

Regional Think 20 seminar summary

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Introduction

Over May 22-24, the G20 Studies Centre at the Lowy Institute, in conjunction with the Asia Development Bank Institute (ADBI) and the Korea Development Institute (KDI), hosted a ‘regional Think 20’ seminar in Sydney titled ‘The G20 leaders’ process five years on: an assessment from an Asian perspective.’

The seminar, held under the Chatham house rule, brought together representatives from think tanks and universities from around the Asian region. Australian G20 officials and representatives from the Russian G20 Sherpa’s office - responsible for coordinating this year’s G20 – also attended the seminar.

How or whether the G20 can transition from ‘crisis management-forum’ to an effective ‘global governance steering forum’ underpinned much of the discussion. In this regard, participants reflected on the G20’s evolution as a ‘premier forum for global economic cooperation’ since the first leaders’ summit in 2008, on progress towards commitments made at G20 leaders’ summits, and on whether the G20’s priorities should be more inclusive of perspectives from the Asian region.

On the G20’s role as a ‘premier forum for global economic cooperation’

Although the G20 proved to be a successful venue for coordinating macroeconomic stimulus measures in the immediate period after Lehman brothers’ collapse, the urgency and resolve of G20 members to also pursue long-term policy coordination appears to have waned. Seminar participants considered the reasons why the G20’s momentum had slipped (or whether this was merely a matter of perception), as well as various ways in which the G20 could be ‘reinvigorated’ as a ‘premier forum for global economic cooperation.’

For example, on the G20’s commitment to redressing global economic imbalances, it was suggested that the G20 might gain traction by spending less time on what constitutes an acceptable metric of fiscal surplus or deficit, and more time on tackling the actual structural impediments to debt and deficit consolidation within and between G20 countries. However there was some debate as to whether a granular approach to rebalancing would require a formal G20 backed mechanism capable of pressuring non-compliant countries, and if so, whether a more realistic and discretionary form of coordination built around indicative guidelines is actually better suited to an informal forum like the G20.

The issue of perception versus reality with regards to the internal dynamics of the G20 was a contentious one, particularly on whether G20 members are divided within the forum according to their status as an advanced (G7) or an emerging economy (BRICS), or whether G20 members in fact engage on a more issue-specific basis – for instance, such as whether they are a surplus or deficit economy when it comes to discussing global imbalances.

Regardless, given the G20’s exclusive membership, participants agreed that the G20’s credibility depended on the forum being – and being perceived to be – a more consistently *effective* forum of global economic governance. In this regard, several participants suggested the G20 would benefit by better incorporating the historical experience of *non-G7* countries

(from both within and outside the G20), in dealing with post-crisis structural reform, so as to enhance the willingness of non-G7 G20 members to invest more time and energy into the forum, and thereby enhance its legitimacy. Being more inclusive of the knowledge and experiences of small countries - the 'canaries in the coal mine' of the global economy - was raised as one potential avenue for further exploration, as small states like Singapore depend heavily on stable global economic governance, and arguably have an incentive to work more closely with the G20.

The response of countries and institutions within Asia during and after the Asian Financial Crisis (AFC) was highlighted as a 'case-study' from which the G20 could learn. Several participants noted the increasingly high level of economic integration between Asian countries post the AFC that has been facilitated by regional free trade agreements (FTAs), the Association of South East Asian Nations (ASEAN), the ASEAN+3 and Chiang Mai initiatives. Although such institutions and initiatives are often criticized for replicating the work of broader-based multilateral bodies such as the WTO or World Bank, it was felt by many that this 'duplication' might actually be positive in that it increases the 'institutional space' in which key-decision makers are able to hammer out consensus on contentious but important issues. The role of the ADB in promoting infrastructure investment in Asia, in conjunction with the World Bank, was put forward as one such example. Accordingly, it was suggested that there might be similarly mutually beneficial gains to be made by linking the G20 agenda more effectively with the work of these regional bodies - possibly bolstering the political legitimacy of both processes.

In light of the above, consideration was also given to how Australia's G20 presidency in 2014 might be able to build upon the Seoul G20 Summit of 2010. Seoul was notable in that it represented the first G20 leaders' summit to have been hosted in an emerging economy, as well as in Asia. The Korean hosts sought to build upon this symbolism by actively working to promote the influence of emerging market and developing economies (EMDE) in forming the G20 agenda, and also through pursuing greater representation for EMDEs within key international financial institutions - most publically through IMF quota reform. It was noted that while a number of objectives from the Seoul summit remain a work in progress, Australia's presidency represents a potentially significant opportunity to 're-energise' objectives of the 2010 Korean hosts, namely: boosting Asian and EMDE participation in the G20, utilizing 'knowledge networks' like the 'Think 20' to bolster the work of the Troika, and delivering more focused and shorter communiqués.

Progress towards commitments made at previous G20 summits

The seminar also saw participants engage in a progress assessment of key commitments within the G20 agenda, particularly those relating to the 'framework for strong sustainable and balanced growth' that leaders approved at the 2009 Pittsburgh Summit. Specifically, analyses were offered on the G20's Mutual Assessment Process (MAP), its efforts at reforming the international financial architecture and international monetary system, financial regulatory reform within G20 members' markets, as well as the G20's role in promoting international trade, investment and sustainable development.

Views on the success of the MAP were mixed. A handful of participants regarded the MAP as an essential component in the G20's efforts at staving off a second great depression - by galvanizing financial reform within certain G20 member states, as well as greater cooperation between G20 economies, the MAP was identified as a useful tool for comprehending structural issues at the basis of macroeconomic imbalances. However, most participants

agreed that the MAP left much to be desired. The slow recovery from the global financial crisis, record levels of unemployment, and persistent currency misalignments all suggest the incentives for major economies to speedily and diligently comply with their MAP commitments remain unsatisfactory.

Other attendees viewed the MAP's implementation more harshly, noting that where evidence of global rebalancing between 2008-2011 was discernible (in data provided by the IMF's world economic outlook), it was mostly the result of cyclical factors, such as the decline in global demand and varying rates of currency appreciation, rather than the outcome of any serious structural reform instigated by the MAP. Moreover, even where the MAP does address imbalances, its methodology is not as well aligned to contemporary trade practice as it could be, as it still uses balance of trade figures based on total 'end product' value – rather than the actual value-added contributions of each country to products that, realistically, are now 'made in the world.' However, it is difficult to get G20 countries to agree on any process that relies upon 'naming and shaming' intransigent countries. Hence, absent of any independent global arbiter on matters relating to current account and currency misalignments, the G20 and initiatives like the MAP remain a substantially useful venue for at least debating what is and what is not possible in terms of potential cooperation on these issues.

Echoing earlier discussions, several participants pointed to the opportunity that the G20 had to revitalize the international financial architecture (IFA) by backing an increased role for Asia within core institutions like the IMF. Yet it was also noted that this would require a concerted reciprocal effort from the Asian countries to 'speak up.' While there is an apparent desire among Asian states to retain their privileged position within the G20, many discussants conceded there was, to date, a hesitancy and tentativeness in the way Asian representatives had engaged with the forum.

This is perhaps not surprising - much of the post 2008 agenda for the G20 has reflected the experience of governments and financial institutions in North America and Western Europe, in a way that is not as well matched to their Asian counterparts, who face a different set of circumstances and challenges. Yet a continuation of this trend may lead to a dwindling interest in the G20 from Asia, and exacerbate the drift in global economic governance away from multilateral economic institutions towards a more fragmented system of regionally focused cooperation. However, as the world's foremost region of economic growth, the future legitimacy of the IFA is arguably dependent on securing Asia's resolute backing, and this is an area where the G20 can make a real contribution.

Further food for thought for the G20

Trade and development are two areas where the G20's credibility hangs in the balance. With regards to trade, the declining resolve of the G20 to realise the Doha development agenda (DDA) is evident in an analysis of G20 leaders' communiques: at the 2009 summits in London and Pittsburgh, leaders committed to an "ambitious and balanced conclusion" of the DDA and set a deadline for 2010; by 2012, with the self-imposed deadline clearly unmet, leaders merely consented to 'continue to work towards concluding the DDA.'

Hence, although the standstill on protectionism agreed to by G20 leaders at the 2008 Washington summit appears to have forestalled a repeat of depression-era protectionism, making an actual *positive* contribution to the multilateral trading system will likely require a concerted restoration of trade to the 'heart' of the G20 agenda. Whether this 'renewal' of the trade agenda is sought through resurrecting the DDA (or at least Doha-lite), an updated trade round that is better matched to the 21st century economy, or accepting and accommodating

the devolution of the multilateral system to regional agreements like the TPP and TTIP, is a matter for debate.

Regardless, as many participants noted, growing awareness of the role of global value chains, the turn towards regional and preferential trade agreements, and the incorporation of China into the global trading system, have significantly altered the practice of international trade and the channels through which it is conducted since the DDA was launched. The key point for the G20 is that its own reputation, and that of the WTO and the multilateral trading system in general, depends on the forum being able to produce a clear and well-articulated position on these issues sooner rather than later.

Participants also sought to assess whether the underlying principles of development within the G20's 'framework for strong sustainable and balanced growth' were adequate. For example, whether the G20 was sufficiently inclusive of the demographics and countries that are subject to its commitments on development was a matter of contention. Many felt the G20 could do a better job of incorporating the views of major developing countries like China and India in the G20's development working group, as well as the domestic-level experiences of countries like Indonesia in the area of infrastructure investment. Precisely how the G20 could value-add to issues like the post-2015 development agenda, labour mobility and enhancing opportunities for women in a non-superficial way was also cause for debate. The main suggestion put forward was that the G20 should start with a principle of 'do no harm' on these objectives, and then proceed to more effectively integrate them into the broader G20 agenda in a strategic and comprehensive fashion, rather than simply create new working or study groups on development issues and thereby exacerbate G20 'mission creep' or 'bloat.'

Conclusion

To date, the incorporation of the experiences and voice of Asia within the G20 has not been commensurate with the economic weight of the region, and this has been to the detriment of the G20 agenda's relevance and inclusiveness. In this regard, the regional think 20 Seminar highlighted the need for the G20 to develop a more focused agenda and a more clearly articulated understanding of its own role with respect to the multilateral institutions of global economic governance – not least those in Asia. More broadly, seminar discussions about the various policy 'streams' of the G20 process also emphasized the importance of maintaining an integrated and holistic understanding of the G20 agenda and how (or whether) it relates to the domestic experience of *all* its members in a meaningful way.

Ultimately, from trade to financial regulation and from current account imbalances to fighting unemployment, all G20 members have an incentive to regularly step back from the 'institutional minutiae' of the G20 process and assess whether the forum itself, and global economic governance more generally, is headed in the right direction, or in need of recalibration. This was the objective of the regional Think 20 seminar, and it is hoped that the discussion started in Sydney will be an ongoing one throughout Australia's presidency of the G20 and beyond.