information sharing and ensuring that there is balanced supply and demand.

There is growing consensus, led by the United States, European Union, and China, that the world needs to transition to a low-carbon future, but there is much disagreement as to how fast this transition should be, and how the transition should take place. China's attitude towards energy sufficiency has evolved to now consider environmental sustainability as a fundamental part of its energy policy. This was signalled by the US–China deal on carbon emissions, signed during President Obama's visit to China for the APEC summit last year, a few days before the G20 Leaders' Summit. As part of the deal, China committed to 1000 gigawatts of solar, wind, and nuclear power by 2030.[6]

INSTITUTIONAL DEVELOPMENTS IN ENERGY GOVERNANCE

Hugh Jorgenson reflected in 2014 that "no existing energy governance body brings together all of the current major or future energy players on an equal basis."[7] The flaws in the established institutions of energy governance that Jorgenson outlined remain problematic. The existing organisations and some of their main limitations are outlined below.

- The International Energy Agency (IEA) is made up of 29 net oil importers, and currently membership is only open to countries within the OECD and members are required to hold 90 days of oil stocks.
- The Organization of Petroleum Exporting Countries (OPEC) is limited by its function to coordinate petroleum policies and only includes 12 oil exporters, mainly those in the Middle East.
- The International Energy Forum (IEF) based in Riyadh does have wider representation than both the IEA and OPEC, bringing together producing and consuming countries. Energy ministers from 89 countries meet at the forum, but it does not have any function beyond information sharing, and has limited resources.

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[5] World Bank, "SE4ALL Global Tracking Framework," accessed 7 August 2015, http://www.worldbank.org/en/topic/energy/publication/Global-Tracking-Framework-Report.

[6] Frank Jotzo, "China Makes its Formal Climate-Change Pledge," *The Interpreter* (blog), 1 July 2015, http://www.lowyinterpreter.org/post/2015/07/01/China-makes-formal-climate-change-pledge.aspx.

[7] Hugh Jorgenson, "The G20 and Energy Governance: Finding the Golden Thread," *The G20 2014: The G20 Brisbane Summit, Inequality, Energy and Anti-Corruption*, G20 Monitor 12, 8 August 2014, http://m.lowyinstitute.org/publications/brisbane-inequality-energy-anticorruption.

- The 1991 Energy Charter Treaty provides legal protection for energy trade, and is legally binding. Signatories are mainly European and ex-Soviet Union countries. China, the United States, and Saudi Arabia are observers only.
- The International Renewable Energy Agency (IRENA) is open to all UN countries and has a specific function to promote renewable energy.

…no organisation that allows for cooperation between the world's largest energy producers and consumers…

This leaves no organisation that allows for cooperation between the world's largest energy producers and consumers, and emerging and advanced economies.

The energy architecture has changed little since the oil crises of the 1970s. As the oil producers banded together to form OPEC, the IEA was formed as the collective response of energy consuming countries starved of oil supply. The IEA remains the most influential multilateral energy organisation and provides a significant body of technical expertise. A precondition of IEA membership is OECD membership, and major emerging market economies including China and India are subsequently not members, despite their significant energy needs. For this reason, there have been calls for the IEA to reform its membership to include the world's largest energy consumers. China's exclusion is particularly problematic because of the amount of oil it imports.

There is nothing to stop 'creative coalitions' of countries engaging on a voluntary basis to strengthen energy governance. These coalitions could be led by the United States and China, either unilaterally or together, to progress reform of the existing organisations. The coalitions could cut across networks of states, local governments, companies, and civil society.[8]

If the IEA were to admit China as a member, this would strengthen the organisation, especially with regards to information sharing. However, this would require China to give up some sovereign control over its oil stocks and commit to the IEA's emergency response procedures. If there were an oil supply disruption, China would be required alongside other IEA members to share energy information, coordinate energy policies, and potentially release their 90 days of oil stocks.[9] This is a sensitive area of national interest for China.

Another governance option is for China to set up a new organisation for energy, encouraged by its successful establishment of the Asian Infrastructure Investment Bank. A new organisation, such as an 'energy stability board', would be an enormous undertaking, even if it were to have a narrow focus (for example, emerging economies or East Asian

[8] This idea draws on a presentation by David Sandalow at SIIS on 27 July 2015.

[9] IEA, "Responding to Major Supply Disruptions," accessed 7 August 2015, https://www.iea.org/topics/energysecurity/subtopics/respondingtomajorsupplydisruptions/.

countries). It is not clear why China would invest the time and effort when it could instead go through steps to join the IEA. China already has strong bilateral ties with the IEA and it imports most of its energy, continuing to rely heavily on the international oil markets. The IEA's new executive director, Fatih Birol, has the opportunity to engage with the large emerging economy energy importers.[10] However, the IEA will look for long-term commitment from China before it embarks on difficult institutional reform that is needed to accept new members.

ENERGY GOVERNANCE AND CLIMATE CHANGE ACTION

The 2015 G20 Leaders' Summit in Antalya will take place two weeks before the Paris meeting of the Conference of the Parties (COP 21) on the United Nations Framework Convention on Climate Change (UNFCCC). Public pressure is building among civil society and the media for substantial action from governments to reduce carbon emissions, and renewed commitment to the two degrees Celsius climate change target.

This is in no small part due to last year's bilateral climate change agreement where China agreed to cap emissions for the first time and the United States committed to deep reductions by 2025.[11] China followed this up in 2015 with a target for a 60 to 65 per cent reduction in the emissions intensity of the economy by 2030 (pegged at 2005 levels) and pledged to increase the share of non-fossil fuels to 20 per cent of total energy use.[12] This coincided with the 2015 G7 Summit in June where leaders committed to decarbonisation by developing and deploying innovative technologies, striving for a transformation of energy sectors by 2050.[13]

China and the United States may continue to promote the low-carbon transition domestically, for example, setting up a carbon tax or pricing mechanism. However, this will remain sensitive to political and economic circumstances, not least the US presidential campaigns next year and China's slowing growth. New technology will be needed to accelerate climate change action, as emissions targets alone are no longer enough to stop global warming.

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10 IEA, "IEA Chief Economist Fatih Birol is Named Agency's Next Executive Director," press release, 12 February 2015, http://www.iea.org/newsroomandevents/pressreleases/2015/february/iea-chief-economist-fatih-birol-is-named-agencys-next-executive-director-.html.

11 The White House: Office of the Press Secretary, "FACT SHEET: U.S.-China Joint Announcement on Climate Change and Clean Energy Cooperation," 11 November 2014, https://www.whitehouse.gov/the-press-office/2014/11/11/fact-sheet-us-china-joint-announcement-climate-change-and-clean-energy-c.

12 Jotzo, "China Makes its Formal Climate-Change Pledge."

13 InterAction, *Leaders' Declaration G7 Summit*, 7–8 June 2015, http://www.interaction.org/sites/default/files/Schloss%20Elmau%20G7%20Communique%206-8-2015.pdf.

IS THERE A ROLE FOR THE G20?

With formal organisations unable to respond quickly to a changing economic landscape, the G20 is a useful platform to steer energy governance with its mix of producers and consumers and advanced and emerging economies. In the 2014 Australian Presidency, G20 countries agreed to a set of energy principles for the first time.[14] G20 leaders agreed to work together to make international energy institutions more representative and inclusive of developing economies. These principles add impetus to IEA reform although they fall short of a specific outcome, for example, outlining timings and directions for institutional reform or giving a mandate for the IEA to negotiate with members.

…G20 is a useful platform to steer energy governance…

The G20 Energy Sustainability Working Group (ESWG) held meetings in February and May in Turkey this year. These discussions will feed into the first meeting of G20 Energy Ministers in October. This is a positive development as national energy ministers are often focused domestically, so this is an opportunity to build on national governments' understanding of global energy challenges. The Turkish G20 Presidency has focused on energy access, especially for low-income developing countries.

It will be important to keep an open and inclusive dialogue about energy governance within the G20. In particular, Saudi Arabia and Russia are important exporting countries sensitive to low oil prices and the investment in renewable energy. Oil exporters need be encouraged to cooperate rather than be left in isolation. G20 countries will need to engage the private sector on energy investment and to explore opportunities in green technology and green finance.

There are some countries within the G20 that are adamant that the UN is the right forum for climate change and that the G20 has no role to play in this area. However, the G20 could support the UNFCCC process in indirect ways, notably through increased data cooperation, especially with China, which has done a lot of work on carbon markets in recent years. There is the potential to establish a collaborative international research project on carbon capture. The Financial Stability Board is already researching the financial implications of potential 'stranded assets' if fossil fuels lose their value.[15] The G20's strongest work stream is the finance track. In the medium-term, finance ministers could look at ways to promote the financing of sustainable energy and green bonds.

The G20 has so far avoided the heated debates about burden sharing and helping low-income developing countries to cope with climate

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[14] G20, *G20 Principles on Energy Collaboration*, 16 November 2014, https://g20.org/wp-content/uploads/2014/12/g20_principles_energy_collaboration.pdf.

[15] Ambrose Evans-Pritchard, "G20: Fossil Fuel Fears Could Hammer Global Financial System," *The Telegraph*, 29 April 2015, http://www.telegraph.co.uk/finance/11563768/G20-to-probe-carbon-bubble-risk-to-global-financial-system.html.

change from which they are disproportionally affected. If the G20 were to find some consensus on this issue, it could improve greatly on the chances for success in COP 21 in December 2015. There is some cause for optimism. David Sandalow points outs that the UNFCCC in 2015 is already a success when compared with what has been achieved since the failed negotiations at Copenhagen in 2009.[16] This includes the US–China agreement, the US–Brazil agreement, and the Vatican encyclical on climate change.

THE CHINESE G20 ENERGY AGENDA IN 2016

China should build on the energy principles and take a more active role in IEA reform.

China is already thinking ahead to the G20 energy agenda in 2016. Chinese officials and academics are engaging with international experts and international organisations, although it remains unclear at this stage what China's energy focus will be, much like the broader G20 agenda. There are existing G20 commitments that China could focus on implementing, such as ending fossil fuel subsidies, and encouraging data transparency, energy access, and energy efficiency. There will also be new opportunities coming out of the 2015 G20 Energy Ministers' Meeting and the January 2016 World Future Energy Summit.[17] Reflecting on G20 actions that could serve to strengthen energy governance, China should build on the energy principles and take a more active role in IEA reform. For example, G20 leaders could encourage the IEA to consult with its members about opening its membership to non-OECD members.

Energy governance is one of the biggest challenges of the 21st century. The world needs to provide energy access for all and promote development, while transitioning to a low-carbon economy that avoids environmental destruction. States need to act on commitments and create trust despite their different energy needs. This is a good example of a G20 issue — a global problem with no apparent institutional solution on the horizon. China would do well to elevate energy governance as one of their presidential priorities next year, considering it fits with its domestic priority of energy security, and would help to secure a global public good.

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[16] David Sandalow, *Is the Paris Climate Conference Already a Success?*, Columbia SIPA, Center on Global Energy Policy, 14 July 2015, http://energypolicy.columbia.edu/sites/default/files/energy/Commentary-Sandalow-Is%20the%20Paris%20Climate%20Conference%20Already%20a%20Success%3F.pdf.

[17] World Future Energy Summit 2016 page, accessed 7 August 2015, http://www.worldfutureenergysummit.com/portal/about-wfes/overview.aspx.

CAN BEIJING CUT THE GORDIAN KNOT? CHINA'S G20 PRESIDENCY AND THE MULTILATERAL TRADING SYSTEM

HERIBERT DIETER[1]

China's 2016 G20 Presidency offers an opportunity to address one of the biggest failures of international economic cooperation of the last decade. Despite numerous declarations, there has not been a substantive push for the conclusion of the Doha Round of the World Trade Organization (WTO). It will require the political weight of a major player to get that task accomplished. In 2016, China will have a unique opportunity to establish itself as a leading, constructive power in the global economy. For the first time in years, the odds for the conclusion of Doha have improved significantly. At the same time, by strengthening the multilateral trading system, Beijing could contribute to the sustainable continuation of its own economic development.

WHY THE WTO DOHA ROUND STALLED

A seasoned observer of the Doha Development Round will treat any optimism with caution. The Round has suffered from a number of problems from the beginning. For example, it was a mistake to label the Doha Round a 'development round' because this created misguided expectations in both developing countries and advanced economies. In addition, a wave of preferential trade agreements has since gained momentum, and today many governments have invested a lot of political capital in these negotiations.[2]

A seasoned observer of the Doha Development Round will treat any optimism with caution.

Much of the blame for the lack of progress in the Doha Round is put on India and other developing countries. This might be misleading. Joseph Stiglitz has argued that the Doha Round was torpedoed by US refusal to reduce agricultural subsidies.[3] Although it is hardly discussed, the US

[1] Heribert Dieter, Senior Fellow, German Institute for International and Security Affairs, and Visiting Professor for International Political Economy, Zeppelin University, Lake Constance.

[2] Preferential trade agreements liberalise trade between the participating economies, but exclude the other WTO member countries. Legally these agreements are permitted under Article 24 of the General Agreement on Tariffs and Trade (GATT), but constitute an exception from GATT Article 1, the Most Favored Nation Clause.

[3] Joseph Stiglitz, "The Free-Trade Charade," *Project Syndicate*, 4 July 2013, http://www.project-syndicate.org/commentary/transatlantic-and-transpacific-free-trade-trouble-by-joseph-e--stiglitz.

single-minded negotiating strategy was quite implausible. At the beginning of the Doha Round in 2002, the United States suggested a proposal to abolish all tariffs on industrial and consumer goods. This was a bold proposal that was rejected by developing countries and emerging markets.[4] But was that proposal a bluff? Without access to US government archives, it is difficult to assess the sincerity of the Bush administration's proposal. In recent years, the Obama administration has emphasised the importance of 'fair trade', a synonym for moderate protection against perceived 'unfair traders'.[5]

Some optimists have argued that the WTO is back on track after the successful conclusion of the conference in Bali in December 2013. They suggest that the unwillingness of member countries to advance the multilateral trading system may have ended with Bali, and that the WTO can thus regain the strength it had in the first decade of its existence after its establishment in 1995. India finally gave up its veto against the Protocol of Amendment for the Trade Facilitation Agreement that previously blocked the implementation of the Bali Package. However, in Bali, low hanging fruit was harvested and none of the difficult issues were put on the table.[6] Trade facilitation (the most important component of the Bali Package) is useful, but on balance, the Bali deal is probably not much more than "a tropical fling," to quote the *Financial Times*.[7] The key reason for this sceptical view is that important countries, in particular the United States, have ceased to push for an advancement of the multilateral trading system. While both the European Union and the United States have implemented preferential trade agreements in the past, for example, the North American Free Trade Agreement (NAFTA), the number and scope of bilateral, regional, and mega-regional preferential trade agreements has risen sharply in recent years. The United States and the European Union (EU) are contributing to the creation of a post-WTO world.

A typical example of the move away from the WTO is the Transatlantic Trade and Investment Partnership (TTIP). Barack Obama and many leading European politicians, including Angela Merkel, have been publicly supporting TTIP. Few trade projects have been welcomed more enthusiastically by the business community and many policymakers than the TTIP.

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4 "Can America Kickstart the Doha round?," *The Economist*, 29 November 2002, http://www.economist.com/node/1464668.

5 The White House: Office of the Press Secretary, "Remarks by the President on Fair Trade", 13 March 2012, https://www.whitehouse.gov/the-press-office/2012/03/13/remarks-president-fair-trade.

6 Heribert Dieter, "Das Bali-Abkommen — ein positiver, aber zu kleiner Schritt," *ifo Schnelldienst*, 67, no. 3 (2014), 16–18.

7 Shawn Donnan, "WTO Asks if Bali Deal Was a Big Commitment or Just a Tropical Fling?" *Financial Times*, 23 January 2014, http://www.ft.com/intl/cms/s/0/abf8b432-8389-11e3-aa65-00144feab7de.html#axzz3eWbQmvdi.

Today, however, much of the optimism that accompanied many preferential trade agreements has vanished. In Australia, 10 years after the establishment of the preferential trade agreement between Australia and the United States (AUSFTA), there is very little enthusiasm left. The benefits of AUSFTA are limited, but there have been substantial costs.[8] The administrative complexity of AUSFTA, namely the need to document the origin of a product in order to qualify it for duty-free access, has been an important factor in limiting its economic benefits. In addition, the United States continues to protect its agricultural sector, resulting in minimal benefits for the Australian economy. [9]

In Europe, the negotiations for TTIP are much more complicated than initially expected. Few observers expect a quick conclusion, partly because TTIP is not merely a trade agreement, it is also trying to harmonise regulation and establish a mechanism for investor dispute settlement. The justification often given by advocates of preferential trade agreements that negotiations do not take as long as in the multilateral system, is no longer valid.

THE RETURN OF GEOPOLITICS

International relations play a role in the trading system too. The stark choice today is between open global regulation and an economic order built around competing blocs.[10] Philip Stevens has suggested "the west has given up on the grand multilateralism that defined the postwar era … the exclusion of the world's second biggest economy is more than a coincidence."[11] US diplomats have publicly acknowledged this point. In July 2014, the new US Ambassador to the European Union, Anthony Gardner, underlined the political importance of TTIP in an interview. Perhaps unintentionally, Gardner suggested that "there are critical geostrategic reasons to get this deal done."[12] So what are the geostrategic aims of the United States?

Implementing mega-regional projects with both the European Union and important economies in the Asia-Pacific enables Washington to isolate China and seek confrontation with America's only rival. Rather than negotiating with China, the United States is actively promoting the return

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[8] Shiro Armstrong, *The Economic Impact of the Australia-United States Free Trade Agreement*, Australia-Japan Research Centre, Working Paper 01/2015.

[9] Peter Drysdale, "The High Price of 'Free Trade' with the United States," *East Asia Forum*, 9 February 2015, http://www.eastasiaforum.org/2015/02/09/the-high-price-of-free-trade-with-the-united-states/.

[10] Philip Stevens, "Trade Trumps Missiles in Today's Global Power Plays," *Financial Times*, 21 November 2013, http://www.ft.com/intl/cms/s/0/69fc0970-51f8-11e3-adfa-00144feabdc0.html#axzz3DTKnfOBR.

[11] Ibid.

[12] Anthony Gardner, "US Ambassador: Beyond growth, TTIP Must Happen for Geostrategic Reasons," *Euroactiv*, 16 July 2014, http://www.euractiv.com/sections/trade-industry/us-ambassador-eu-anthony-l-gardner-beyond-growth-ttip-must-happen.

to a bipolar world. Of course, supporters of the TTIP, Trans-Pacific Partnership (TPP), and Trade in Services Agreement (TiSA) will argue that the motivations are primarily economic. However, given the rhetoric of the Obama administration, the geostrategic motives appear to be quite important — and this has not gone unnoticed in China.

Trade policy has become a tool of foreign policy. Arguably, trade policy has never been implemented in a political vacuum. But in recent years, the geopolitical importance of trade policy has risen. There are parallels with the 1930s. Then, as now, the global economy was increasingly divided in blocs, and there was a distinction between trade with allies and trade with rivals. The new and very large trade projects, particularly the two US-led transatlantic and transpacific schemes, underline this trend in the 2000s. Both TTIP and the TPP exclude the main emerging powers. China, Russia, India, and Brazil are not yet able to participate in these endeavours. What options do these countries have to respond to the new policies of the United States and the EU? Will they come to the rescue of the multilateral system, or will they rather seek to develop their own trade policy strategies outside the WTO?

Through preferential agreements, the United States and also the EU are not only fundamentally weakening the WTO, but they also are betraying their own principles. The multilateral trade regime established after the Second World War was specifically designed to overcome the discriminatory trade agreements of the interwar period, which had greatly contributed to the rise in political tensions during the 1930s. In that period, world trade declined, and trade was highly politicised. There was a distinction between trade with friends and limited trade with foes.

…there is no convincing reason to jettison the multilateral trade order.

With this historical lesson in mind, there is no convincing reason to jettison the multilateral trade order. Emerging economies still conduct the bulk of their trade with the EU and the United States and prefer to use the mechanisms of the WTO. A coordinated counter-proposal of all emerging economies for an alternative to the existing trade regime is not currently on the horizon. However, big regional projects, for example, the Regional Comprehensive Economic Partnership (RCEP) of the ASEAN countries, Australia, China, Japan, South Korea, India, and New Zealand, is a potential counter-activity of important emerging economies. The EU and the United States cannot stop the further rise of China and other countries, but they can make sure that international trade relations will continue to be shaped by the order established by the United States and its allies in the 1940s.[13] Rather than trying to exclude China and other emerging economies, the United States and the EU should return to the negotiating table at the WTO.

[13] John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs*, January/February 2008, http://www.foreignaffairs.com/articles/63042/g-john-ikenberry/the-rise-of-china-and-the-future-of-the-west.

Another reason for doing so is the lesson from the finance industry. The increasing division between the United States and the BRICS countries is not limited to trade-related issues. In 2014, the BRICS countries started to create their own facilities in finance. The group created a New Development Bank (NDB) as well as a Contingent Reserve Arrangement (CRA). The former will likely compete with the World Bank through financing development projects while the latter is a facility to provide liquidity in the event of a financial crisis and thus is potentially a direct competitor to the IMF.[14]

Of course it is impossible to evaluate the effects of these two institutions yet. Barry Eichengreen has suggested that the effects of the NDB will be moderately positive, but he assumes that the CRA will not have a large effect and has labelled it "empty symbolism."[15] The facility might be too small for the BRICS countries, particularly China. But over time, the BRICS countries may decide to use their own monetary fund to provide liquidity to third countries should they face trouble. In a few years, developing countries could have the choice between borrowing from the IMF or from an activated CRA in the face of a crisis. Given the current problems the IMF is facing in both Greece and in Ukraine, over time the utility of IMF involvement in any crisis management could decline. In the past, participation of the IMF assured financial markets of the soundness of the economics applied. However, the failure of the Fund in Greece has dramatically weakened the reputation of the IMF. If the IMF fails to restore its status as a non-partisan guardian of sound economic policy, using the new alternative borrowing instrument of the BRICS countries may appear quite attractive. The transatlantic dominance in the IMF would not be broken, but there would be systemic competition between the institutions. It is impossible to forecast the evolution of the NDB and the CRA. The foundation of both institutions reflects, in part, a persistent uneasiness of policymakers in the BRICS countries with the existing institutions of global governance and the unwillingness of the established powers to implement meaningful structural changes.

Despite the establishment of autonomous institutions by the BRICS countries, there has been a deadlock in IMF reform. Since 2010, the US Congress has been blocking quota reform in the IMF. By enlarging the voting rights of emerging economies, including China, at the expense of European countries, the 14th quota reform would have contributed to modernising the Fund. Ironically, the initiative now being blocked by Congress was initially promoted by the US government. In 2015, China managed to shore up support for a new institution, the Asian Infrastructure Investment Bank (AIIB). Notwithstanding fierce US opposition, key US allies in the Pacific and in Europe joined the Chinese-

[14] Barry Eichengreen, "Banking on the BRICS," *Project Syndicate*, 13 August 2014, http://www.project-syndicate.org/commentary/barry-eichengreen-is-bullish-on-the-group-s-new-development-bank--but-not-on-its-contingent-reserve-arrangement.

[15] Ibid.

led initiative. The *Financial Times* has suggested that US opposition degenerated into a "self-defeating farce."[16] Washington lost a conflict that is of high political significance.

The United States has always been more comfortable with its coalitions of like-minded countries than with broad multilateralism.

The United States has always been more comfortable with its coalitions of like-minded countries than with broad multilateralism.[17] Time and time again, the United States has shown that its cascading preferences — first unilateral approaches, second coalitions, and multilateralism only as a last resort — do not facilitate notions of 'collective leadership' and other postmodern concepts of shared responsibility for global regimes. But the United States forgets that its inward looking, self-interested policies will cause a backlash. In 2016, there will be an opportunity for the United States to reconsider its approach.

A WINDOW OF OPPORTUNITY FOR MULTILATERAL TRADE

Despite all the blocks to concluding the Doha Round, China will have a unique opportunity to pursue the trade agenda in 2016. There are four reasons for this window of opportunity.

First and foremost, President Obama no longer needs to consider the demands of organised labour in the United States. In his last two years in office, Obama appears more inclined to engage in trade liberalisation than in the previous six years. The Republicans will, of course, not support him. However, from their perspective it may well be useful to position themselves against the potential next Democratic candidate, for example, Hillary Clinton, who is more populist and potentially an advocate of a more protectionist trade policy.[18]

Second, in 2015 it became clear to the United States that it is no longer in a position to directly block the rise of China in international relations. Beijing convinced many US allies to join the AIIB, with the notable exception of Japan. But a welcome side effect of this American defeat may well be an increased willingness on Capitol Hill to return to multilateral tables. The opposition to concluding the Doha Round may have been sufficiently weakened by the establishment of the AIIB.

[16] "America's Flawed Strategy Towards New Asian bank," *Financial Times*, Editorial, 21 May 2015, http://www.ft.com/intl/cms/s/0/eef600b8-fee0-11e4-84b2-00144feabdc0.html#axzz3fRMuLIPq.

[17] Stevens, "Trade Trumps Missiles."

[18] Hillary Clinton has suggested that "any trade deal has to produce jobs and raise wages and increase prosperity and protect our security." Of course, Clinton's assessment is in line with the moderate protectionism that has characterised the Democrats' trade policy since the 1930s. See Dan Roberts and Sabrina Siddiqui, "Hillary Clinton Sidesteps Trade Policy Rift between Obama and Democrats," *The Guardian*, 7 May 2015, http://www.theguardian.com/us-news/2015/may/06/hillary-clinton-trade-deal-obama-congress-democrats.

Third, apart from the United States, no other major player is currently ardently opposed to a conclusion of the Doha Round. India's Prime Minister Narendra Modi appears to be reforming the Indian economy, with trade liberalisation on his agenda. Other emerging economies, notably Brazil and South Africa, are suffering from slow economic development, combined with mismanagement. Despite its economic decline, the Russian government has shown interest in international economic cooperation and will also not block a conclusion of Doha. Finally, the EU has long indicated its willingness to move ahead with the multilateral trade system and, given the strong political opposition against TTIP is some EU countries, is interested in some progress in the regulation of international trade.

Fourth, lobby organisations in OECD countries, especially in the EU, are eager to achieve an outcome in trade negotiations. Faced with a double defeat in both Doha and TTIP, their fear is that the international division of labour will be put on a backward slope without some noteworthy success. Business needs a symbolic triumph as much as G20 governments.

WHAT DOES THIS MEAN FOR THE G20?

The G20 has had limited success in reinvigorating the multilateral trade agenda. The Australian 2014 Presidency welcomed progress on the Bali Round and emphasised that it is important to "restore trust and confidence in the multilateral trading system."[19] However, the G20 leaders' communiqué offered only rhetorical support, agreeing "to discuss ways to make the system work better when we meet next year."[20] This required no follow-through or action on the part of leaders. Turkey's 2015 Presidency began the year promising to "canvass the vast number of bilateral, regional and plurilateral agreements to have a better understanding of whether … they act as building blocks to the multilateral system."[21] The soft language of these communiqués is likely a consequence of the lack of consensus between G20 countries on the future of multilateral trade and the WTO.

…G20 has had limited success in reinvigorating the multilateral trade agenda.

Against the growing disillusionment caused by the slow progress in the negotiations for the mega-regional agreements TPP and TTIP, the G20 leaders may finally be willing to give their trade ministers the push needed for the conclusion of the Doha Round. Notwithstanding continued rhetorical commitments voiced in all G20 summits, to this day there has not been a coordinated initiative. The 2014 Brisbane Summit was of course no exception. The Hangzhou Summit of 2016 will take

[19] G20, *G20 Leaders' Communiqué*, Brisbane Summit, 15–16 November 2014, https://g20.org/wp-content/uploads/2014/12/brisbane_g20_leaders_summit_communique1.pdf.

[20] Ibid.

[21] G20, *Turkish G20 Presidency Priorities for 2015*, https://g20.org/wp-content/uploads/2014/12/2015-TURKEY-G-20-PRESIDENCY-FINAL.pdf.

place at the right historical moment — and in a country that uniquely symbolises the rise of developing countries.

Needless to say, a Chinese-led push to invigorate the trade agenda will not necessarily guarantee the conclusion of the Doha Round. Nevertheless, given the political context of 2015 and 2016, Beijing should embrace the opportunity in multilateral trade in order to establish itself as a credible and constructive power in the governance of the global economy. China could use its G20 Presidency to cut the Gordian Knot and put the multilateral trading system back on the international agenda.

IMPROVING G20 PROCESSES

BARRY CARIN AND TRISTRAM SAINSBURY[1]

INTRODUCTION

The G20 is a relatively new institution that has developed organically without a set of defined processes or a rigid organisational structure. The longevity of the G20 depends on smooth, efficient processes that lay the groundwork for the annual leader-level summit. Better processes would underpin the delivery of better outcomes, which both legitimise the G20 and help maintain buy-in from leaders and officials. Better processes will also result in more effective engagement with the broader community so that the citizens of G20 countries are aware of G20 policies and their impact on domestic policy. This paper outlines the current state of G20 processes, and suggests some improvements. Responding to the call from Turkish Deputy Prime Minister Ali Babacan for the Think20 (T20) to provide ‘crazy’ out-of-the-box ideas for the G20 to consider, we also present some more transformative ideas that could be considered in the medium term.[2]

THE CURRENT STATE OF G20 PROCESSES

The G20 often finds itself challenged by unrealistic demands and expectations. Because the G20 does not have a defined mandate and is the self-styled ‘premier forum for international economic cooperation’, there is a lot of space for interested actors to lobby for where they think the G20 should intervene. There are many possible policies that the G20 could adapt that would have an impact on the global economy. For example, the 2015 Turkish Presidency’s focus on ‘inclusiveness, investment, and implementation’ covers everything from Islamic Finance to supporting small and medium sized businesses.[3] Further, the scope of the G20 agenda is broad. There are currently 11 different work streams covering different policy areas across an extensive range of economic issues, including macroeconomic cooperation, growth, financial regulation, trade, investment, energy, climate change, tax, development, and anti-corruption. Moreover, G20 officials have to liaise

[1] This is a paper joint authored by Barry Carin, Senior Fellow at CIGI (Canada), and Tristram Sainsbury, Research Fellow in the G20 Studies Centre at the Lowy Institute for International Policy.

[2] Ali Babacan, *Opening Address at the T20 Launch Event*, 11 February 2015, G20 official website, https://g20.org/deputy-prime-minister-ali-babacans-opening-address-t20-launch-event/.

[3] See G20 Monitor 16 for more detailed analysis of the three priorities and the Turkish approach to the 2015 G20 presidency: *Investment, Inclusiveness, Implementation, and Health Governance*, G20 Monitor 16, April 2015, http://www.lowyinstitute.org/files/investment-inclusiveness-implementation-health-governance.pdf.

The G20 is an informal organisation with no constitution, no bylaws, no secretariat, and no compliance mechanisms.

with 150 non-G20 member countries as well as sector groups that advocate for different interests and competing priorities, including business, labour, and civil society groups.

The G20 is an informal organisation with no constitution, no bylaws, no secretariat, and no compliance mechanisms. It has no formal provisions for institutional memory or continuity. It is for these reasons that the G20 relies heavily on the leadership of each year's G20 Presidency, and the troika structure that aims to promote continuity between past, present, and future presidents over three years. During the Australian Presidency, for example, G20 officials rarely talked about how to do things, instead focusing on the content of the policies.[4] This changed during the Australian host year, with a new focus on how to make the G20 run more efficiently.

SUGGESTIONS FOR CHINA AND FUTURE PRESIDENTS

GET THE RIGHT PEOPLE IN THE ROOM

The success of the G20 is underpinned by whether G20 leaders, finance ministers, and central bank governors see the benefit in meeting regularly. The G20 must allow for informal discussions to debate and caucus ideas before formal commitments are made in a written communiqué at the end of the year. Officials in the 2014 Australian host year went to great lengths to provide opportunities to "build personal relationships, such as through retreats and working dinners, which would allow Finance Ministers and Central Bank Governors to talk peer-to-peer."[5]

Future presidents should continue to give leaders and finance ministers the space to discuss issues privately among themselves. Emphasis needs to be on frank and open discussion. Meetings need to avoid the trap of having officials simply read set pieces. Real engagement helps develop peer-to-peer relationships.

The summit invitation list has ballooned, with more than 50 seats around the table at the Leaders' Summit. Invitations are extended to non-G20 countries (often depending on the host country's own foreign policy commitments) and to international organisations. The G20 will always have to balance legitimacy and effectiveness, but too many actors skew the balance away from concrete outcomes.

[4] Martin Parkinson and Barry Sterland, "Innovations in Global Governance: Australia's G20 Presidency," A Special Presentation to the Centre for International Governance Innovation (CIGI) and the Institute for New Economic Thinking (INET), Washington DC, 8 October 2014, http://www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/Innovations-in-Global-Governance/.

[5] Ibid.

When the G20 was first convened during the height of the global financial crisis, officials were given a few weeks to prepare for the leader-level meeting. By the time of the 2014 Australian Presidency (announced two years in advance), there were more than 60 meetings in a year and almost 8000 people attended the Leaders' Summit in Brisbane.[6] Attending these meetings were a wide range of ministers. In addition to leaders and finance ministers, G20 foreign ministers, trade ministers, labour ministers, agriculture ministers, and energy ministers now convene to discuss issues that are relevant to their portfolios. The Turkish G20 year has every indication of becoming an even more complex logistical exercise. As at July 2015, this year's G20 has 67 formal meetings that have either taken place or have a confirmed date and venue.[7] These formal meetings do not include outreach events, which also continue to proliferate. The likelihood is that the 2015 Antalya Summit will be just as large as Brisbane, if not larger. In short, the G20 has become a forum that involves substantial and continuous input from national governments.

Amidst a crowded international summit space, G20 meetings compete for attention with other international forums. In the same week of the Brisbane Summit last year, there were also the 2015 APEC and East Asia Forum leader meetings. This year's 2015 G20 Leaders' Summit will take place two weeks before the Conference of the Parties (COP 21) meeting in Paris on the United Nations Framework Convention on Climate Change (UNFCCC). A simple principle is to make sure each meeting has a clear purpose and contributes to the presidential priorities in a tangible way, as well as to the G20's long-term goals. In addition, although it seems minor, there is great value in establishing a tradition of circulating documents well in advance at the beginning of a presidency. For example, a '10-day rule' to encourage the circulation of documents 10 business days in advance of a meeting would mean that officials have no excuses to not consult with ministries and be properly briefed, and would facilitate a better chance of compromise. Another improvement could be to rationalise the number of meetings in which communiqués are not produced. One example could be holding one or two Sherpa meetings, rather than four.

USE THE TROIKA TO ITS FULL POTENTIAL

Most issues that the G20 manages are complex challenges that need long-term solutions, potentially taking years to negotiate. Despite this, each G20 host seeks to put their national mark on the G20, and the process varies significantly year-on-year in line with the style, approach,

[6] Michael Fullilove and Tristram Sainsbury, "Australia's G20 Moment has Arrived," *The Interpreter* (blog), 12 November 2014, http://www.lowyinterpreter.org/post/2014/11/12/Australias-G20-moment-has-arrived.aspx.

[7] G20 Turkey 2015, *2015 Event Schedule*, https://g20.org/turkey-2015/2015-event-schedule/.

and institutional culture of the host. The different presidential priorities have led to variable progress on the advancement of key G20 issues, to the detriment of the forum.

…there are compelling arguments against a formal secretariat.

Periodically, there are proposals for establishing a formal secretariat, based in a single location, that would provide technical advice and a greater sense of continuity for the G20. However, there are compelling arguments against a formal secretariat. Chief among these are pragmatic challenges, starting with the political minefield of deciding which country should host it, and the risk that decision makers become beholden to the secretariat. The consequence of this would be that unelected officials in one country could wield significant and disproportionate policy influence.

The G7 has successfully resisted calls for a secretariat over 40 years and the G20 is likely to do the same. Instead, the G20 has embraced the troika, involving the past, present, and future presidents working in tandem. However, the impetus still falls on the host with limited overlap of presidencies. As new, eager officials without G20 experience engage with the forum, they risk going down cul-de-sacs that have been tried before. The G20 needs to advance the idea of troika officials as a 'non secretariat' dedicated to the G20 agenda and to maintaining the continuity of G20 priorities.

In the future, this might involve a secondment of 'elite economic diplomats' spending a year at a time in each of the host countries, and committing to seeing out the three years. To develop the taskforce further, announcing the G20 presidents five years in advance rather than three could help continuity and ensure that more countries have 'skin in the game' and follow through with longer-term commitments. For example, the measures required to fulfil the 2014 G20 growth target are supposed to be implemented over a number of years.

A more radical option would be to make the troika a quintet along the lines of an OECD bureau.[8] OECD Committee Chairs are assisted by three or four members of the Committee and meet beforehand to prepare the meetings. This could, for example, mean making the United States and China permanent members working with the rotating troika, in recognition that it is unrealistic to expect progress on preparing for decisions on complex, contentious issues without the full engagement of both the United States and China.

[8] Barry Carin et. al, "Making the G20 Summit Process Work: Some Proposals for Improving Effectiveness and Legitimacy", CIGI G20 Papers, No. 2, June 2010, https://www.cigionline.org/sites/default/files/g20_no2_1.pdf.

INVEST IN BETTER COMMUNICATION WITH THE BROADER COMMUNITY

Our first recommendation implies a streamlining of processes, but less people in the room does not necessarily mean less transparency. The G20 works best as a tight-knit, high-level group, but this group then needs to engage with the publics in G20 countries as well as with non-G20 countries and international organisations. The outreach groups play a role in balancing legitimacy against efficiency. The Turkish Presidency must be praised for introducing the Women 20 (W20) to represent women's groups and consider the gender implications of G20 policy.[9]

One way of consolidating engagement, and preventing some engagement groups getting better treatment and access to officials than others, is to formalise an annual engagement event. This could involve inviting the representatives from all formal engagement groups (B20, C20, L20, T20, W20, and Y20) to a networking event early in the process, across several days, where the groups can communicate their priorities to the Sherpas and finance deputies.[10] This would give the engagement groups the opportunity to prepare and cogently present their cases in a single public forum, obviating the need for time-consuming consultations.

Communiqués need to remain short and concise.

Communiqués need to remain short and concise. The Australian three page leaders' communiqué set a good example in contrast to the previous year, which came in at 27 pages.

Official G20 documents and reports should be uploaded immediately after meetings on the formal G20 website. The formal documents should be accompanied by simple and clear messaging explaining the implications for the general citizen. The G20, like the international organisations, uses a lot of technical terms. G20 presidents could do more to harness social media and develop a strategy of digital communications, building on the G20 website. Communications remain rooted domestically, so it is left up to individual G20 countries to spread the word.

CONCLUSION

There is a danger that process gets overlooked in the heady first days of setting up a G20 presidency as officials are excited by the opportunities for new policy directions. The G20 has benefited from its informal structure and flexibility. However, the permanence of the forum depends on some reflection on how the G20 is run, and on the commitment of future G20 presidents to improve upon processes that could otherwise

[9] Paola Subacchi, "The G20 is Finally Taking Gender Seriously," *Foreign Affairs*, 23 April 2015, http://foreignpolicy.com/2015/04/23/the-g20-is-finally-taking-gender-equality-seriously-women-w20-turkey/.

[10] Barry Carin et. al, "Making the G20 Summit Process Work."

undermine the effectiveness of the forum. Ensuring that the right people are in the room, using the troika to its full potential, and investing in better communication to the broader community would underpin the delivery of better outcomes, legitimise the G20, and help maintain buy-in from leaders and officials.

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