



G20 MONITOR

# Towards Hangzhou and Hamburg

Edited by  
Tristram Sainsbury

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## OVERVIEW

TRISTRAM SAINSBURY<sup>1</sup>

The 21st edition of the G20 Monitor highlights important considerations for the G20 ahead of the 4–5 September 2016 G20 Leaders' Summit in Hangzhou, and examines some of the broader governance challenges that may feature prominently at the 7–8 July 2017 G20 Leaders' Summit in Hamburg, Germany.

With the Hangzhou Summit now mere weeks away, **Ye Yu** reviews the Chinese 2016 G20 Presidency. Ye points out that China has pursued a more balanced approach towards global growth and that it has used the opportunity afforded by its G20 Presidency to outline a long-term vision for trade, investment, and sustainable development. Its approach clearly aligns with the Chinese domestic reform agenda, and China is eager to exhibit its strong commitment to global cooperation and hosting the G20 in light of ongoing geopolitical and territorial conflicts in the Asia-Pacific. But Ye also highlights that this year's G20 processes have demonstrated the limitations of the Chinese global leadership role in an increasingly diversified world. As such, she cautions against overly optimistic expectations of policy miracles from Hangzhou, and indeed for any single G20 Summit, in an era of international power diffusion and regionalisation as the world 'muddles through'.

Trade issues have been of keen interest to the Chinese G20 Presidency, and **Australian G20 Sherpa David Gruen** and **Sam Bide** write on what governments can do about the global trade slowdown. They examine the global trade outlook and the factors depressing trade growth such as the weak investment environment, China's rebalancing away from export-led growth, the diminishing contribution of previous rounds of trade barrier reductions, and the rise of protectionism. Gruen and Bide argue that better informed policy development and enhanced public support can accelerate the momentum for meaningful trade reform. They point out the G20 has been taking steps in this regard, including the recent July G20 trade ministers' meeting in Shanghai in which the G20 asked for greater collaboration between key international organisations on collaborative and strategic trade modelling, and in communicating the benefits of trade and investment. In addition to these efforts, they point to the need for stronger leadership in describing the benefits of a cooperative, rules-based system, underpinned by better analysis that overcomes protectionist arguments, and build constituencies for trade reform.

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<sup>1</sup> Tristram Sainsbury is Research Fellow and Project Director in the G20 Studies Centre at the Lowy Institute for International Policy, and a Visiting Fellow at Chongyang Institute for Financial Studies, Renmin University of China, and the Kiel Institute for the World Economy.

This G20 Monitor also canvasses three topics that are possibly of interest to the 2017 German G20 Presidency but that are largely outside the G20's existing bandwidth. **Fergus Hanson** examines the scope for the G20 to get involved in rule-setting on the digital economy. State-sanctioned commercial cyberespionage and cyberattacks impose significant economic costs: they have a direct negative financial impact on business, undermine intellectual property regimes, carry the risk of retaliatory action, and are a threat to civilian life. There are various attempts across the world to address these challenges, but the global architecture remains deficient and attempts to address institutional gaps have serious shortcomings. The G20's political leadership is well-placed to fill the gap, if it chooses to do so, and Hanson points out that an ambitious German 2017 G20 Presidency could spearhead the necessary political impetus required to promote a more cohesive global regime. He makes the case for a 'non-exhaustive' multi-year agenda that is focused on three areas: commercial cyberespionage, state conduct in relation to cyberattacks, and the free flow of data. He also highlights the similarities between the current state of the world on 'digital rules' and the G20's recent tax agenda, in terms of the potential for the G20 to agree to minimum global standards and to the voluntary exchange of relevant information on cyberattacks among G20 members.

**Hugh Jorgensen** and I focus on another area where the G20's leadership has been criticised in recent years: global migration governance. The Syrian refugee crisis has highlighted that global governance arrangements are failing both migrants and states, and despite vocal calls for more action from across the community, as well as a handful of G20 members playing a leading role to respond to the crisis, the G20 has so far done little to ameliorate the deficient global response to refugee-related issues. Migration is not a natural fit for the G20; the economic case for migration is knotty, there is a fragmented network of migration-focused bodies and processes and no centralised governance framework with a universal mandate to manage cross-border flows of people; and the G20 membership is disproportionately made up of migration destination, rather than source, countries. Jorgensen and I argue that the G20 needs to be strategic in this complex policy space and recognise the importance of ensuring that all key groupings' perspectives are held. In Hangzhou, G20 Leaders should give their full support to the leader-level summit on 'large movements of refugees and migrants' that will be held ahead of the UN General Assembly in New York. During the German Presidency, the G20 should emphasise its role as a 'steering committee for global governance' and add political momentum to existing processes set in place by the United Nations, in particular, the Global Migration Group, the Global Forum for Migration and Development, and the 2030 Agenda for Sustainable Development.

**John Kirton** and **James Hospedales** focus on the G20's potential role on global health governance in 2017. Yet another health epidemic — the Zika virus — is in global headlines in 2016, once again exposing the flaws

in the global architecture set up to deal with cross-border health pandemics. More troubling, while the standard soul-searching process has taken place since the Ebola epidemic, and the institutional lessons learned from that experience, the necessary actions to improve the system (and required resources to implement them) have not eventuated. Moreover, there is a ticking time bomb in national health systems that no government is set up to deal with. The 'fiscal math' is relatively straightforward: the largest risks to global health security emerge from non-communicable diseases such as heart diseases, stroke and cancer, and the healthcare costs of such longer-lasting diseases are rising faster than the growth in GDP that is needed to sustain them. With political impetus in this space lagging, and seemingly outside the core focus of China's G20 host year, Kirton and Hospedales call for G20 Leaders to act on an ambitious global health agenda ahead of the Hamburg Leaders' Summit in 2017, set up during the Hangzhou Summit, in five areas, namely: fix the health governance gaps that surround the World Health Organisation (WHO); support the International Health Regulations (IHRs) and integrate antimicrobial resistance actions into national development plans; apply the Chinese innovation agenda to health matters; support a stronger regionalised approach towards meeting international health commitments; and provide political drive behind global efforts to prevent and control non-communicable diseases.

Finally, this Monitor looks at an issue that is firmly on the G20's agenda but where the forum's recent efforts are disappointing. Reducing the disparities between women and men offers a rare prospective good-news story for the G20; an agenda that can lead to positive macroeconomic outcomes and at the same time demonstrate how G20 countries are taking real, substantive actions to reduce inequality. In Brisbane in November 2014, G20 Leaders recognised this when they committed to reduce the gap in participation rates between men and women by 25 per cent by 2025. If realised, this could lead to as many as 100 million more women in jobs over a ten-year time span. However, the G20's subsequent efforts on this important space have been disappointing. Although the G20 established the Women 20 (W20) engagement group in 2015, the forum is yet to outline a coherent public road map for how it intends to meet the '25 by 25' target and G20 members are yet to clearly demonstrate what actions they are actually taking to improve women's lives. Against this backdrop, Australia's W20 delegates **Sue Harris Rimmer** and **Anne Fulwood** examine the opportunities and dilemmas of the W20 in advocating for a more active G20 agenda that takes women more seriously and improves women's lives. Harris Rimmer and Fulwood argue that the W20 is an idea with a lot of potential. But now, two summits in, it needs to suggest concrete policy solutions aligned to the current state of G20 negotiations. And for the W20 to be influential, it needs to speak in a way that resonates with hard-headed G20 Sherpa and finance track delegates.

## BACKGROUND

The September 2016 Hangzhou Summit comes at an interesting time for the global economy. The International Monetary Fund (IMF) recently downgraded its growth forecasts by 0.1 per cent to 3.1 per cent in 2016 and 3.4 per cent in 2017.<sup>2</sup> IMF Chief Economist Maurice Obstfeld has said that one prominent recent event, the British referendum to leave the European Union (Brexit), threw a spanner in the works of their world economic forecasts.<sup>3</sup> The Fund has also warned of significant economic, political and institutional uncertainty, which could lead to future downgrades.

In recent years, the global economic scenario has been characterised by low growth, high unemployment, a corporate sector that continues to face incentives to redistribute earnings rather than invest, rising risks, and persistent and unresolved inequalities. This is certainly not a new story, and it is remarkable that the latest forecasts mark the sixteenth downgrade in the IMF's global growth outlook since January 2012.<sup>4</sup> In recent years, though, the generic sense of heightened risk has gradually transitioned towards clear, specific, near-term, and increasingly realisable risks. The Hangzhou Summit will be taking place amid a backdrop of economic, political, and financial uncertainty including: managing the ongoing fallout of Brexit and what it implies for popular sentiment among the advanced countries; Presidential elections in the United States; rising trade protectionism; Turkey's attempted coup; terror attacks; a potential Italian banking crisis; ongoing questions about the Chinese economic transition; and ongoing commodity price uncertainty during a period of transition in global energy markets.

At a time when multilateralism is in decline and many countries are turning inward, there have been high expectations that the 2016 Chinese G20 Presidency will prove to be a pivotal moment for both the G20 and China. For China, the 'big picture' opportunities are threefold: the 2016 Leaders' Summit is a chance for China to highlight the constructive role it can play in the global economic and financial architecture; it marks an important symbolic juncture in the fundamental shift in global governance to be more inclusive of the perspective of both emerging and advanced economies; and it offers the chance to demonstrate the G20's ability to act effectively during a 'peacetime' setting, at a time when the G20's effectiveness is

*...the generic sense of heightened risk has gradually transitioned towards clear, specific, near-term, and increasingly realisable risks.*

<sup>2</sup> IMF, "World Economic Outlook Update: Uncertainty in the Aftermath of the UK Referendum", July 2016, <http://www.imf.org/external/pubs/ft/weo/2016/update/02/index.htm?hootPostID=6cc9d384656e0578b0000a9261b918e0>.

<sup>3</sup> "Brexit Throws 'Spanner in the Works' of Global Growth", BBC News, 19 July 2016, <http://www.bbc.com/news/business-36834977>.

<sup>4</sup> Wayne Swan, "Australia's G20 Leadership: Fairly Sharing the Benefits of Growth", *The Interpreter*, 8 August 2016, <http://www.lowyinterpreter.org/post/2016/08/03/Australias-G20-leadership-Fairly-sharing-the-benefits-of-growth.aspx>.

...China has pursued a technical, bureaucratic, and long-term agenda.

being increasingly questioned.<sup>5</sup> Expectations were elevated when China provided the necessary strong political signals that the G20 host year would be a key foreign policy priority, and it consulted widely and thought deeply in devising its agenda. In the lead-up to Hangzhou, the outstanding questions are on the issues China will stake its reputation on delivering, the degree of leadership China is willing to project, and how China handles the soft power elements of a forum built on voluntary cooperation and where leading from the front is of limited effectiveness.

In classic style, China has pursued a technical, bureaucratic, and long-term agenda. China's G20 Presidency has long promised a vast array of blueprints, action plans, guiding principles, indices, strategies and cooperation initiatives. Such action has been a hallmark of recent statements by energy, agriculture, labour and employment, and trade ministers.<sup>6</sup> These outcomes are entirely consistent with an approach of 'incremental change' and a mentality that — in a situation outside a crisis setting — what is needed from policymakers is a steady hand to finish the job on implementing agreed reforms. The contributions are undoubtedly positive. The May 2016 G20 Monitor highlighted that the two most recent meetings of finance ministers and central bank governors have shown encouraging signs of progress in areas as broad as financial safety nets, climate finance, international tax, tax transparency, and financial regulation and investment.<sup>7</sup> Hangzhou will need to be seen as delivering on the platform established at all of these meetings, and contribute to the ten major results that Chinese Foreign Minister Wang Yi foreshadowed would be delivered to Leaders in Hangzhou.<sup>8</sup>

However, a technical agenda of positive incremental change on long-term challenges is not likely to be enough to convince a growing number of commentators, including former UK Prime Minister Gordon Brown, of the G20's longer-term relevance.<sup>9</sup> As with all G20 meetings, the Hangzhou

<sup>5</sup> He Fan and Tristram Sainsbury, "The G20 in 2016: How Can China Contribute?," in *The G20 and the Future of International Economic Governance*, Mike Callaghan and Tristram Sainsbury, eds (Sydney: UNSW Press, 2015).

<sup>6</sup> See G20, *G20 Energy Ministerial Meeting Beijing Communiqué*, Beijing, 29 June 2016, <http://www.g20.utoronto.ca/2016/160629-energy.html>; G20, *G20 Trade Ministers Meeting Statement*, 9–10 July 2016, [http://www.g20.org/English/Documents/Current/201607/t20160715\\_3057.html](http://www.g20.org/English/Documents/Current/201607/t20160715_3057.html); G20, *G20 Agriculture Ministers Meeting Communiqué*, Xi'an, 3 June 2016, [http://www.g20.org/English/Documents/Current/201606/t20160608\\_2301.html](http://www.g20.org/English/Documents/Current/201606/t20160608_2301.html); and G20, *G20 Labour and Employment Ministers Meeting Declaration*, 13 July 2016, <http://www.g20.utoronto.ca/2016/160713-labour.html>.

<sup>7</sup> Tristram Sainsbury, "Overview," in *New Considerations for China's 2016 G20 Presidency*, G20 Monitor No 20 (Sydney: Lowy Institute for International Policy, May 2016), <http://www.lowyinstitute.org/publications/g20-monitor-new-considerations-chinas-2016-presidency>.

<sup>8</sup> G20, *Wang Yi: Strive to Achieve Ten Results from G20 Hangzhou Summit*, Chinese G20 Presidency Statement, 27 May 2016, [http://www.g20.org/English/Dynamic/201606/t20160601\\_2294.html](http://www.g20.org/English/Dynamic/201606/t20160601_2294.html).

<sup>9</sup> Gordon Brown, "Leaders Must Make the Case for Globalisation", *Financial Times*, 17 July 2016, <http://www.ft.com/cms/s/0/a0849e08-4921-11e6-8d68-72e9211e86ab.html#axzz4HNyr9lon>.

Leaders' Summit needs to be seen to make tangible progress on the G20's key challenge of increasing economic growth, while at the same time increasing its resilience. So far in 2016, there has been a mixed message coming from the forum on these fundamental objectives.

The G20's resilience goals continue to be advanced. Mark Carney, Governor of the Bank of England and Chair of the Financial Stability Board, has noted that the global economy and financial system has weathered two spikes in uncertainty and risk aversion so far this year.<sup>10</sup> This is partly due to the actions that G20 members have taken to safeguard the financial system over the past seven years. Moreover, if a global economic or financial crisis were to emerge, the G20 remains the key venue for providing global leadership and coordinating the collective global policy response. In the meantime, a technical, longer-term agenda on cross-border financial and economic issues, particularly related to financial regulation, international taxation and the reform of international organisations, continues to be advanced. The decisions made in these areas affect people's lives.

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In contrast, the IMF's latest revisions highlight how the G20's goals to boost growth have remained frustratingly elusive. Moreover, the Brexit vote revealed how governments have failed to address the challenges arising from globalisation. Capitalism needed saving in the aftermath of the global financial crisis, but in bailing out financial institutions with taxpayer money, governments transferred the stresses from financial markets to politics.<sup>11</sup> The G20 was meant to be a key valve for resolving the political risk that governments took on. It was intended as an informal dialogue on economic and financial policy to help achieve stable and sustainable global growth, and in the words of former Canadian Prime Minister Paul Martin, "focus on translating the benefits of globalisation [and the global flows of information, goods, services, people, and finance] into higher incomes and better opportunities for people everywhere."<sup>12</sup>

The G20's record, particularly in recent years, remains sparse on these core matters of globalisation.<sup>13</sup> Despite a migration crisis, G20 leadership has been absent on the flow of people across borders. Capital flows remain a controversial and technical matter plagued by competing philosophical positions. Progress in trade liberalisation has been glacial, and the issues divisive, though the G20 has at least made an important

<sup>10</sup> Financial Stability Board, "Chair's Letter to the G20 Finance Ministers and Central Bank Governors", 24 July 2016, <http://www.fsb.org/2016/07/chairs-letter-to-the-g20-finance-ministers-and-central-bank-governors-2/>.

<sup>11</sup> Tristram Sainsbury, "Brexit Should Be a Wake-up Call for the G20", *The Interpreter*, 28 June 2016, <http://www.lowyinterpreter.org/post/2016/06/28/Brexit-should-be-a-wake-up-call-for-the-G20.aspx>.

<sup>12</sup> Finance Minister Paul Martin Chosen as Inaugural Chairperson of New Group of Twenty, press release, Washington DC, 25 September, 1999, <http://www.g8.utoronto.ca/finance/fm992509.htm>.

<sup>13</sup> Tristram Sainsbury, "Brexit Should Be a Wake-up Call for the G20", *The Interpreter*, 28 June 2016.

contribution to resisting outright protectionism. But it is the G20's inability to address weak economic growth and inequalities that are the most jarring.

Headline G20 rhetoric on macroeconomic policy is currently based on the collective pledge, repeated for the past 12 months, to use fiscal, monetary, and structural policy tools, individually and collectively, to achieve strong, sustainable and balanced growth. However, in practice there remains a stalemate at the G20 about the need, or ability, of countries to place fiscal policy more prominently in the policy mix, and the communiqués from finance ministers and central bank governors have lacked a sense of coordinated action to give teeth to the high-level rhetoric. The resulting emphasis, as the University of Toronto's John Kirton argues, appears to be "the familiar old formula to put monetary policy first, structural reform second and fiscal policy last".<sup>14</sup> Some G20 countries are acting individually. Notably, Canada pledged C\$60 billion (US\$46 billion) in new infrastructure spending in March 2016, and Japan launched a ¥4.6 trillion stimulus package (US\$45 billion) at the start of August.<sup>15</sup> Notwithstanding these announcements, the global policy response remains individual and slow, and for most G20 countries, fiscal policy remains merely to fine-tune existing policies rather than implement a more substantive shift in policy direction.

In recent years the G20 has fallen into a practice of endorsing bureaucratic plans to improve growth and jobs and implement difficult structural reform. These plans have warm agreement around the G20 table. However, the implementation of such plans has lacked political backing, with the general public typically unaware of what happens behind the forum's closed-door negotiations. Further, although there has been important progress on tax avoidance by multinationals, the G20 has failed, even at an aspirational level, to substantively address the disconnect in returns going to different segments of society.

The sense, expressed by former Australian Treasurer Wayne Swan, is that global policymakers are determined to sleepwalk into 'a burning house' of the next crisis.<sup>16</sup> Moreover, the overall impression is that the G20 'elites' — politicians and policy experts at the highest table for economic cooperation — recognise that more needs to be done, but decision-makers are either unwilling or unable to take the necessary action. The idea that economic elites don't have the best interests of citizens at heart has already had consequences in terms of popular sentiment and the

*The idea that economic elites don't have the best interests of citizens at heart has already had consequences in terms of popular sentiment...*

<sup>14</sup> John Kirton, "A Disappointing Response to Global Dangers from G20 Finance Ministers and Central Bank Governors at Chengdu", commentary, G20 Information Centre, University of Toronto, 24 July 2016, <http://www.g8.utoronto.ca/blogs/160724-kirton.html>.

<sup>15</sup> Robin Harding, "Japan Launches \$45bn Stimulus Package", *Financial Times*, 2 August 2016, <http://www.ft.com/cms/s/2/857bd6ee-588a-11e6-8d05-4eaa66292c32.html#axzz4H0lpY9KI>.

<sup>16</sup> Swan, "Australia's G20 Leadership: Fairly Sharing the benefits of Growth".

ease with which those campaigning for Brexit were able to dismiss the advice of 'experts'. The problem is of global consequence, given the risk of populist platforms in advanced economies to lead to policies that reduce the scope for future income gains across the globe.

Among a large body of public commentary in recent months, Nouriel Roubini has argued that anti-globalisation sentiment can be contained and managed through policies that compensate workers for the collateral damage and costs of globalisation.<sup>17</sup> Harvard's Larry Summers has argued that the key now is about responsible nationalism.<sup>18</sup> Most of the policy responses to the issues of globalisation are primarily national in nature, and only national governments can persuade their citizens and electorates that they can also benefit from globalisation. For example, providing social safety nets, strengthening health systems, targeted industry assistance, supportive labour market policies, and education and retraining are all domestic policies that address inequality. These policies are key parts of the social contract between governments and their citizens, and arrangements vary significantly across the G20. The appropriate policy response similarly varies considerably across the G20, although governments are faced with the common dilemma that financing increased efforts on inequality frequently involves a trade-off in terms of higher taxes, lowering other spending, or accepting ballooning sovereign debt levels.

The G20's scope to provide a substantive collective policy response on such domestic matters remains limited. Nonetheless, at Hangzhou, Leaders will be under pressure to demonstrate what 'responsible nationalism' means in the context of their own nations, and also make progress in tangible areas that will address underlying popular concerns. The *Financial Times*' Martin Wolf has pointed to some broader 'G20 policy' areas such as reforming capitalism, greater demand support, prosecuting an enhanced tax agenda, and fighting the quacks.<sup>19</sup> The G20 needs to highlight what its member governments have done in these areas and project a vision for how governments have emerging challenges in hand.

Heading into a condensed 2017 German Presidency centred around a July Leaders summit, a positive and proactive G20 agenda can also demonstrate global leadership in areas canvassed in this G20 Monitor such as trade, information flows, health governance, and migration. In such areas the G20's focus should be on gaps and deficiencies in the

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<sup>17</sup> Nouriel Roubini, "Globalization's Political Fault Lines", Project Syndicate, 4 July 2016, <https://www.project-syndicate.org/commentary/globalization-political-fault-lines-by-nouriel-roubini-2016-07>.

<sup>18</sup> Lawrence Summers, "Why Brexit is Worse for Europe than Britain", Wonkblog, *The Washington Post*, 24 June 2016, <https://www.washingtonpost.com/news/wonk/wp/2016/06/24/whats-crucial-to-know-the-morning-after-brexite/>.

<sup>19</sup> Martin Wolf, "Global Elites Must Heed the Warning of Populist Rage", *Financial Times*, 19 July 2016, <http://www.ft.com/cms/s/0/54f0f5c6-4d05-11e6-88c5-db83e98a590a.html#axzz4HNyr9lon>.

global architecture, and efforts should be targeted at complementing existing global initiatives where possible, and on providing political leadership on global challenges that cannot be solved by countries acting alone. It is important for the G20 to start laying the platform for Hamburg in Hangzhou.

At a time when confidence in experts and public institutions is low, politicians need to find a better way to speak to the sense of disillusion from those who feel that they have been left behind.<sup>20</sup> There is an important norm-setting role for the G20, but the G20 needs to step up its communications if it is to fulfil this function effectively, as foreign ministers recognised at their July meeting.<sup>21</sup> Partly the G20's norm-setting is about being more robust, direct, and clear in official communiqués. More broadly, though, political leaders need to be more active in describing the benefits of the liberal economic order in contributing to global prosperity and security. It is important that G20 Leaders take the opportunity of the 'bully pulpit' provided by the Hangzhou and Hamburg Summits to speak plainly and directly to their citizens about what the G20 is doing to improve their lives. They also need to defend the role performed by multilateral organisations underpinning the liberal economic order, particularly the IMF and the World Trade Organization.

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<sup>20</sup> OECD, "Transparency, Trust and Growth", accessed August 2016, <http://www.oecd.org/governance/transparencytrustandgrowth.htm>.

<sup>21</sup> G20, *G20 Trade Ministers Meeting Statement*, 9–10 July 2016.

# OVERVIEW OF THE 2016 CHINESE G20 PRESIDENCY: A BALANCED APPROACH TO GROWTH

YE YU<sup>1</sup>

With the G20 Hangzhou Summit fast approaching, Hangzhou, a charming city with cultural appeal and innovative dynamism, is ready to deliver to the world “a uniquely impressive summit” on 4–5 September 2016.<sup>2</sup> In contrast to some previous summits, local citizens are embracing the opportunity to host the “most important home diplomacy of China this year” warmly. There is prestige in being a G20 Summit host city. It also brings better infrastructure and public service that improves daily lives.

Outside of the benefits to the citizens of Hangzhou, what are the “uniquely impressive” achievements that the 2016 G20 Leaders’ Summit can be expected to deliver? The problems are basically old, although efforts are new. In a world facing continuous sluggish growth, a rise in populist sentiment and a stalemate in multilateralism, the G20 continues to act as a platform for economic cooperation. The forum facilitates the building of trust among its members, progressing minimum standards and otherwise seeking the best international economic advances possible by voluntary cooperation.

Perhaps the most unique outcome from this year’s G20 Presidency will be for China itself to shift in its psychology and take more ownership of global economic governance. But with the world muddling through in an era of international power diffusion and regionalisation, it would be overly optimistic to expect policy miracles from any single G20 Summit. It seems unlikely that Hangzhou will break the mould, although there is likely to be progress on a range of issues. This paper focuses on the advances in terms of macroeconomic policy cooperation and the G20’s ongoing evolution from a ‘crisis’ committee to a ‘steering’ committee.

*...the G20 continues to act as a platform for economic cooperation.*

## A MORE BALANCED APPROACH TO MONETARY, FISCAL AND STRUCTURAL POLICIES

Given rising volatilities and uncertainties, economic policy cooperation remains one of the core functions of the G20, and is arguably its most

<sup>1</sup> Ye Yu is Associate Professor and Assistant Director at the Institute for World Economy Studies at Shanghai Institutes for International Studies and a Nonresident Fellow at the Lowy Institute for International Policy.

<sup>2</sup> President Xi Jinping’s remarks on the “Theme and Key Agenda Items of the G20 Summit in 2016” in Chinese G20 Presidency, *G20 Summit 2016, China*, 1 December 2015, <http://www.g20.org/English/Dynamic/201512/P020151201039444963631.pdf>.

*This year's G20 continues to monitor the major systemic risks that could harm the world economy...*

important role While monetary policy cooperation under the G20 has been well managed so far in 2016, the G20 has had more muted success in its efforts to enhance growth through structural reforms.

This year's G20 continues to monitor the major systemic risks that could harm the world economy, such as financial and commodity market volatility, rising inequalities and environmental threats, geopolitical conflicts, terrorism, and refugees. In the first half of 2016, the G20's focus has been on the spillover effects associated with divergent monetary policy adjustments of major economies, principally managing the impact of rising interest rates in the United States at the same time that other major economies were moving in the opposite direction. Chinese financial sector volatility and exchange rate policy movements also attracted great attention, a development that was a little embarrassing for the Chinese Presidency.

Central banks across the world continue to be driven by a domestic mandate, but take international events into consideration when making decisions. Ahead of the first finance ministers and central bank governors meeting in Shanghai in late February, there was speculation that China, the United States, and other major economies would reach a grand 'Plaza-style' accord on exchange rates. However, China had largely put issues around the yuan to bed when People's Bank of China Governor Zhou Xiaochuan outlined China's approach to exchange rate management.<sup>3</sup> Rumours of a secret 'Shanghai agreement' have been officially denied by Chinese officials. It appears clear that a grand bargain on exchange rates was not a realistic proposition.<sup>4</sup>

The events in the lead-up to the Shanghai meeting reflect a more outward-looking attitude and more active participation of Chinese decision-makers in global economic governance. Governor Zhou followed February's speech with a candid and thorough elaboration of the unique rationale, goals, and approaches of Chinese monetary policy as the Chinese economy transitions, at the IMF in June.<sup>5</sup> The groundbreaking speech is also an example of the ever-closer relationship between China and the IMF in the seven years following the global financial crisis. It contrasts sharply with the alleged strife between China and the IMF on the exchange rate prior to the crisis.<sup>6</sup>

<sup>3</sup> Wang Shuo, Zhang Jiwei and Huo Kan, "Transcript: Zhou Xiaochuan Interview", *Caixin*, 15 February 2016, <http://english.caixin.com/2016-02-15/100909181.html>.

<sup>4</sup> "央行副行长易纲详解2016年G20财长和央行行长会议共识 [Deputy Governor of the People's Bank of China Yi Gang Elaborates on the Consensus Reached at the G20 Finance Ministers and Central Bank Governors Meeting]", Xinhua News Agency, 28 February 2016, [http://news.xinhuanet.com/fortune/2016-02/28/c\\_1118181714.htm](http://news.xinhuanet.com/fortune/2016-02/28/c_1118181714.htm).

<sup>5</sup> Zhou Xiaochuan, "Managing Multi-Objective Monetary Policy: From the Perspective of Transitioning Chinese Economy", Michel Camdessus Central Banking Lecture, International Monetary Fund, 24 June 2016, <http://www.imf.org/external/np/speeches/2016/062416.htm>.

<sup>6</sup> Paul Blustein, *Off Balance: The Travails of Institutions That Govern the Global Financial System* (Ontario, Canada: The Centre for International Governance Innovation, 2013).

Then, on 23 June, global market attention shifted to Europe and the uncertainties arising around the Brexit referendum. After the announcement that the United Kingdom had voted to leave the European Union, the G20 was not as swift as the G7 finance ministers and central bank governors in issuing a common statement to reassure markets that they were monitoring movements and financial stability. This was a firm reminder of the need for all G20 members to remain prepared to manage the complex array of consequences, predictable and unpredictable, associated with global risks.

A related core issue for the G20 is how to drive growth and create jobs. G20 members have been divided in views on whether they should use fiscal policy more actively with current global public debt levels.<sup>7</sup> With fiscal space more constrained, G20 growth efforts have been overly reliant on actions by central banks, and extraordinarily accommodative monetary policy settings have not been able to effectively revive the real economy on their own. It has not been surprising that China has focused its efforts on structural reform for improved long-term growth, an area the G20 has been able to reach a constructive consensus in recent years. When China assumed the G20 Presidency, it built on the comprehensive growth strategies that Leaders adopted in Brisbane in 2014 and renewed in Antalya in 2015, but with an emphasis on so-called ‘supply-side’ reforms that resonate well with its domestic fiscal agenda.

Still, the G20’s emphasis on structural reforms should not be over-read. An important message that the G20 China Presidency has sent has been of the need for a more balanced approach to growth, especially a clear and explicit endorsement of the role of fiscal policy. In Shanghai in February, G20 finance ministers and central bank governors reiterated their calls six months earlier to use all policy tools — monetary, fiscal, and structural — individually and collectively to achieve their goals of stronger growth and employment outcomes. Moreover, they argued that:

“we will use fiscal policy flexibly to strengthen growth, job creation and confidence, while enhancing resilience and ensuring debt as a share of GDP is on a sustainable path. We are also making tax policy and public spending as growth-friendly as possible, including by prioritizing expenditure in favor of high-quality investment.”<sup>8</sup>

The G20 consensus of “collectively” using all policy tools and their detailed elaboration about the role of fiscal policy reflects a subtle shift in attitude of those members that have been most cautious about using fiscal policy

*G20 members have been divided in views on whether they should use fiscal policy more actively with current global public debt levels.*

<sup>7</sup> José Antonio Ocampo, “Reforming the International Monetary and Financial Architecture”, International Policy Analysis, Freidrich Ebert Stiftung, August 2014, 12, <http://library.fes.de/pdf-files/iez/global/10900.pdf>.

<sup>8</sup> G20, *Communiqué*, G20 Finance Ministers and Central Bank Governors Meeting, Shanghai, 26–27 February 2016, [http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201602/t20160227\\_1795400.html](http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201602/t20160227_1795400.html).

*The endorsement by G20 members of a more balanced approach towards growth may not have translated into a collective action plan as in 2009; but China's Presidency has overseen a positive consensus...*

in support of growth.<sup>9</sup> Fundamentally, the change recognises the challenges that have been embodied by continued downward revisions to world economic growth projections by major international organisations. The endorsement by G20 members of a more balanced approach towards growth may not have translated into a collective action plan as in 2009; but China's Presidency has overseen a positive consensus emerge about how to promote mutual interactions of fiscal and structural policies. Similar debates continue to evolve within China. When people abuse the term 'supply-side reform', serious economists have strongly argued for the legitimacy and necessity of quality public investment for infrastructure, and for an ambitious structural reform agenda to be implemented smoothly in modern China.<sup>10</sup>

Infrastructure investment continues to be an area of G20 focus, with the 2016 agenda prioritising the role of multilateral development banks. Upon request, 11 multilateral development banks, including the new Asian Infrastructure Investment Bank and the BRICS New Development Bank, made a joint declaration of aspirations on actions to support Infrastructure Investment, which included quantitative and qualitative measures. A Global Infrastructure Connectivity Alliance is to be launched in Hangzhou, to increase synergies and cooperation of regional and national infrastructure initiatives.<sup>11</sup>

## MOVING FROM A CRISIS COMMITTEE TO A STEERING COMMITTEE

There has been much made of the G20's transformation from a contingent 'crisis committee' to a strategic 'steering committee' for the world economy, although this transformation is still incomplete.<sup>12</sup> The Chinese Presidency has been very keen to leave its footprint in promoting the G20 transformation from dealing with "cyclical issues" to addressing "structural issues".<sup>13</sup> This can be clearly seen in China's four I's framework,<sup>14</sup> and

<sup>9</sup> "央行副行长易纲详解2016年G20财长和央行行长会议共识 [Deputy Governor of the People's Bank of China Yi Gang Elaborates on the Consensus Reached at the G20 Finance Ministers and Central Bank Governors Meeting]", Xinhua News Agency, 28 February 2016, [http://news.xinhuanet.com/fortune/2016-02/28/c\\_1118181714.htm](http://news.xinhuanet.com/fortune/2016-02/28/c_1118181714.htm).

<sup>10</sup> Yu Yongding, "供给侧结构性改革"不是大杂烩 [Supply-side Reform is Not a Hotchpotch], *Caijing Magazine*, Issue No 16 (2016).

<sup>11</sup> G20, *Communiqué G20 Finance Ministers and Central Bank Governors Meeting*, Chengdu, China, 23–24 July 2016, [http://www.g20.org/English/Documents/Current/201607/t20160728\\_3091.html](http://www.g20.org/English/Documents/Current/201607/t20160728_3091.html).

<sup>12</sup> See, for example, Colin I Bradford and Wonhyuk Lim, "Introduction: Toward the Consolidation of the G20: From Crisis Committee to Global Steering Committee", in *Global Leadership in Transition: Making the G20 More Effective and Responsive*, Colin I Bradford and Wonhyuk Lim, eds (Korean Development Institute and Brookings Institution Press), 2011.

<sup>13</sup> President Xi Jinping's remarks at the Working Lunch at the G20 Summit, Antalya, 16 November 2015, <http://www.mfa.gov.cn/web/zyxw/t1315456.shtml>.

<sup>14</sup> The four I's are "Toward an Innovative, Invigorated, Interconnected and Inclusive World Economy".

the recent announcement by Foreign Minister Wang Yi about the “ten major results” for Hangzhou. The ten major results include the following actions:<sup>15</sup>

- develop a blueprint of innovative growth
- formulate action plans to implement the UN 2030 Agenda for Sustainable Development
- identify priority fields, guiding principles and index system for structural reform
- draft strategies for global trade growth
- set out guiding principles for global investment policies
- deepen the reform of the international financial architecture
- establish three-in-one cooperation on anti-corruption<sup>16</sup>
- launch a cooperation initiative to support the industrialisation of Africa and the least developed countries
- draw up entrepreneurship action plans
- promote the early entry into force of the Paris Agreement on climate change.

All ten items are long-term issues, and China aims to build on the G20’s success in updating financial regulatory rules, strengthening bilateral and multilateral economic surveillance, reforming global financial institutions, and the Base Erosion and Profit Shifting (BEPS) international taxation package. Such measures are being implemented or will be due in the next several years. If they are fully implemented, global financial and tax governance will be clearly improved, although their impact on global development needs to be carefully monitored.

The “ten major results” from the Hangzhou Summit reflects a clear intention of the Chinese Presidency to achieve tangible advancements across a broad spectrum of issues. I will now focus on the advances on four prominent areas: the implementation of the UN 2030 Agenda for Sustainable Development; a map for structural reform and blueprint for innovative growth; trade and investment; and energy cooperation.

*If they are fully implemented, global financial and tax governance will be clearly improved, although their impact on global development needs to be carefully monitored.*

<sup>15</sup> Wang Yi, “Strive to Achieve Ten Results from G20 Hangzhou Summit”, 27 May 2016, [http://www.g20.org/English/Dynamic/201606/t20160601\\_2294.html](http://www.g20.org/English/Dynamic/201606/t20160601_2294.html).

<sup>16</sup> “Three in one” means cooperation on “principles, institution and action” — that is, working out high-level principles on international fugitive repatriation and asset recovery, setting up a research centre on fugitive repatriation and asset recovery, and making 2017–2018 anti-corruption action plan.

*While the United Nations will continue to lead in monitoring national achievement of sustainable development and climate change outcomes, China's goal is for the G20 to 'lead by example'...*

## IMPLEMENTATION OF THE UN 2030 SUSTAINABLE DEVELOPMENT AGENDA

The path-breaking 2030 Sustainable Development Goals (SDGs) approved by the UN General Assembly, along with the Addis Ababa Action Agenda and the Paris Agreement on Climate Change, provide a comprehensive framework to foster transformation of our world economy and its governance. While the United Nations will continue to lead in monitoring national achievement of sustainable development and climate change outcomes, China's goal is for the G20 to 'lead by example' on the SDGs and commit to a collective action plan. It has encouraged the G20 Development Working Group to work closely with other G20 working groups to ensure a holistic approach towards the SDGs. China will also publish its own national action plan integrating SDGs with its domestic strategy. But the implementation of the 2030 Agenda is such a comprehensive work task, its success depends on ongoing support from the G20. Future presidencies need to carry on work identifying practical priorities for the G20 that align with the accumulated G20 agenda.

## A MAP FOR STRUCTURAL REFORM AND BLUEPRINT FOR INNOVATIVE GROWTH

Structural reform has long been prominent in the G20's agenda. The Growth Strategies the G20 Leaders committed to in Brisbane included a thousand structural reform measures. Implementation is slow, however. The Chinese Presidency seeks to raise structural reform to a new level, with the aim of providing G20 members with high-level guidance for a more focused and measurable structural reform action plan on a voluntary basis.<sup>17</sup> The goal is for an increasingly evidence-based G20.<sup>18</sup> There is some concern about the Chinese Presidency's ambitious plan, since it requires tackling major domestic policy obstacles that hamper total factor productivity growth. In the long-run, the outcome document may prove to be a convenient map for G20 members and other countries to monitor progress.

"Innovative growth" is specifically highlighted as a fundamental goal of China's G20. Three task forces were established: on innovation in general; the fourth industrial revolution; and the digital economy; with the purpose of drawing a "blueprint" for innovative growth. The blueprint may include commitments to increase research and development expenditure as a share of G20 GDP, and enhancing science cooperation between G20

<sup>17</sup> “楼继伟部长在G20结构性改革高级别研讨会上的讲话 [Finance Minister Lou Jiwei's Presentation at the G20 High-level Seminar on Structural Reform]”, Shanghai, 26 February 2016, [http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201602/t20160226\\_1794849.html](http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201602/t20160226_1794849.html).

<sup>18</sup> Hannah Wurf, "Reconsidering the G20 Approach to Setting Targets", in *New Considerations for China's 2016 G20 Presidency*, G20 Monitor No 20 (Sydney: Lowy Institute for International Policy, 2016), <http://www.lowyinstitute.org/publications/g20-monitor-new-considerations-chinas-2016-presidency>.

countries. But this is only a start for G20 members to share their interests and concerns in this area. Thorny global issues, such as intellectual property protection, technology transfer, access to the internet, and protection of privacy, will eventually need to be seriously discussed at a multilateral level.

## TRADE AND INVESTMENT

Aside from G20 members committing not to introduce new trade restrictive measures, and then doing so, G20 trade discussions have not been one of the G20's strongest areas of focus. In particular, minimal progress has been made on the Doha Development Agenda or advancing reform of the multilateral trade architecture. China has worked hard to raise the profile of the G20's trade agenda. The Chinese G20 Presidency has encouraged a regular G20 Trade Ministers Meeting and established a Trade and Investment Working Group (TIWG). On 9 and 10 July, G20 trade ministers issued a joint statement and three annexes detailing the terms of Reference of the TIWG, a general strategy on global trade growth, and guiding principles for global investment policymaking.<sup>19</sup>

*China has worked hard to raise the profile of the G20's trade agenda.*

There were many aspects to these documents. In the joint statement, trade ministers maintained the G20's standstill commitment on trade protectionism until 2018 and repeated previous G20 Summit language on the Doha Development Agenda. Trade ministers also committed to rectify the WTO Trade Facilitation Agreement by the end of this year<sup>20</sup> and aimed to conclude an ambitious, future-oriented Environmental Goods Agreement (EGA) at an EGA ministerial meeting at the end of 2016. They encouraged future regional trade agreements by G20 members to be open to accession and include provisions for review and expansion. The statement also included an acknowledgement to promoting e-commerce.<sup>21</sup>

The Trade Ministers Meeting was also notable for what it delivered on investment. Nine general Guiding Principles for Global Investment Policymaking were approved, which includes relatively balanced languages accommodating diversified interests. However, the document did not indicate a follow-up work plan, and should not be interpreted as an effective step by the G20 to restart the decades-long journey towards a global investment regime under the auspices of a global international

<sup>19</sup> These four documents can be downloaded from <http://www.g20.utoronto.ca/trade.html>.

<sup>20</sup> The five G20 members that have not rectified it to date are Argentina, Indonesia, Mexico, Saudi Arabia, and South Africa.

<sup>21</sup> Ahead of the meeting, Jack Ma, a native of Hangzhou, founder of e-Commerce giant Alibaba Group and chairman of the B20 SME Development Taskforce, had called for the establishment of an "e-commerce platform" in the interest of SMEs, which should be a kind of "digital free trade zone" providing a wide range of services on customs, logistics, payment, financing, and so on. See Lu Haoting and Meng Jing, "Jack Ma Calls for Digital Free Trade Zones for Small Businesses", *China Daily*, 16 June 2016, [http://usa.chinadaily.com.cn/world/2016-06/16/content\\_25737965.htm](http://usa.chinadaily.com.cn/world/2016-06/16/content_25737965.htm).

financial institution. Major economies are struggling to finish investment agreements, such as the US–China Bilateral Investment Treaty and Transatlantic Trade and Investment Partnership. However, the expansion of the G20’s trade agenda into investment should help to promote the coherence of trade and investment policies. This year’s G20 also raised the issue of global excess capacity in steel, a source of trade friction, with discussion deferred to a September meeting of the OECD Steel Committee.

#### ENERGY COOPERATION: MORE ABOUT THE MARKET

The G20 Energy Ministers Meeting concluded in Beijing in early July with a communiqué and three affiliated documents on energy access in Asia and the Pacific, renewable energy, and energy efficiency.<sup>22</sup> However, the G20 energy ministerial was poorly attended, with several ministers not making the meeting a priority, and it produced a remarkably weak statement. Energy ministers only agreed to “endeavor to make further progress in moving forward” towards the 2009 commitment to phase out inefficient fossil fuel subsidies.<sup>23</sup> Although they did commit to “increasing substantially the share of renewable energy in the global energy mix”, it was without the quantitative target that the Chinese Presidency initially aspired towards. Interestingly, natural gas seems to have been the real winner, with the first “G20 Natural Gas Day” held as a side event of the Energy Ministers Meeting, which gathered about 300 participants.<sup>24</sup> Crucially, this year’s Energy Ministers Meeting did not respond to the strong call from think tanks for bolder steps by the G20 towards more inclusive global energy governance.<sup>25</sup> In a period of energy transition, there appears to be a lack of incentive for key energy actors to pursue reform of the formal global energy architecture.

*... the G20 energy ministerial was poorly attended, with several ministers not making the meeting a priority, and it produced a remarkably weak statement.*

#### CONCLUSION

The Chinese G20 Presidency of G20 has pursued a more balanced approach to global growth in 2016, along with a long-term vision for trade, investment, and sustainable development. The structural reform agenda has been enhanced, while the role of fiscal policy has been highlighted. Trade and investment issues have been given a higher profile compared

<sup>22</sup> G20, *The G20 Energy Ministerial Meeting Held in Beijing*, 7 July 2016, [http://www.g20.org/English/Dynamic/201607/t20160707\\_3039.html](http://www.g20.org/English/Dynamic/201607/t20160707_3039.html).

<sup>23</sup> G20, *G20 Energy Ministerial Meeting Beijing Communiqué*, Beijing, Final Draft, 29 June 2016, <http://www.g20.utoronto.ca/2016/160629-energy.html>. See also Hannah Wurf, “The G20 Stalls on Fossil Fuel Subsidies”, *The Interpreter*, 12 July 2016, <http://www.lowyinterpreter.org/author/Hannah%20Wurf.aspx>.

<sup>24</sup> The G20 Natural Gas Day was held in Beijing on 29 June 2016, [http://www.nea.gov.cn/2016-06/30/c\\_135477931.htm](http://www.nea.gov.cn/2016-06/30/c_135477931.htm).

<sup>25</sup> “Policy Options for the G20’s Energy Agenda”, in *New Considerations for China’s 2016 G20 Presidency*, G20 Monitor No 20 (Sydney: Lowy Institute for International Policy, 2016), <http://www.lowyinstitute.org/publications/g20-monitor-new-considerations-chinas-2016-presidency>.

with previous summits. The implementation of the 2030 Sustainable Development Agenda and Paris Agreement on climate change will be key topics of discussion in Hangzhou, and these two items also seem particularly well aligned with what the German presidency may pursue in 2017.

The 2016 Chinese G20 Presidency approach clearly mirrors China's domestic reform and growth agenda. China is eager to exhibit its strong commitment to global cooperation by hosting the G20, at a time when it feels cornered in Asia-Pacific geopolitical and territorial conflicts. China will likely continue its commitment to the G20 in the future, given the forum matches its own economic interests in the long run. However, this year's G20 process has shown the limitations of China's global leadership role in this increasingly diversified world. Leading by example is still the best China can do.

# THE GLOBAL TRADE SLOWDOWN: WHAT CAN BE DONE?

DAVID GRUEN AND SAM BIDE<sup>1</sup>

In the two decades before the global financial crisis, international trade grew at roughly twice the rate of economic growth. Since then it has barely kept pace. Trade is a key driver of economic growth and one of the few clear paths to development. The flow of goods and services across borders also increases global integration, which tends to bring increased investment, diffusion of ideas, new technologies, and poverty alleviation. As the world's pre-eminent forum for global economic cooperation, trade is an important item on the G20's agenda.

Many reasons have been put forward to explain slowing trade growth. Along with structural changes in global value chains and weak capital investment post-crisis, rising protectionism is a fundamental driver and a future risk. The G20 recognises the risks to economic growth posed by protectionism, and has identified the need for governments to improve how they communicate the benefits and the challenges of an open global trading environment to their communities. Undertaking work to better understand and communicate the benefits of trade can help to address protectionism and encourage community support for reform. Further, work that identifies the expected outcomes of specific trade reform options will help to ensure that measures with the greatest benefit are prioritised.

This paper examines the global trade outlook and the factors contributing to slow trade growth, and explores the benefits and distributional consequences of trade. It then outlines the case for building a stronger evidence base to help communicate the reasons for trade reform.

## GLOBAL TRADE OUTLOOK

For much of the second half of the twentieth century, growth in the international exchange of goods and services has consistently outpaced growth in global output (Figure 1). There were many reasons for this, including successive multilateral and bilateral trade agreements acting to reduce trade barriers,<sup>2</sup> advances in technology, transport and logistics that led to expanded globalised supply chains, and the successful integration

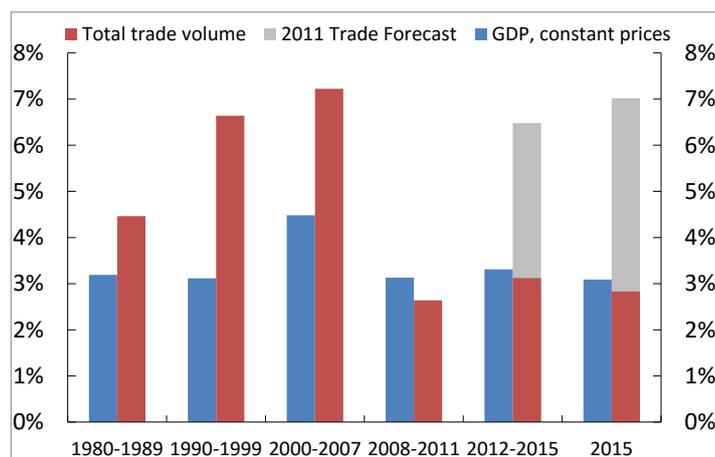
*The G20 recognises the risks to economic growth posed by protectionism, and has identified the need for governments to improve how they communicate the benefits and the challenges of an open global trading environment to their communities.*

<sup>1</sup> David Gruen is Deputy Secretary, Economic at the Department of the Prime Minister and Cabinet and Australia's G20 Sherpa. Sam Bide is an economic and G20 policy adviser at the Department of the Prime Minister and Cabinet.

<sup>2</sup> For instance, the average world tariff rate fell from 34 per cent in 1996 to 5.3 per cent in 1997, following the creation of the World Trade Organization in 1995. See The World Bank, "Tariff Rate, Applied, Weighted Mean, All Products (%)", World Development Indicators (2016), <http://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS>.

of emerging Asian economies (most notably China) into the global economy. The 1990s were the 'boom times', with trade growth slowing in the 2000s, although it still outpaced GDP. The global financial crisis then saw trade growth fall by rates not seen since the Great Depression.

Figure 1: Average global GDP and trade growth



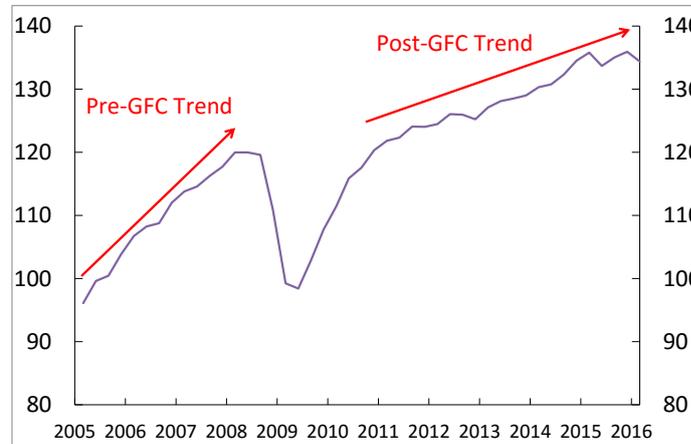
Source: IMF World Economic Outlook, September 2011 and April 2016

Since the global financial crisis, trade growth has been subdued (Figure 2). A recovery to pre-crisis rates of trade growth appears unlikely in the near term, and for the first time in decades, trade growth is lagging slightly behind global output. Some of the perceived slowdown may be attributed to difficulties in measuring international trade in services, which is accounting for an increasing share of global trade.<sup>3</sup> In particular, the relative difficulty in measuring services compared with merchandise trade may mean a greater proportion of actual trade volumes is not appearing in trade statistics. However, even when including services in trade volumes, the global trade slowdown post-GFC remains pronounced (Figure 3). The magnitude of the recent slowing in trade growth indicates that other factors are at play.

*A recovery to pre-crisis rates of trade growth appears unlikely in the near term, and for the first time in decades, trade growth is lagging slightly behind global output.*

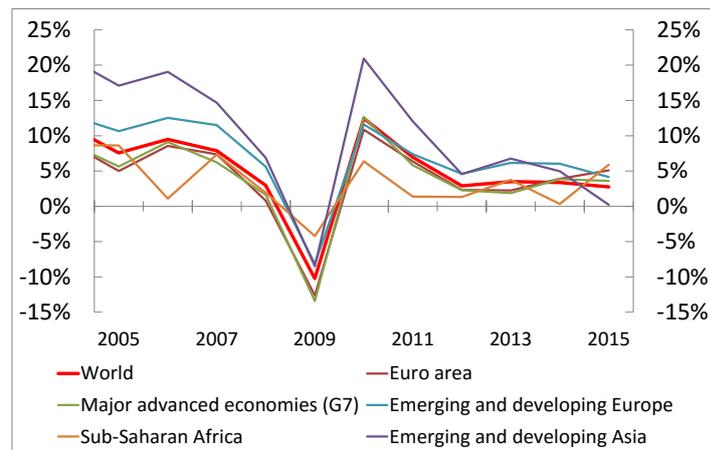
<sup>3</sup> For example, services accounted for 21 per cent of total global exports in 2014, and grew by almost 5 per cent compared with the previous year. See UNCTAD, "International Trade in Services Was Main Driver of Growth in Global Trade in 2014", United Nations Conference on Trade and Development, 9 December 2015, <http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1149>.

Figure 2: World merchandise trade volume (2005=100, seasonally adjusted)



Source: World Trade Organization and UNCTAD

Figure 3: World export volume growth (Goods and services, per cent change)



Source: IMF World Economic Outlook, April 2016

*The clearest explanation for slowing international trade growth since the global financial crisis is weakness in global growth.*

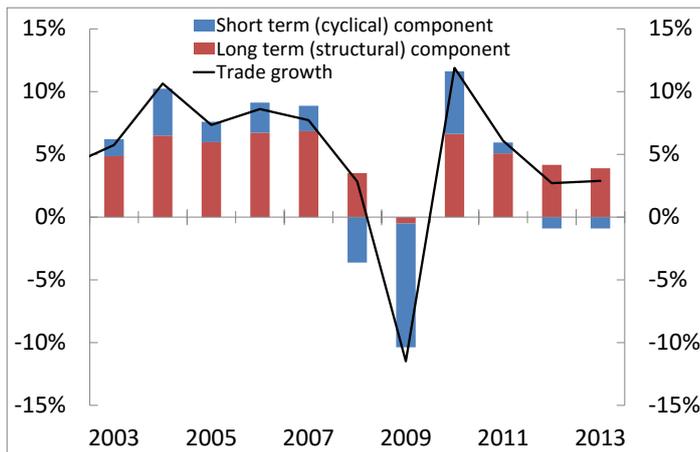
## WHAT IS SLOWING WORLD TRADE GROWTH?

The clearest explanation for slowing international trade growth since the global financial crisis is weakness in global growth. The sharp drop in trade during the crisis was primarily due to a short-term collapse in global demand.<sup>4</sup> Despite global output subsequently showing a modest recovery, trade growth continues to lag behind. This suggests aggregate demand does not solely explain the softness of trade in recent years, and that other factors are playing a significant role. Constantinescu et al (2015)

<sup>4</sup> World Bank Group, *Global Economic Prospects, January 2015: Having Fiscal Space and Using It* (Washington, DC: World Bank, 2015), 169–173.

consider long-term structural factors to be a key element behind falling trade growth (Figure 4).<sup>5</sup>

Figure 4: Components of the global trade slowdown



Source: World Bank (unpublished data)

A second explanation is that slow trade growth reflects weak investment. In the last five years, capital investment as a proportion of global GDP has flatlined, especially in developed economies, which typically have more trade-intensive investment.<sup>6</sup> Since capital investment is more trade-intensive than other components of GDP (Figure 5), this trend has affected global trade volumes.<sup>7</sup> However, investment trends are unlikely to be the dominant factor behind previous trade growth or the recent global trade slowdown.<sup>8</sup> Investment as a share of GDP was relatively steady during the rapid trade growth of the 1990s, and trade growth began to slow relative to GDP growth in the 2000s, despite investment as a share of global GDP increasing (Figure 6).

*A second explanation is that slow trade growth reflects weak investment. In the last five years, capital investment as a proportion of global GDP has flatlined...*

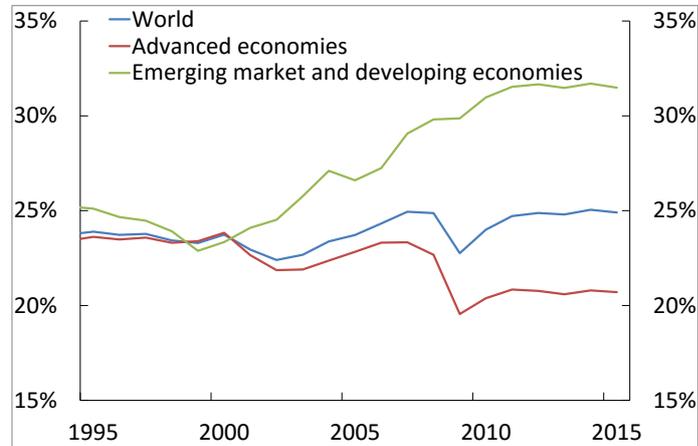
<sup>5</sup> Cristina Constantinescu, Aaditya Mattoo and Michele Ruta, "The Global Trade Slowdown: Cyclical or Structural?", IMF Working Paper No 15/6 (2015), 24. The International Monetary Fund found that a slower pace of expansion of supply chains is an important determinant of the trade slowdown.

<sup>6</sup> Deutsche Bundesbank, "On the Weakness of Global Trade", *Monthly Report*, 21 March 2016, [https://www.bundesbank.de/Redaktion/EN/Downloads/Publications/Monthly\\_Report\\_Articles/2016/2016\\_03\\_global.pdf](https://www.bundesbank.de/Redaktion/EN/Downloads/Publications/Monthly_Report_Articles/2016/2016_03_global.pdf).

<sup>7</sup> Paul Veenendaal, Hugo Rojas-Romagosa, Arjan Lejour and Henk Kox, "A Value-added Trade Perspective on Recent Patterns in World Trade", in *The Global Trade Slowdown: A New Normal?*, Bernard Boekman, ed (London: CEPR Press, 2015), <http://voxeu.org/content/global-trade-slowdown-new-normal>.

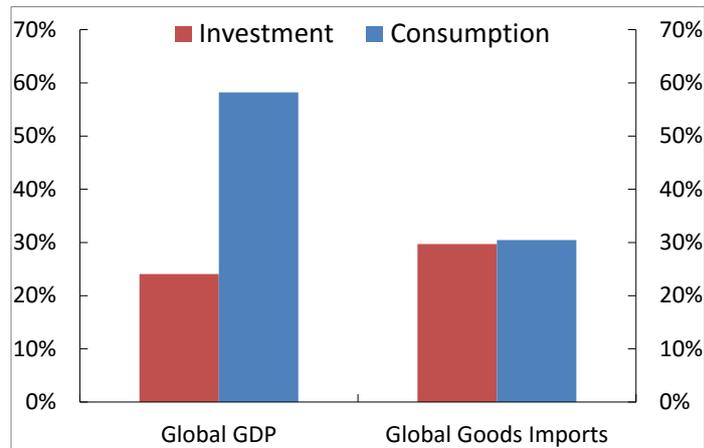
<sup>8</sup> Constantinescu, Mattoo and Ruta, "The Global Trade Slowdown: Cyclical or Structural?", 24.

Figure 5: Investment Share of Global GDP



Source: IMF World Economic Outlook, April 2016

Figure 6: Investment and consumption shares of global GDP and goods imports, 2014



Sources: UN COMTRADE, World Bank

*Since the mid-2000s, however, China's economy has rebalanced to become increasingly focused on serving the needs of its growing middle class, with a lot more of that production generated at home.*

Another explanation is China's rebalancing away from export-led growth. China's re-entry into the global economy in the late twentieth century contributed to increased trade volumes during the 1990s.<sup>9</sup> China's export-led growth and development model involved importing raw commodities, knowledge and technology-intensive inputs from around the world, adding value via low-cost labour, and exporting the outputs. Since the mid-2000s, however, China's economy has rebalanced to become increasingly focused on serving the needs of its growing middle class, with a lot more

<sup>9</sup> Cristina Constantinescu, Aaditya Mattoo and Michele Ruta, "Slow Trade", *Finance & Development* 51, No 4 (2014), <http://www.imf.org/external/pubs/ft/fandd/2014/12/constant.htm>.

of that production generated at home. Growth in Chinese production is relying less on foreign economies for inputs<sup>10</sup> and in some areas, low-value production is shifting to lower-wage economies in the region.<sup>11</sup> Chinese domestic demand is also increasing as wages rise, meaning China will continue to export a lower proportion of the goods and services it produces. In sum, China's export elasticity is falling as its economy advances.

A fourth explanation is that previous rounds of trade barrier reductions have finally played out and may even be reversing in some areas. Industrial tariffs in many developed countries are now very low and further rounds of trade-enhancing reforms are politically difficult, with challenges exacerbated by protectionist sentiment gaining traction in many countries. For a time after barriers are removed, trade will grow faster than incomes as gains are realised. But there is no reason why trade across borders should grow faster than trade within borders once a longer-term equilibrium is reached. The factors driving the expansion of global supply chains in past decades were largely one-off improvements that increased the baseline level of trade, but did not indefinitely contribute to ongoing trade growth.<sup>12</sup> Global supply chain maturity is being reached in many countries, as businesses increasingly find that it is inefficient to fragment their production processes any further.<sup>13</sup>

*...previous rounds of trade barrier reductions have finally played out and may even be reversing in some areas.*

## POLITICAL SUPPORT FOR TRADE LIBERALISATION HAS WANED

Until the early 2000s, there was high-level political support for multilateral trade liberalisation. Milestones such as the conclusion of the Uruguay Round of multilateral trade negotiations and the subsequent creation of the World Trade Organization (WTO) in 1995, China's accession to the WTO in 2001 and the expansion of the European Union in 2004 from 15 countries to 25 all served to promote open trade at a global level. However, support has waned in recent years, most visibly through the stalemate in the Doha Round of WTO negotiations, which now appear unlikely to conclude.

The global financial crisis, perhaps unsurprisingly, led to an increase in protectionism worldwide, most notably via trade remedies such as anti-dumping action. However, protectionist measures failed to unwind as

<sup>10</sup> Hiau Looi Kee and Heiwai Tang, "Domestic Value Added in Exports: Theory and Firm Evidence from China", *American Economic Review* 106, No 6 (2016), 1402–1436.

<sup>11</sup> Jiansuo Pei, Cuihong Yang and Shunli Yao, "Trade Impact of China's Transition to the 'New Normal'", in *The Global Trade Slowdown: A New Normal?*, Bernard Boekman, ed (London: CEPR, 2015), <http://voxeu.org/content/global-trade-slowdown-new-normal>.

<sup>12</sup> Paul Krugman, "Should Slowing Trade Growth Worry Us?", *The Conscience of a Liberal* (blog), 30 September 2013, <http://krugman.blogs.nytimes.com/2013/09/30/should-slowing-trade-growth-worry-us>.

<sup>13</sup> World Bank Group, *Global Economic Prospects, January 2015: Having Fiscal Space and Using It*, 169–173.

global growth began to recover, despite original intentions that these measures would be temporary. One possible explanation could be dislocation caused in the industrial sectors of many developed economies by China's rapid rise as a dominant global manufacturer, and reduced demand for low-skilled and unskilled labour in developed economies in recent decades.<sup>14</sup> These factors may be placing pressure on governments to protect vulnerable industries through additional trade restrictions.

G20 members have made a series of commitments to wind back protectionist post-crisis measures. But as of June 2016, less than a quarter of the 1583 trade-restrictive measures introduced by G20 countries since 2009 have been eliminated.<sup>15</sup> Indeed, restrictive measures continue to accumulate. Between October 2015 and May 2016, G20 members introduced 145 new trade-restrictive measures, by far outnumbering the 100 trade-facilitating measures introduced over the same period.<sup>16</sup> Import-restrictive measures, in particular, distort a high proportion of global trade. Since 2008, import-restrictive measures introduced by G20 countries alone have affected 6.4 per cent of G20 country imports and 5 per cent of global imports.<sup>17</sup>

Global value chains are heavily affected by even ostensibly minor trade barriers, due to the multiple steps of cross-border trade required in production processes.<sup>18</sup> In a global economy that has become increasingly interlinked in recent decades, the effect of these trade-restrictive measures should be of great concern to leaders. Among various long-term factors behind recent trends in global trade growth, the G20 is particularly well-positioned to address protectionism. It is therefore clear why addressing protectionist barriers and encouraging progressive trade reform is a key G20 priority. To help achieve this, the forum can do much more to communicate both the potential economic and social benefits of trade, and also how the potential costs and risks of trade reforms can be addressed most effectively.

*Global value chains are heavily affected by even ostensibly minor trade barriers, due to the multiple steps of cross-border trade required in production processes.*

## TRADE SUPPORTS GROWTH AND DEVELOPMENT

Even relatively open economies stand to gain from further trade liberalisation. The IMF recently suggested that through removing remaining tariff barriers, advanced economies stand to boost productivity

<sup>14</sup> International Labour Organization, *The Changing Nature of Jobs — World Employment and Social Outlook 2015*, 19 May 2015, 24, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_368626.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_368626.pdf).

<sup>15</sup> World Trade Organization, "Report on G20 Trade Measures (Mid-October 2015 to Mid-May 2016)", 21 June 2016, [https://www.wto.org/english/news\\_e/news16\\_e/g20\\_wto\\_report\\_june16\\_e.pdf](https://www.wto.org/english/news_e/news16_e/g20_wto_report_june16_e.pdf).

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> OECD, *OECD Economic Outlook, Volume 2016 Issue 1* (Paris: OECD, 2016), 23.

by around 1 per cent, and that further productivity benefits can be found if non-tariff barriers are addressed.<sup>19</sup>

Along with increased incomes resulting from economic growth, trade can directly influence human development by expanding opportunities and choices. Consumers are offered additional choice through an increase in the quantity and variety of goods and services made available to them. Furthermore, human capital goods such as educational materials and medicinal products are made more available by trade, increasing the welfare of and expanding the opportunities available to individuals. Trade also facilitates the exchange of information, ideas, technology and best practices between economies as traders, retailers and service providers interact with other markets.<sup>20</sup>

*...trade can directly influence human development by expanding opportunities and choices*

Trade liberalisation is also strongly linked to alleviating poverty. One notable recent example is China's rapid increase in living standards since opening its borders in the 1980s. Open trade is one of the factors that has led to a substantial fall in poverty levels worldwide, by allowing people to maximise their productive potential, and insulate themselves against domestic shocks.<sup>21</sup> Trade has also contributed to numerous measures of living standards and wellbeing, including life expectancy and education levels.<sup>22</sup>

However, we also know that the competitive pressures introduced through trade can lead to business closures and job losses. Significant economic and social dislocation can then be concentrated in certain cities and regions. For example, Autor, Dorn and Hanson argue that in response to China's momentous economic reform, employment in industries in the United States that are more exposed to foreign competition has fallen.<sup>23</sup> However, contrary to textbook undergraduate economic theory, this has occurred without the expected offsetting employment gains materialising in export-oriented or 'non-tradable' sectors. The challenge for policymakers, therefore, is to realise the benefits of trade liberalisation in terms of boosting aggregate living standards, while at the same time assisting those who 'bear the burden of adjustment' to remain attached to the workforce.

<sup>19</sup> JaeBin Ahn, Era Dabla-Norris, Romain Duval, Bingjie Hu and Lamin Njie, "Reassessing the Productivity Gains from Trade Liberalization", IMF Working Paper No 16/77 (2016), 25.

<sup>20</sup> Rhea C Hernandez and Emmanuel A San Andres, *APEC and the Human Development Agenda*, APEC Policy Support Unit Policy Brief No 14, March 2016, [http://publications.apec.org/publication-detail.php?pub\\_id=1715](http://publications.apec.org/publication-detail.php?pub_id=1715).

<sup>21</sup> L Alan Winters, "Trade and Poverty: Is There a Connection?", in *Trade, Income Disparity and Poverty*, Håkan Nordström, Dan Ben-David and L Alan Winters, eds (Geneva: WTO Special Study 5, 2000), 43.

<sup>22</sup> Antony Davies and Gary Quinlivan, "A Panel Data Analysis of the Impact of Trade on Human Development", *The Journal of Socio-Economics* 35, No 5 (2006), 868–876.

<sup>23</sup> David Autor, David Dorn and Gordon Hanson, "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade", NBER Working Paper No 21906, January 2016.

## BETTER POLICY COMES FROM UNDERSTANDING THE BENEFITS, COSTS AND RISKS OF TRADE REFORM

Trade policy outcomes are assisted by work that identifies both the benefits and the possible costs and risks of trade reform options. Such work helps to ensure that measures offering the greatest net benefit are prioritised to the extent feasible. It also assists in highlighting where effective structural adjustment policies can manage potential risks and facilitate a smooth transition to an open trade environment. Such work is specialised, and time and resource intensive, and despite emerging and developing economies standing to benefit the most from trade reform, they are likely to have the least ability to do this work. The G20 therefore stands to play a vital role in driving efforts to improve analysis of the benefits and costs of trade.

At their meeting in July 2016, G20 Trade Ministers recognised the importance of communicating the benefits of trade policy when they stated that:

“... We resolve to step up our efforts to better communicate the benefits of trade and investment openness and cooperation to a wider public, recognizing their important contribution to global prosperity and development. We welcome the continuing inputs from relevant international organizations, which have provided strong analytical support to members, and from the B20 and T20.”<sup>24</sup>

*Collaborative and strategic trade modelling can help prioritise reforms that offer the greatest economic and social benefits...*

G20 Trade Ministers also welcomed greater collaboration between key international organisations, seeking to leverage the OECD’s advanced economy focus, the World Bank’s developing and emerging economy experience and the WTO’s deep technical expertise in trade. Collaborative and strategic trade modelling can help prioritise reforms that offer the greatest economic and social benefits, ensure the fair consideration of options that do not have the lowest costs, and facilitate better understanding of the costs and risks of trade reform. An ongoing commitment from the G20 and relevant international financial institutions will ensure that future assessments of the benefits of trade — including through economic modelling — are best equipped to consider a range of possible economic circumstances and policy options.

The G20’s focus on improving the evidence base could yield benefits to the broader G20 structural reform agenda. Structural reforms were a focus of the G20 even before it became a leaders’ forum. Improvements in corporate governance, competition policy, regulatory harmonisation, and infrastructure can reduce the short-term costs of transitioning to open

<sup>24</sup> G20, *G20 Trade Ministerial Meeting Statement*, Shanghai, Final Draft, 9–10 July 2016, <http://www.g20.utoronto.ca/2016/160710-trade.html>.

trade and increase the potential benefits of trade.<sup>25</sup> A clear understanding of the costs and trade-offs associated with any given reform will highlight when the benefits of a potential trade reform outweigh these costs, including trade-related reforms behind the border. It could provide a better evidence base to encourage nations to implement unilateral structural reforms that complement outcomes from bilateral and multilateral trade agreements.

One example is that policies promoting an adaptable labour market can help to mitigate job losses associated with declining, inefficient sectors, which will support the transfer of people to faster-growing sectors and can lead to higher-quality jobs. More generally, identifying where risks and costs exist will enable governments to proactively implement measures to address them, and could see the benefits of trade openness being larger and realised sooner. Analysis highlighting the expected benefits of complementary domestic reforms can also encourage governments to implement structural reforms proactively, so that they are in place in time for them to be the most effective.

In addition to contributing to better trade and structural reform policy development, better cost-benefit analysis can help to overcome protectionist arguments, build constituencies for trade reform, and allow governments to more clearly communicate the tangible benefits of open trade and investment. In general, the public benefits of open trade are often not well communicated to businesses and communities. In a survey across eight developed economies, only 44 per cent of the public believed trade creates jobs and only 25 per cent believed that trade raises wages. United States citizens were particularly cynical about trade — only 20 per cent believed that trade leads to more job opportunities. This is despite 84 per cent of those in developed economies believing trade is conceptually good.<sup>26</sup> Supporters of protectionism argue that while trade has some benefits, these benefits are not distributed fairly across the community. Globalisation and free trade have been blamed for job losses and wage stagnation in developed economies.

*...better cost-benefit analysis can help to overcome protectionist arguments, build constituencies for trade reform, and allow governments to more clearly communicate...*

## CONCLUSION: A STRONGER EVIDENCE BASE HELPS COMMUNICATE THE REASONS FOR TRADE REFORM

The G20 needs to show leadership in describing the benefits of a cooperative, open rules-based system. A key step in garnering public support for positive reform is showing reliable, transparent evidence that describes how such reform will support businesses and communities at a local level. A stronger link between trade-enhancing measures and

<sup>25</sup> OECD, *Trade and Structural Adjustment: Embracing Globalisation* (Paris: OECD Publishing, 2005), 104.

<sup>26</sup> "Faith and Skepticism about Trade, Foreign Investment", Pew Research Center, 16 September 2014, <http://www.pewglobal.org/2014/09/16/faith-and-skepticism-about-trade-foreign-investment/>.

economic outcomes can help to better inform trade policy dialogue. This will lead to more beneficial measures being pursued and increased support for meaningful trade reform, and will also highlight the importance of complementary unilateral structural reforms. Such work could also assist G20 members in pursuing structural reform. G20 Members are already making trade commitments as part of their growth strategies, including measures to reduce barriers in trade-enabling services such as transport, logistics and port services, and measures to reduce non-tariff barriers, and finalise or ratify free trade agreements. A stronger evidence base helps strengthen these efforts.

The G20 represents around 85 per cent of the world economy and more than three-quarters of global trade, and is uniquely positioned to lead world-class work that can produce novel ways to boost trade and growth. This is fundamental to the forum's agenda to achieve strong, sustainable, and balanced growth. Better analysis will highlight the economic benefits of the many opportunities for trade liberalisation that still exist and inject momentum to capitalise on these opportunities.<sup>27</sup>

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<sup>27</sup> Era Dabla-Norris and Romain Duval, "How Lowering Trade Barriers Can Revive Global Productivity and Growth", IMF Direct, 20 June 2016, <https://blog-imfdirect.imf.org/2016/06/20/how-lowering-trade-barriers-can-revive-global-productivity-and-growth/>.

# WHAT THE G20 CAN DO TO PROMOTE GLOBAL CYBER NORMS

FERGUS HANSON<sup>1</sup>

## INTRODUCTION

In less than two decades, the internet has become essential to the global economy and globalisation. A 2016 McKinsey Global Institute report estimated data flows contributed US\$2.8 trillion to the world's GDP in 2014, with about 12 per cent of the global goods trade conducted via international electronic commerce (e-commerce).<sup>2</sup> According to the United Nations Conference on Trade and Development (UNCTAD), global business-to-business e-commerce in 2013 exceeded US\$15 trillion and global business-to-consumer e-commerce was worth US\$1.2 trillion.<sup>3</sup>

However, numerous issues threaten to degrade and limit the internet's contribution to global growth. State-led, or backed, commercial cyberespionage is imposing huge losses on business and threatens to lead to retaliatory sanctions or other disruptive measures such as the authorisation of offensive counter-attacks by the private sector. State-led, or backed, cyberattacks during peacetime are also a potent challenge. They can impose huge costs on business and are a threat to civilian life. Restrictions on data flows are another emerging impediment. They increase the cost of doing business, distort markets, and create inefficiencies.

These challenges are a product of cyber norms (standards of appropriate online behaviour) still being weak and the global nature of the internet which means no single state can solve the problems alone. Establishing strong cyber norms is impeded by the difficulty of quickly identifying the source of online attacks to hold states accountable. While obstacles to quick and definitive attribution of attacks remain, advances in tracing and

*...numerous issues threaten to degrade and limit the internet's contribution to global growth.*

<sup>1</sup> Fergus Hanson is author of *Internet Wars: The Struggle for Power in the 21st Century* and has worked as a Non Resident Fellow at the Brookings Institution and a Director at the Lowy Institute for International Policy where he ran its flagship publication, the annual Lowy Poll.

<sup>2</sup> James Manyika et al., *Digital Globalization: The New Era of Global Flows* (McKinsey Global Institute, February 2016), 1, 23, <http://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/digital-globalization-the-new-era-of-global-flows>. The OECD defines an e-commerce transaction as "the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders": OECD Glossary of Statistical Terms, <https://stats.oecd.org/glossary/detail.asp?ID=4721>.

<sup>3</sup> UNCTAD, *Information Economy Report 2015: Unlocking the Potential of E-Commerce for Developing Countries* (New York and Geneva: United Nations, 2015), xi, [http://unctad.org/en/PublicationsLibrary/ier2015\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ier2015_en.pdf).

*Importantly for the premier forum for international cooperation, many of these challenges have significant economic and financial stability dimensions.*

identifying the origin of attacks continues to be made and, following investigations, governments (and companies) are beginning to level accusations, which is driving impetus for change. Various efforts are being made to address these challenges, but their shortcomings leave an important gap the G20 can fill. For example, when the United States and China agreed a bilateral ban on commercial cyberespionage, this did little to help all other states similarly affected. At the other extreme, UN cyber discussions bring together all states and are broad ranging, but are consequently very slow to reach consensus, delaying resolution of high-priority issues.

The advantage of the G20 is it brings together the major actors needed to underpin a global consensus and its informal structure and size is more conducive to reaching tentative agreement on emerging norms than institutions such as the United Nations. Importantly for the premier forum for international cooperation, many of these challenges have significant economic and financial stability dimensions. It was only in 2013 that the word 'digital' first entered a G20 Leaders' communiqué, in relation to taxation. While the G20 has continued to engage on the thorny taxation issues raised by the digital economy, it was not until the Antalya Summit in 2015 that the communiqué referenced a wider range of digital issues. During the 2017 German Presidency, the G20 has the opportunity to build on some of the progress made in 2015 and expand its engagement into new areas.

This paper makes the case for building on two areas the G20 touched on in 2015: commercial cyberespionage and state conduct in relation to cyberattacks. It suggests another area for consideration: the free flow of data.

## COMMERCIAL CYBERESPIONAGE

State-backed, or led, commercial cyberespionage poses significant risks to the global economy. It has already produced an unprecedented transfer of stolen intellectual property and threatened to encourage sanctions against perpetrators that risked disrupting global trade.

In the early part of this decade, tensions were coming to a head. In 2012, the then director of the US National Security Agency, General Keith Alexander, called commercial cyberespionage "the greatest transfer of wealth in history".<sup>4</sup> In 2013, a report of the Commission on the Theft of American Intellectual Property estimated annual losses from cybertheft as comparable to the value of all US exports to Asia — over US\$300 billion.

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<sup>4</sup> Lisa Daniel, "DOD Needs Industry's Help to Catch Cyber Attacks, Commander Says", US Department of Defense, American Forces Press Service, 27 March 2012, <http://archive.defense.gov/news/newsarticle.aspx?id=67713>.

It identified China as “the world’s largest source of IP theft”.<sup>5</sup> In September 2015, with frustrations peaking and sanctions looming for Chinese companies that were benefiting from cybertheft, the United States secured a bilateral commitment from China to cease the practice.<sup>6</sup> In October 2015, the United Kingdom made a similar deal with China,<sup>7</sup> which was followed by news that Germany was also working on a pact.<sup>8</sup>

The bilateral nature of these deals poses the risk that only large states will be able to secure them. The G20 played an important role in extending coverage of these agreements when in November 2015 G20 Leaders stated:

“we affirm that no country should conduct or support ICT-enabled theft of intellectual property, including trade secrets or other confidential business information, with the intent of providing competitive advantages to companies or commercial sectors.”<sup>9</sup>

This statement effectively extended coverage to all G20 members and, given their global dominance, has likely cemented the norm for all.

Of course, state practice is what actually matters. In the United States there have been some positive indications of a shift, but in February 2016, Director of National Intelligence, James Clapper, told the House Intelligence Committee, “I think the jury’s out”. He said, “We have seen some reduction, but I don’t think we’re in a position to say at this point whether they’re [China] in strict compliance”.<sup>10</sup> Unless state practice is brought into line with global pronouncements, the possibility of sanctions will quickly resurface, and add to the threats to world trade.

Now that the norm against commercial cyberespionage has been agreed, the challenge for the international community is bringing state practice into line. It is here the G20 could fill a gap, encouraging compliance and maintaining political momentum for advancing the agenda. Although the G20 is not a naming and shaming venue, the Business 20 could report on overall levels of state-led, or backed, attacks with G20 Leaders

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<sup>5</sup> The National Bureau of Asian Research, “The IP Commission Report: The Report of the Commission on the Theft of American Intellectual Property”, NBAR Report, May 2013, 2, [http://www.ipcommission.org/report/IP\\_Commission\\_Report\\_052213.pdf](http://www.ipcommission.org/report/IP_Commission_Report_052213.pdf).

<sup>6</sup> Demetri Sevastopulo and Geoff Dyer, “Obama and Xi in Deal on Cyber Espionage”, *Financial Times*, 25 September 2015, <https://next.ft.com/content/0dbcab36-63be-11e5-a28b-50226830d644>.

<sup>7</sup> “UK–China Joint Statement 2015 on Building a Global Comprehensive Strategic Partnership for the 21st Century”, UK Foreign and Commonwealth Office, 22 October 2015, <https://www.gov.uk/government/news/uk-china-joint-statement-2015>.

<sup>8</sup> Chen Qin, “China, Germany Working on Cybersecurity Deal, Envoy Says”, *Caixin*, 17 March 2016, <http://english.caixin.com/2016-03-17/100921423.html>.

<sup>9</sup> G20, *G20 Leaders’ Communiqué*, G20 Antalya Summit, 15–16 November 2015, <http://g20.org.tr/g20-leaders-commenced-the-antalya-summit/>.

<sup>10</sup> Cory Bennett, “Spy Head: ‘Jury’s Out’ on Whether China Quit Hacking after Deal”, *The Hill*, 25 February 2016, <http://thehill.com/policy/cybersecurity/270752-spy-head-jurys-out-on-whether-china-quit-hacking-after-deal>.

responding to this in their communiqué. Leaders could also encourage a global body, such as the Organisation for Economic Co-operation and Development (OECD), to provide regular reporting on state-backed, or led, commercial cyberespionage (acknowledging the difficulties of attribution and data gathering in this area). As a country with a large amount of intellectual property to protect, Germany would likely find a strong domestic resonance if it were to drive such an agenda during its presidency. By keeping statements broad (without naming countries), Germany may be able to secure the tacit support of states such as China and Russia while achieving the important goal of keeping attention on this issue.

## PEACETIME STATE CYBERATTACKS

At the Antalya Summit, G20 Leaders also declared that:

“international law, and in particular the UN Charter, is applicable to state conduct in the use of ICTs [information and communications technologies] and [we] commit ourselves to the view that all states should abide by norms of responsible state behaviour in the use of ICTs in accordance with UN resolution A/C.1/70/L.45.”<sup>11</sup>

This declaration covers both times of peace and war. However, in cyberspace adherence to these laws and norms is weak and, in many areas, still ill-defined, particularly during peacetime when they are most frequently tested.

*...state practice during peacetime suggests an emerging norm in favour of using cyberattacks to achieve a broad range of objectives.*

In fact, state practice during peacetime suggests an emerging norm in favour of using cyberattacks to achieve a broad range of objectives. Examples include North Korea's 2014 attack on Sony in response to a satirical film it produced and follow-up threats on US cinemas if they showed the film. In response China appears to have cut off North Korea's internet connection at the request of the United States.<sup>12</sup> In 2012, Iran attacked Saudi Aramco in response to a cyberattack on its nuclear facility by the United States and Israel (the United States planned a similar attack on North Korea's nuclear facilities).<sup>13</sup> In 2014, Iran attacked Sheldon Adelson's Las Vegas casino in retaliation for remarks he made about handling nuclear negotiations with Iran.<sup>14</sup> Iran has also reportedly

<sup>11</sup> G20, *G20 Leaders' Communiqué*, G20 Antalya Summit, 15–16 November 2015.

<sup>12</sup> Alec Ross, *The Industries of the Future* (New York: Simon & Schuster, 2016), 131.

<sup>13</sup> Kim Zetter, “The US Tried to Stuxnet North Korea's Nuclear Program”, *Wired*, 29 May 2015, <https://www.wired.com/2015/05/us-tried-stuxnet-north-koreas-nuclear-program/>.

<sup>14</sup> Benjamin Elgin and Michael Riley, “Now at the Sands Casino: An Iranian Hacker in Every Server”, *Bloomberg*, 12 December 2014, <http://www.bloomberg.com/news/articles/2014-12-11/iranian-hackers-hit-sheldon-adelsons-sands-casino-in-las-vegas>.

expanded efforts to infiltrate the control systems of US utilities.<sup>15</sup> Attacks stemming from Russian territory have included a hack on the Warsaw Stock Exchange interpreted as a warning to Poland against advocating a tough NATO response to Russia's invasion of Ukraine. Others include infiltration of a computer controlling the blast furnace in a German steel mill that caused it to melt down and an attack that shut down a French TV network for two days at a cost of US\$17 million.<sup>16</sup>

For the G20, three developments make consolidation of this norm a recipe for chaos and a threat to the global economy. First, the threshold for acquiring offensive cyber capabilities is now so low most states of a reasonable size can build them and strike back. Second, the growth of the 'internet of things'<sup>17</sup> expands an already enormous range of targets, many (such as driverless cars) with potentially fatal consequences, particularly for civilians. Finally, as the defence of government and critical infrastructure targets are improved, businesses and civilian institutions become the more attractive soft targets (as several of the above examples suggest) imposing large costs on businesses and civil society.

All G20 states have an interest in winding back this norm. While some laggard members drag their feet a little longer, the G20 could start by agreeing measures to limit the operational freedom of the most egregious global offenders such as North Korea. This could include operationalising the 2015 recommendation of the UN Group of Governmental Experts<sup>18</sup> that "States should not knowingly allow their territory to be used for internationally wrongful acts using ICTs".<sup>19</sup> This could include endorsing some, or all, of the confidence-building measures (CBMs) recommended by the Group of Governmental Experts as well as regional cyber CBM

*...the G20 could start by agreeing measures to limit the operational freedom of the most egregious global offenders such as North Korea.*

<sup>15</sup> Shane Harris, "Report: Iranian Hackers Eye US Grid", *The Daily Beast*, 16 April 2015, <http://www.thedailybeast.com/articles/2015/04/16/report-iranian-hackers-eye-u-s-grid.html>.

<sup>16</sup> Michael Riley and Jordan Robertson, "Cyberspace Becomes Second Front in Russia's Clash with NATO", *Bloomberg*, 14 October 2015, <http://www.bloomberg.com/news/articles/2015-10-14/cyberspace-becomes-second-front-in-russia-s-clash-with-nato>.

<sup>17</sup> Defined by the Oxford dictionary as "The interconnection via the internet of computing devices embedded in everyday objects, enabling them to send and receive data": <http://www.oxforddictionaries.com/definition/english/internet-of-things?q=internet+of+things>.

<sup>18</sup> Officially, the Group of Governmental Experts on Developments in the Field of Information and Telecommunications in the Context of International Security. The UN General Assembly has established five groups of experts (2004, 2009, 2012/13, 2014/15 and 2016/17), which report back to the General Assembly and examine "the existing and potential threats from the cyber-sphere and possible cooperative measures to address them": United Nations Office of Disarmament Affairs, "Developments in the Field of Information and Telecommunications in the Context of International Security", Fact Sheet, July 2015, <https://unoda-web.s3-accelerate.amazonaws.com/wp-content/uploads/2015/07/Information-Security-Fact-Sheet-July2015.pdf>.

<sup>19</sup> United Nations General Assembly, "Report of the Group of Governmental Experts on Developments in the Field of Information and Telecommunications in the Context of International Security", A/70/174, 22 July 2015, [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/70/174](http://www.un.org/ga/search/view_doc.asp?symbol=A/70/174).

*...could also agree to work together on what kind of reactive pressure should be applied to offenders when egregious breaches occur.*

initiatives by the ASEAN Regional Forum and the Organization for Security and Co-operation in Europe.<sup>20</sup> They could also agree to work together on what kind of reactive pressure should be applied to offenders when egregious breaches occur. More ambitiously, they could suggest that members implement domestic arrangements that allow them to sanction individuals or organisations that conduct or support cyberattacks as the United States did after being caught unprepared in the wake of the North Korean attacks on Sony.<sup>21</sup> Members could also consider endorsing voluntary declarations of a range of countermeasures individual members will take in the event of low-level cyberattacks achieving the threshold of internationally wrongful acts with a view to building deterrence and allowing timely responses.<sup>22</sup>

The G20 could also consider opportunities to strengthen its commitment to global peacetime cyber rules. The Tallinn Manual process, a group of international lawyers funded by NATO, has set out international law applicable to cyberwarfare in their well-received Tallinn Manual 1.0, covering both the resort to the use of force (*jus ad bellum*) and the conduct of armed conflict (*jus in bello*) in the cyber context. The process was established out of Tallinn in response to Russia's 2007 cyberattacks on Estonia. The Tallinn Manual 2.0 is due out in the second half of 2016, and will focus on a broad range of legal areas falling under the rubric of "peacetime international law", the area most critical to the daily functioning of the economy.<sup>23</sup> Keeping in mind potential Russian sensitivities stemming from the report's origins, the G20 could consider endorsing key principles enumerated in the report in relevant areas such as state responsibility.

<sup>20</sup> ASEAN Regional Forum, "Turning Vision into Reality for a Dynamic ASEAN Community", Chairman's Statement of the 23rd ASEAN Regional Forum Vientiane, Lao PDR, 26 July 2016, [http://asean.org/storage/2016/07/Chairmans-Statement-of-the-23rd-ASEAN-Regional-Forum\\_FINAL.pdf](http://asean.org/storage/2016/07/Chairmans-Statement-of-the-23rd-ASEAN-Regional-Forum_FINAL.pdf) and Permanent Council of the Organization for Security and Co-operation in Europe, "Decision No. 1202 OSCE Confidence-Building Measures to Reduce the Risks of Conflicts Stemming from the Use of Information and Communication Technologies", PC.DEC/1202, 10 March 2016, <https://ccdcoe.org/sites/default/files/documents/OSCE-160310-NewCBMs.pdf>.

<sup>21</sup> Christopher Painter, "Statement Before the Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy", US Department of State, Washington DC, 25 May 2016, <http://www.state.gov/s/cyberissues/releasesandremarks/257719.htm>.

<sup>22</sup> Recommendations drawn from Jenny Jun, Scott LaFoy and Ethan Sohn, "North Korea's Cyber Operations: Strategy and Responses" (Washington DC: Center for Strategic and International Studies, November 2015), [https://csis-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/151123\\_Cha\\_NorthKoreaCyber\\_handout\\_final.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/151123_Cha_NorthKoreaCyber_handout_final.pdf).

<sup>23</sup> "Tallinn Manual 2.0 to Be Completed in 2016", NATO Cooperative Cyber Defence Centre of Excellence, 9 October 2015, <https://ccdcoe.org/tallinn-manual-20-be-completed-2016.html>.

## FREE FLOW OF DATA

The free flow of data is central to the internet's proper functioning but is yet to feature in a Leaders' communiqué. There are good reasons it should. Aside from its contribution to global GDP, the Information Technology and Innovation Foundation has observed:

“there is probably not a single company today with operations, suppliers, or customers in more than one nation that does not rely on moving data across international borders —whether to gain competitive advantage or as part of normal business operations.”<sup>24</sup>

There are no global standards or agreed rules on data flows, which is left as a matter of regional or domestic policy. Many states, including several G20 members, have begun to erect impediments to the free flow of data across borders. Data protectionism can take different forms including requirements that certain data categories (such as that relating to national security or healthcare) be stored and processed domestically or by imposing conditions on the cross-border transfer of personal data.<sup>25</sup> For example, two Canadian provinces mandate that personal information held by public institutions be stored and accessed only in Canada.<sup>26</sup> This is justified using a range of reasons including:

- national security and privacy concerns (heightened by the leaks by contractor Edward Snowden revealing the extent of (particularly) US and UK intelligence agencies spying on civilians and political leaders worldwide)
- old-fashioned protectionism designed to localise a small number of technology jobs
- quicker access to data required by law enforcement agencies for investigations (mutual legal assistance treaty requests to the United States take an average of ten months to process).<sup>27</sup>

Most of these arguments are spurious. Storing data domestically does not make it more secure (it depends how it is secured and issues such as privacy protections can be addressed by contract or law). In terms of jobs, data centres create relatively few full-time technical jobs and overall localisation does more harm than good. The area it does work is improving

*There are no global standards or agreed rules on data flows, which is left as a matter of regional or domestic policy.*

<sup>24</sup> Daniel Castro and Alan McQuinn, “Cross-Border Data Flows Enable Growth in All Industries” (Washington DC: Information Technology and Innovation Foundation, February 2015), 1–2, <http://www2.itif.org/2015-cross-border-data-flows.pdf>.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid, 8.

<sup>27</sup> Karen Kornbluh, “A New Framework for Cross-Border Data Flows”, Cyber Brief (Washington DC: Council on Foreign Relations, 2016), [http://www.cfr.org/internet-policy/new-framework-cross-border-data-flows/p37898?cid=soc-twitter-in-new\\_Framework\\_cross\\_border\\_data\\_Flows-060616](http://www.cfr.org/internet-policy/new-framework-cross-border-data-flows/p37898?cid=soc-twitter-in-new_Framework_cross_border_data_Flows-060616).

*Every business with an online presence is potentially affected, for example via increased data storage and processing costs...*

domestic government access to data by virtue of it being stored locally.<sup>28</sup> However, this becomes hugely problematic when the government is authoritarian in nature and can compel companies to release data without due process and proper protections in place.

The consequences of this trend have far-reaching economic effects. Every business with an online presence is potentially affected, for example via increased data storage and processing costs, with multinationals most affected. A report commissioned by the US Chamber of Commerce found a serious disruption to services trade and cross-border data flows could reduce EU GDP by –0.8 to –1.3 per cent.<sup>29</sup> Examples of how these laws can affect companies include Scania, a heavy vehicle manufacturer which has experienced regulatory uncertainties regarding cross-border data flows, “given the patchwork of data protectionist laws in the many countries in which it operates”.<sup>30</sup> As a result, the firm has had to reconsider sharing data with its customers in countries like Brazil, which in 2013 put forth a bill that would have required data on Brazilians to be stored locally. In the retail business, companies such as Tesco may face barriers to using information shared by its loyalty card customers who shop outside the United Kingdom, where it is based. And in the mining sector, if barriers were erected to the transnational flow of data, companies such as Rio Tinto that sends 30 gigabytes to and from its operations daily could be impacted.<sup>31</sup>

Another problem stems from the proliferation of countries storing data. As the number of storage locations increases, this multiplies the number of jurisdictions whose privacy laws will govern different data sets and the number of law enforcement agencies governments will have to deal with in relation to data exchange requests, perversely driving demand for more localised storage.

Several G20 members engage in data protectionism, limiting scope for wholesale reform. However, there are a few steps that the G20 could take to help wind back the trend. At an overarching level, the G20 should state a commitment to the free flow of data. A broad commitment of this nature is comparable to the ICT-related statements achieved in 2015 on responsible state behaviour.<sup>32</sup> Although rubbing up against some member

<sup>28</sup> See Castro and McQuinn, “Cross-Border Data Flows Enable Growth in All Industries”, 9 and Daniel Castro, “The False Promise of Data Nationalism” (Washington DC: Information Technology and Innovation Foundation, December 2013), 1, <http://www2.itif.org/2013-false-promise-data-nationalism.pdf>.

<sup>29</sup> Matthias Bauer et al., “The Economic Importance of Getting Data Protection Right: Protecting Privacy, Transmitting Data, Moving Commerce” (Brussels: European Centre for International Political Economy for the US Chamber of Commerce, March 2013), 3, [https://www.uschamber.com/sites/default/files/documents/files/020508\\_EconomicImportance\\_Final\\_Revised\\_lr.pdf](https://www.uschamber.com/sites/default/files/documents/files/020508_EconomicImportance_Final_Revised_lr.pdf).

<sup>30</sup> Castro and McQuinn, “Cross-Border Data Flows Enable Growth in All Industries”.

<sup>31</sup> Ibid.

<sup>32</sup> See paragraph 26 of G20, *G20 Leaders’ Communiqué*, G20 Antalya Summit, 15–16 November 2015, <http://g20.org.tr/g20-leaders-commenced-the-antalya-summit/>.

states' current behaviour, it would help establish a marker, to which state practice could gradually be brought into line.

To prevent every state developing unique flow-inhibiting standards that apply to its nationals' personal data, the G20 could endorse efforts to raise privacy protections to a global standard and extend mutual recognition of laws that reach this standard to achieve interoperability.<sup>33</sup> This could involve endorsement of the principle of interoperable privacy protections, such as those advanced by the OECD and APEC through their respective privacy frameworks.<sup>34</sup> To ease frictions arising from delays in processing legitimate government requests for data stored abroad (such as in criminal investigations), the G20 could explore options for improved sharing of information among authorities in G20 countries. This could include encouraging members to review domestic processes for handling requests from abroad with a view to improving responsiveness.

*To prevent every state developing unique flow-inhibiting standards that apply to its nationals' personal data, the G20 could endorse efforts to raise privacy protections to a global standard...*

## CONCLUSION

The G20's recent willingness to engage on digital issues reflects their growing importance to the world economy and the need for a comprehensive, common approach that recognises the global nature of ICTs. It also reflects gaps in the current international response that the G20 is well placed to fill.

The agenda items suggested here are not intended as an exhaustive list. There are many issues requiring attention and several that are not yet ripe for success. One issue not discussed here, but where the G20 will likely continue to make valuable contributions, is in resolving fair global taxation arrangements for technology companies. The three issues canvassed here will not be resolved in Germany. They will continue to evolve and require long-term engagement. But G20 engagement on them would be a worthwhile contribution towards preserving the vibrant internet economy.

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<sup>33</sup> See Principle 9 of "OECD Principles for Internet Policy Making", OECD, 2014, <https://www.oecd.org/sti/ieconomy/oecd-principles-for-internet-policy-making.pdf>.

<sup>34</sup> See "The OECD Privacy Framework", OECD Report, 2013, [http://www.oecd.org/sti/ieconomy/oecd\\_privacy\\_framework.pdf](http://www.oecd.org/sti/ieconomy/oecd_privacy_framework.pdf), and "APEC Privacy Framework", APEC, 2005, [http://www.apec.org/Groups/Committee-on-Trade-and-Investment/~/\\_media/Files/Groups/ECSG/05\\_ecsg\\_privacyframewk.ashx](http://www.apec.org/Groups/Committee-on-Trade-and-Investment/~/_media/Files/Groups/ECSG/05_ecsg_privacyframewk.ashx).

# THE G20 AND GLOBAL MIGRATION GOVERNANCE

HUGH JORGENSEN AND TRISTRAM SAINSBURY<sup>1</sup>

G20 leaders identified migration as an issue worthy of the G20's attention at the 2015 Antalya Leaders' Summit. This is as it should be. Although the elevation of migration within the G20's agenda is not without its critics, the emerging populist and anti-globalist sentiment that has fed into movements like the British referendum to leave the EU and the presidential candidacy of Donald Trump indicate that public pressure to better manage global migration flows is unlikely to dissipate any time soon.<sup>2</sup> Yet despite the G20's apparent increase in attention to migration matters, doubts remain as to whether the G20 actually has a useful role to play in matters of global migration governance.<sup>3</sup>

*...it is not immediately clear what the G20's role in migration governance should be.*

At first glance, the G20 seems well placed to engage with migration issues. Collectively, G20 member countries are home to a 55 per cent majority of the world's 244 million migrants.<sup>4</sup> In addition, although migrants and refugees connote different (but sometimes overlapping) conceptual categories, failure to discuss the cross-border flows of people would have been difficult to politically justify in 2015, given the G20 host country Turkey was simultaneously coping with an influx of two million refugees from the Syrian conflict. However, upon closer inspection, it is not immediately clear what the G20's role in migration governance should be. The very term migration signifies different things to different G20 members, and as the G20's membership is largely comprised of key migration destination countries, it contains fewer voices representing those source and transit countries that must be part of any multilateral discussion about global migration management.

How then, should the G20 approach the topic of migration? This paper first examines the 'knotty' economic case for labour migration. It then presents an overview of the global migration governance processes that

<sup>1</sup> Hugh Jorgensen is an adviser to the Deutsches Institut für Entwicklungspolitik (The German Development Institute) and joint coordinator of the Think 20 process under the 2016 German G20 Presidency. Tristram Sainsbury is a Research Fellow and Project Director in the G20 Studies Centre at the Lowy Institute for International Policy, a visiting scholar at Chongyang Institute for Financial Studies, Renmin University of China, and a visiting scholar at the Kiel Institute for the World Economy.

<sup>2</sup> Martin Wolf, "Global Elites Must Heed the Warning of Populist Rage", *Financial Times*, 19 July 2016, <https://next.ft.com/content/54f0f5c6-4d05-11e6-88c5-db83e98a590a>.

<sup>3</sup> Jan Strupczewski, "EU Expects G20 Battle to Recognize Migration Crisis as a Global Issue", Reuters, 10 November 2015, <http://www.reuters.com/article/us-g20-turkey-europe-migrants-idUSKCN0SZ1WL20151110>.

<sup>4</sup> United Nations Department of Economic and Social Affairs, *International Migration Report 2015: Highlights* (New York: United Nations, 2016); International Organization for Migration, *How the World Views Migration* (Geneva: International Organization for Migration, 2015).

govern regular and irregular migration flows respectively, as well as their gaps, strengths, and weaknesses. Following a brief summary of the G20's history in dealing with migration issues, we present some policy options for the G20 to consider in this constrained space.

## THE 'KNOTTY' ECONOMIC CASE FOR GLOBAL LABOUR MIGRATION

In principle, relatively unimpeded cross-border flows of goods and services, information, capital, and people constitute the "life-blood" of the global economy.<sup>5</sup> In the ideal world of an orthodox economist, migrants should provide labour where it is able to produce the greatest social utility, so that labour supply easily locates to where there is labour demand. However, basic economic theory is very different from reality, and people obviously cannot migrate to wherever they wish. Indeed, of the four globalised flows, it is the movement of people that is often most restricted, such that the International Organization of Migration (IOM) estimates that up to some fifty million unauthorised persons have illegally crossed a border in pursuit of a better life.<sup>6</sup> Given the clear desire of so many to try their luck in foreign lands, it is worth briefly outlining why the 'knotty' real-world economics of migration do not neatly point to any straightforward solution that is capable of satisfying the global community.

Part of the reason for barriers to labour flows is that the economic arguments in support of higher labour migrant intakes are more equivocal than those for, say, championing the gains from trade. There is a mixture of competing benefits and costs for the individual, the state, and society. At the individual level, migration is generally good for the migrants themselves. But much of the estimated benefits and costs of migrants for governments and society depends on who is migrating. It is difficult to predict in general terms how economically motivated migration will impact upon on any given country.

Well-managed immigration can improve important social, fiscal and economic conditions by: reducing the per-person cost of government; boosting a country's heft on the global stage; diversifying population age structures; expanding the production of cultural goods; and by increasing the number of entrepreneurs. At the same time, domestic policy settings need to factor in the costs and policy pressures associated with an increasing population, in areas such as infrastructure, housing, and the environment. There are also policy implications for source countries, which face 'brain drain' or human capital loss that can undermine the long-

*...the economic arguments in support of higher labour migrant intakes are more equivocal than those for, say, championing the gains from trade.*

<sup>5</sup> Michael Spence, "The Global Security Deficit", Project Syndicate, 25 July 2014, <https://www.project-syndicate.org/commentary/michael-spence-warns-that-political-instability-and-conflict-are-now-the-main-threat-to-the-global-economy?barrier=true#1YpiJ2ACUMax3Z15.99>.

<sup>6</sup> International Organization for Migration, "Global Migration Trends: An Overview", 18 December 2014, [http://iomgmdac.org/wp-content/uploads/2015/10/Global\\_Migration\\_Trends\\_2014\\_PDF.pdf](http://iomgmdac.org/wp-content/uploads/2015/10/Global_Migration_Trends_2014_PDF.pdf).

term sustainability of their societies and tax bases. Source countries therefore also have a strong incentive to obtain the maximum possible return from remittances being sent home by their diaspora, so as to counteract the potentially negative effects of emigration.<sup>7</sup>

The way in which migration flows affect a country also unfolds over time in a dynamic way. For example, the IMF estimates that an influx of immigrants into a destination country generally has a negative fiscal impact in the short term, yet the integration of migrants into the workforce, if managed well, appears to have largely net-positive effects over time.<sup>8</sup> This is particularly true for countries with ageing populations that would otherwise face a shrinking tax base. The IMF's analysis points to the need to understand the entire life cycle of migration, and adds complexity to any attempt to make a general economic case for migration.

The 'knotty' economic case for migration forms only one part of the migration discourse. For example, in many destination countries, net migration is an important determinant of their rate of population growth, and small changes in growth rates, compounded over time, leads to large shifts in population structures across generations. As a result, even in countries with quality migration policies that capture positive economic and social outcomes, it is possible that higher levels of migration will only remain feasible up until the point at which populations (and the parliaments they elect) are willing to tolerate a certain amount of demographic change. From a G20 perspective, developing an appreciation for the variegated way in which migration impacts upon individual countries is an essential first step if it wishes to add value to 'global migration governance'.

*...higher levels of migration will only remain feasible up until the point at which populations...are willing to tolerate...*

## GLOBAL MIGRATION GOVERNANCE

Although there are many forms of migration, we opt for the analytically parsimonious approach of Rey Koslowski, who separates global migration governance into 'three global mobility regimes', which respectively deal with the flows of labour migration (both regular and irregular), refugees and asylum seekers (forced migrants), and travel.<sup>9</sup> Although some nuance is lost in this categorisation, it allows a focus on those migration governance matters that are most politically salient in the present, namely those involving labour migration, and refugees and asylum seekers. That being said, we acknowledge that migration discourse is increasingly

<sup>7</sup> Ibid.

<sup>8</sup> International Monetary Fund, "International Migration: Recent Trends, Economic Impacts, and Policy Implications", 12 November 2015, <http://www.imf.org/external/np/g20/pdf/2015/111515background.pdf>.

<sup>9</sup> While these three definitions are not mutually exclusive, and the number of migrants who fall into more than one of these categories is on the rise, it fits with current global arrangements. See Rey Koslowski, "Global Mobility Regimes: A Conceptual Reframing", Presentation at the International Studies Association Meeting, New York, 15–18 February 2009, [http://www.albany.edu/~rk289758/documents/Koslowski\\_GMR\\_reframing\\_ISA2009.pdf](http://www.albany.edu/~rk289758/documents/Koslowski_GMR_reframing_ISA2009.pdf).

shifting towards an appreciation for the phenomenon of mixed migration, a term which recognises that migrants cannot be so neatly pigeonholed into neat and singular categories such as refugee or economic migrant.<sup>10</sup>

## LABOUR MIGRATION

Few countries are willing to allow any diminution, perceived or real, of their sovereignty over migration policy.<sup>11</sup> It follows that countries which are preferred by migrants (a grouping which includes mainly rich and industrialised countries) have a greater capacity to respond to migration flows in accordance with their self-determined national interest. In other words, 'destination countries' generally face an abundant supply of foreign labour, authorized or unauthorized, that they can turn to when needed, or limit during an economic downturn or in response to shifting political tides.<sup>12</sup> There is little political incentive for destination countries to cede even a small amount of formal control over their immigration policies.

*Few countries are willing to allow any diminution, perceived or real, of their sovereignty over migration policy.*

Certainly, as Alexander Betts observes, migration is not a linear process and many states both send and receive migrants, and a handful of rich and industrialised states have lent their support to multilateral migration management processes.<sup>13</sup> In general though, the trajectory of labour migration governance does tend towards the establishment of bilateral or regional frameworks between sending and receiving countries, where source countries are less able to manage their labour migration concerns through sovereign policy. Put simply, destination countries have a greater propensity to be the policy makers, as opposed to source countries who are more liable to be policy takers. The power imbalance in migration governance thus risks exacerbating the general North-South political imbalance in other policy spheres.

This is not say there is *no* international governance of labour migration. Rather, instead of a centralized universal style primary agency, such as the World Health Organization or the World Trade Organization, the governance of labour migration takes place within a "complex, multi-level tapestry of diverse and contested institutions".<sup>14</sup> The most prominent agencies are the International Organization of Migration (IOM) and the International Labour Organisation (ILO), yet both have primarily advisory or supportive roles when it comes to the actual formation and implementation of domestic migration policy. That said, it is hard to escape

<sup>10</sup> Jiyoung Song, "The Migration-security Nexus in Asia and Australia (Part 1)", *The Interpreter*, 23 May 2016, [http://www.lowyinterpreter.org/post/2016/05/23/The-migration-security-nexus-in-Asia-and-Australia-\(part-1\).aspx](http://www.lowyinterpreter.org/post/2016/05/23/The-migration-security-nexus-in-Asia-and-Australia-(part-1).aspx).

<sup>11</sup> Ngiire Woods et al., "Transforming Governance for the 21st Century", UNDP Occasional Paper 2013/09, <http://hdr.undp.org/en/content/transforming-global-governance-21st-century>.

<sup>12</sup> Martin Geiger and Antoine Pécoud, "International Organisations and the Politics of Migration", *Journal of Ethnic & Migration Studies* 40, No 6 (2014), 865–887.

<sup>13</sup> Alexander Betts, "Introduction", in *Global Migration Governance*, A Betts, ed (Oxford: Oxford University Press, 2011), 1–48.

<sup>14</sup> Ibid.

the fact that outside of national arrangements, the management of labour migration and migrant rights is generally left to an informal jumble of incidental agreements or standards that are either written on a bilateral or regional basis.

#### FORCED MIGRATION

National arrangements are also the backbone of global efforts on the forced migration of refugees and asylum seekers. However, in contrast to the fragmented global governance of (voluntary) labour migration, the global processes to deal with the forced migration of refugees are relatively established and coherent. The Office for the United Nations High Commission on Refugees (UNHCR) has a relatively clear mandate under the 1951 Refugee Convention, and has become the undisputed lead agency in terms of caring for and facilitating the resettlement of refugees. However, there is ample evidence to suggest that there is a gap between the expectations placed upon the UNHCR and its actual capacity to deliver. Of the 20 million refugees waiting for resettlement in 2015, only 107,100 refugees were approved by Convention signatories for relocation, while the remainder continue to live in precarious and unresolved situations.<sup>15</sup>

*The chief governance gap relating to refugees and asylum seekers is the inability of countries to agree on a mechanism for allocating those seeking refuge...*

The chief governance gap relating to refugees and asylum seekers is the inability of countries to agree on a mechanism for allocating those seeking refuge among the destination countries capable of integrating them into their society. Although the need to more fairly divide the responsibility of caring for refugees existed long before the recent influx of forced migrants into Europe, political infighting within the European Union over how to accommodate those seeking refuge within the bloc reflects the immense political difficulty that stands between the 1951 Convention's ideals and their realisation.<sup>16</sup>

In fairness, much of the recent disquiet about forced migration points to the need to address current causes of irregular migration. This largely lies outside of the UNHCR's remit. For example, neither additional resourcing nor an abundance of global promises to resettle refugees fleeing the Syrian conflict would resolve the cause of the mass migration in question — namely the war itself. Still, an argument can be made for greater commitment among signatories to the spirit of the 1951 Convention: to actually resettle refugees, and to boost the resources of the UNHCR and related bodies that assist with refugees and asylum seekers as they seek safe haven.<sup>17</sup> While no one expects the G20 to be the primary vehicle for responding to forced migration, the lack of engagement on the issue to

<sup>15</sup> United Nations Department of Economic and Social Affairs, *International Migration Report 2015: Highlights*.

<sup>16</sup> Ibid.

<sup>17</sup> Khalid Koser, *Australia and the 1951 Convention*, Lowy Institute Analysis (Sydney: Lowy Institute for International Policy, 2015), <http://www.lowyinstitute.org/publications/australia-and-1951-refugee-convention>.

date has invited sharp questions about the forum's relevance in "connecting the dots between politics and economics" and in demonstrating political leadership in the face of emerging crises generally.<sup>18</sup>

## MIGRATION GOVERNANCE OUTSIDE OF THE G20

Developments in recent years point to a growing willingness among the international community to pursue a more integrated global approach. Most promising among these is that the United Nations will convene a leader-level summit on 'large movements of refugees and migrants' prior to this year's General Assembly in New York on 19 September, two weeks after the G20 Summit in Hangzhou. In addition to the UN Summit and UNHCR, three other processes are working towards a more cohesive model of global migration governance: the Global Migration Group, the Global Forum for Migration and Development (Global Forum), and the UN 2030 Agenda for Sustainable Development.

*...a growing willingness among the international community to pursue a more integrated global approach.*

The Global Migration Group (bringing together technical expertise) and Global Forum (bringing together political leadership) have both been around since 2006. The Global Migration Group involves the work programs and heads of 17 UN agencies<sup>19</sup> and the IOM for the specific purpose of coordinating an integrated approach to capacity building, and promoting greater cooperation between states on migration-related issues.<sup>20</sup> The Global Forum brings together political leaders and government officials from over 150 countries, as well as civil society actors and think tanks, with the aim of addressing the nexus between migration and development policy.

The 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals (SDGs) represent a major win for migration advocates, insofar as it is now possible to point to migration as a mainstream component of development policy. Of the 169 targets accompanying the goals, SDG 10.7 is to "facilitate orderly, safe and

<sup>18</sup> Paola Subacchi, "Why Won't the G20 Address the Refugee crisis?", Chatham House, 11 September 2015, <https://www.chathamhouse.org/expert/comment/why-wont-g20-address-refugee-crisis>; also see the joint statement by the G20 engagement groups in 2015: TEPAV, "Joint Response from the G20 Engagement Groups to the Refugee Crisis", Press Release, 14 November 2015, <http://www.tepav.org.tr/en/haberler/s/3966>.

<sup>19</sup> The other 17 agencies being the ILO, UNHCR, the UN Development Program (UNDP), the World Bank, the World Health Organization, United Nations Conference on Trade and Development (UNCTAD), the United Nations Office on Drugs and Crime (UNODC), the United Nations Department of Economic and Social Affairs (UNDESA), the UN Population Fund (UNPF), the Food and Agriculture Organization of the United Nations (FAO), Office of the High Commissioner for Human Rights (OHCHR), United Nations Children's Fund (UNICEF), United Nations Institute for Training and Research (UNITAR), the UN Regional Commissions, the United Nations University (UNU) and UN Women.

<sup>20</sup> Carl-Ulrik Schierup, Aleksandra Alund and Branka Likic-Brboric, "Migration, Precarization and the Democratic Deficit in Global Governance", *International Migration* 53, No 3 (2015), 50–63.

responsible migration and mobility of people, including through implementation of planned and well-managed migration policies”.<sup>21</sup> The ‘zero draft’ currently being prepared for the UN Summit already calls for full implementation of those SDGs which relate to migration policy.<sup>22</sup>

Speaking at the World Humanitarian Summit in Istanbul in May 2016, World Bank President Jim Yong Kim announced that the Bank would be launching a global crisis response platform to “provide resources for risk mitigation and crisis response to low- and middle-income countries with an immediate focus on countries hosting refugees across the world”.<sup>23</sup> The platform will be launched at the UN Summit and the platform earned the support of the G20 Finance Ministers and Central Bank Governors in the recent Chengdu Communiqué.<sup>24</sup> There is a sense that momentum is building ahead of the UN Summit, and there may be an opportunity for G20 Leaders to add political drive to this process.

## THE G20’S CONTRIBUTION TO MIGRATION GOVERNANCE TO DATE

The G20’s engagement with global migration governance has been fairly limited. The first reference by G20 leaders to ‘migration’ came out of the Antalya communiqué in 2015, where, among other things, leaders committed to:

“work with other states to strengthen our long term preparedness and capacity to manage migration and refugee flows. We invite all states according to their individual capacities to scale up their assistance to relevant international organizations in order to enhance their capabilities to assist affected countries ...”<sup>25</sup>

The topic area is not unprecedented within the broader G20 agenda, though. It first appeared in 2004 under Germany’s management of the

*The G20’s engagement with global migration governance has been fairly limited.*

<sup>21</sup> International Organisation for Migration, “Follow-up and Review of Migration in the SDGs”, Background Paper, Intersessional Workshop, New York, 29 February–1 March 2016, [https://www.iom.int/sites/default/files/our\\_work/ICP/IDM/2016\\_IDM/Background%20paper.pdf](https://www.iom.int/sites/default/files/our_work/ICP/IDM/2016_IDM/Background%20paper.pdf).

<sup>22</sup> “Zero Draft of Outcome Document for 19 September 2016 High-Level Meeting to Address Large Movements of Refugees and Migrants”, available at [http://www.un.org/pga/70/wp-content/uploads/sites/10/2015/08/27-June-2016\\_HLM-on-addressing-large-movements-of-refugees-and-migrants-27-June-2016.pdf](http://www.un.org/pga/70/wp-content/uploads/sites/10/2015/08/27-June-2016_HLM-on-addressing-large-movements-of-refugees-and-migrants-27-June-2016.pdf).

<sup>23</sup> Jim Yong Kim, “Statement by World Bank Group President Jim Yong Kim as Co-chair of High-Level Roundtable on Humanitarian Financing at the World Humanitarian Summit”, Istanbul, Turkey, 23 May 2016, <http://www.worldbank.org/en/news/speech/2016/05/23/statement-high-level-roundtable-on-humanitarian-financing-world-humanitarian-summit>.

<sup>24</sup> G20, Chengdu Communiqué, G20 Finance Ministers and Central Bank Governors Meeting, Chengdu, China, 24 July 2016, <http://www.g20.utoronto.ca/2016/160724-finance.html>.

<sup>25</sup> Clause 25 in G20, *G20 Leaders’ Communiqué*, Antalya Summit, 15–16 November 2015, <http://www.consilium.europa.eu/en/press/press-releases/2015/11/16-g20-summit-antalya-communication>.

finance ministers and central governors' meetings.<sup>26</sup> Since 2004, the G20's treatment of migration has evolved beyond a narrow focus on its role as an input into economic growth to a more multi-dimensional understanding that includes irregular migration and the flows of refugees and asylum seekers. However, despite several years of casual references, no formal policy prescriptions have come out of the G20 and the work has been mostly exploratory and investigative.

The G20's most tangible migration-related commitment is its target to reduce remittance costs to less than five per cent of amounts transferred, although there is currently no timeline to reach this objective. G20 Leaders have made a point of calling upon the World Bank and the Global Partnership for Financial Inclusion to provide more assistance to G20 countries in helping them to implement policies that reduce remittance costs<sup>27</sup>. Otherwise, the G20's migration-related work mostly relates to the anti-corruption working group, insofar as there are explorations of tracking down and extraditing individuals engaging in illicit or corrupt offshore activity, or through the G20's low-level and informal discussions on promoting tourism.

## IS THERE A ROLE FOR THE G20 ON MIGRATION GOVERNANCE?

The G20 must be strategic in this complex policy space and avoid two major risks. First, the G20 must not be seen to exclude countries, particularly source countries, from the conversation. Second, the G20 should ensure that it does not bypass or duplicate other processes set up by the UN and World Bank. In this regard, the G20 should be wary of establishing study groups, working groups, or ministers' meetings with multi-year mandates on migration governance. The international dialogue around global migration governance is already heavily populated with actors. There is potentially space for coordination between the German G20 presidency and the Global Forum (the Forum will be co-hosted by Morocco and Germany in 2017), but the G20 already has a 'Christmas tree' problem by which every G20 host looks to hang a new 'ornament' on the G20 agenda, and migration is so complicated an area that officials must be wary of hanging an *entirely new* Christmas tree from the existing one.

An immediate priority for G20 Leaders should be to give the maximum support to the September UN Summit at the Hangzhou Summit. This

*...the G20 must not be seen to exclude countries...bypass or duplicate other processes...*

<sup>26</sup> The apparent interest of Germany in broaching migration under its G20 Presidency surfaced during discussions at a Think 20 meeting held in Berlin on 5 July 2016. Specifically, the 2004 Finance Ministers and Central Bank Governors' communiqué called for the G20 to "review demographic, migratory, and other long-term challenges regularly at a global level": G20, *Communiqué*, Meeting of Finance Ministers and Central Bank Governors, Berlin, 21 November 2004, <http://www.g20.utoronto.ca/2004/2004communiqué.html>.

<sup>27</sup> G20, "G20 Plan to Facilitate Remittance Flows", Australian G20 Presidency, Brisbane, November 2014, [http://www.g20australia.org/sites/default/files/g20\\_resources/library/g20\\_plan\\_facilitate\\_remittance\\_flows.pdf](http://www.g20australia.org/sites/default/files/g20_resources/library/g20_plan_facilitate_remittance_flows.pdf).

*...the G20 can provide political momentum that helps to ensure that the vast body of work on migration will head in an integrated and cohesive direction.*

could take the form of a clear statement of resolve within the Leaders' communiqué of the need to strengthen global migration governance, and in particular to follow up on the outcomes of the UN Summit that align with the German G20 agenda. The communiqué could also contribute to global norm-setting by insisting that migration be treated as a multi-faceted issue and prospective source of prosperity, as opposed to the growing populist and somewhat insular desire to view migration policy as a matter of security and nationalism. Looking further ahead, the G20's contribution should be based in its original intent to serve as a 'steering' committee of global governance. Leaders should therefore identify the UN Summit, Global Migration Group, Global Forum, and SDGs as the most appropriate venues or tools for determining the future of the global migration governance system. Steering does not mean imposing. It is too early to say which outcomes of the UN Summit that the G20 is best placed to nudge along in 2017, but the G20 can provide political momentum that helps to ensure that the vast body of work on migration will head in an integrated and cohesive direction.

## CONCLUSION

There must be a space for G20 Leaders to both ensure progress on the core multi-year G20 agenda, but also to respond to pressing global issues that threaten geopolitical and economic stability. The G20 cannot unilaterally determine the future of global migration governance, nor should it build up expectations that it can. Yet through careful, strategic, and discrete political acts and commitments, the G20 can foster a more cohesive system of global migration governance that delivers a more positive experience of migration for all.

# OPPORTUNITIES FOR G20 HEALTH GOVERNANCE IN 2016 AND 2017

JOHN KIRTON AND JAMES HOSPEDALES<sup>1</sup>

The ease with which infectious diseases can spread across the world constitutes a significant ongoing global health and economic security risk. In addition, the complex health challenges associated with non-communicable diseases are a significant threat to development and have multisectoral drivers. For many governments the rising fiscal costs of treating such non-communicable diseases are simply not sustainable, given shifting demographics and ageing populations. The world needs cost-effective solutions to both infection and non-communicable diseases that combine public policies, education, and accessible and quality health services. Everyone needs to work together with governments having a key leadership role.

This paper aims to raise awareness of current global health challenges and suggest a possible policy path that G20 Leaders can initially foreshadow during their September 2016 Summit in Hangzhou, and then substantively deliver on, starting at their July 2017 Summit in Hamburg. We start by identifying global health challenges, with a particular focus on infectious diseases and the longer-term challenges associated with non-communicable diseases. We then examine the inadequacies in the current health governance architecture. We also explore what actions the G20 has taken on health since it was elevated to the leader-level, and the G20's record of delivery on its health commitments. Finally, we canvass five areas of possible G20 focus: antimicrobial resistance, innovation in health, a stronger regional approach for meeting health commitments, political leadership on non-communicable diseases, and fixing the unresolved health governance gaps surrounding the World Health Organisation.

*The ease with which infectious diseases can spread across the world constitutes a significant ongoing global health and economic security risk.*

## GLOBAL HEALTH CHALLENGES

The global community is confronting another damaging health epidemic. The Zika virus has spread more widely than the recent Ebola epidemic. The deadly impact of Ebola was mostly confined to three small, poor countries in West Africa and as at early 2016 was largely under control.<sup>2</sup> In contrast, the Zika virus threatens over 2 billion people globally, with over

<sup>1</sup> John Kirton is Professor of Political Science and Director of the G8 Research Group, and Co-director of the G20 Research Group, University of Toronto. James Hospedales is Executive Director of the Caribbean Public Health Agency.

<sup>2</sup> See European Centre for Disease Prevention and Control, "Ebola Outbreak in West Africa (2013–2016)", [http://ecdc.europa.eu/en/healthtopics/ebola\\_marburg\\_fevers/Pages/ebola-outbreak-west-africa.aspx](http://ecdc.europa.eu/en/healthtopics/ebola_marburg_fevers/Pages/ebola-outbreak-west-africa.aspx).

*[Zika] demands innovative approaches that connect biomedical and social sciences, that are community based, and that use new technology.*

4 million cases projected for the Americas alone.<sup>3</sup> Zika, like yellow fever, the chikungunya virus, and dengue fever, is primarily spread by domesticated *Aedes aegypti* mosquitos living with humans all over the tropical world.<sup>4</sup> Breeding in stored water, in discarded tyres, and all forms of solid waste, it is virtually impossible to eradicate without profound changes in attitudes towards and measures to stop mosquitos breeding and biting.<sup>5</sup> It demands innovative approaches that connect biomedical and social sciences, that are community based, and that use new technology.

The World Bank Group estimates that the short-term economic impact for Latin American and Caribbean countries of Zika will be a US\$3.5 billion loss to GDP, with tourism-dependent countries particularly affected.<sup>6</sup> The Caribbean Tourism Organisation estimates that a 2 to 4 per cent decline in tourism would have a minimum adverse impact of \$200–400 million.<sup>7</sup> There are broader economic effects as travellers and athletes cancel trips to destinations such as Rio de Janeiro for the Olympics in August 2016, and investors think twice about decisions to invest. Because Zika damages unborn babies, it raises profound intergenerational issues, which impose costs for a lifetime on families, communities, and healthcare systems.

The ease with which some viral diseases can spread constitutes a significant global health and economic security risk. It demands innovative approaches that join up biomedical and social sciences, that are community based, and that use new technology. Health epidemics like SARS had a coordinated multi-disciplinary response organised by the World Health Organization (WHO), working with Country Offices and with support from the Global Outbreak Alert and Response Network, yet SARS still had an estimated \$50 billion impact.<sup>8</sup>

<sup>3</sup> Jane P Messina et al., "Mapping Global Environmental Suitability for Zika Virus", eLife, 19 April 2016, <https://elifesciences.org/content/5/e15272>; US Government Accountability Office, "Emerging Infectious Diseases: Preliminary Observations on the Zika Virus Outbreak", Statement of Timothy M. Persons, Chief Scientist, Before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives, 2 March 2016.

<sup>4</sup> Dengue and the *Aedes aegypti* mosquito: <https://www.cdc.gov/dengue/resources/30Jan2012/aegyptifactsheet.pdf>.

<sup>5</sup> JS Mackenzie, P Drury, A Ellis et al., "The WHO Response to SARS and Preparations for the Future", in *Learning from SARS: Preparing for the Next Disease Outbreak: Workshop Summary*, S Knobler, A Mahmoud, S Lemon et al. eds (Washington DC: National Academies Press (US), 2004), <http://www.ncbi.nlm.nih.gov/books/NBK92476/>.

<sup>6</sup> World Bank Group, "The Short-Term Economic Costs of Zika in Latin America and the Caribbean", 18 February 2016, <http://pubdocs.worldbank.org/en/410321455758564708/The-short-term-economic-costs-of-Zika-in-LCR-final-doc-autores-feb-18.pdf>.

<sup>7</sup> Included in position paper, "Urgent Public Health Issues: Zika", presented to the 27th Inter-sessional meeting of the Conference of Heads of the Caribbean Community, Placencia, Belize, 6 February 2016.

<sup>8</sup> JS Mackenzie, P Drury and A Ellis et al., "The WHO Response to SARS and Preparations for the Future", in *Learning from SARS: Preparing for the Next Disease Outbreak: Workshop Summary*, Institute of Medicine (US) Forum on Microbial Threats and S Knobler, A Mahmoud and S Lemon et al., eds (Washington DC: National Academies Press (US), 2004), <http://www.ncbi.nlm.nih.gov/books/NBK92476/>.

For all the fascination with infectious disease epidemics and threats, the largest risks to health security globally emerge from non-communicable diseases such as heart disease, stroke, cancer, diabetes, and chronic respiratory disease and their complications such as kidney failure, limb amputations, blindness, and accelerated dementia. Non-communicable diseases are the top killer in all G20 countries except South Africa. In 2011, the World Economic Forum reported that non-communicable diseases will cost more than US\$30 trillion over the next 20 years and will push millions of people and families below the poverty line.<sup>9</sup> In younger people, non-communicable diseases reduce their productivity when on the job or can affect their ability to work at all.

The broad challenge facing health systems is to anticipate, detect, and respond to current and emerging threats, while providing primary healthcare coverage for all. National health systems, which provide most healthcare services globally, must act along a full spectrum of promotion, prevention, treatment, and cure in an inclusive way that provides equal access and brings the benefits of modern medicine, technology and social practices to a globalised world. The ideal outcome is to find proven, cost-effective public health interventions that have a high return on investment, reduce preventable impediments to economic growth and inequity, and improve social injustice. The global system, under the auspices of the WHO, focuses on the provision of individual healthcare services, and having strong essential public health services in place, including regulatory capacity.

These services cost the public purse, and health is becoming an increasingly problematic fiscal dilemma. At a time when global economic growth is low and sovereign debt levels are high, the healthcare costs of long-lasting diseases are rising faster than the growth in GDP required to finance them sustainably. Non-communicable diseases, obesity, and mental health issues pose an escalating threat to many advanced G20 countries, where rapidly ageing populations are burdened by private and public healthcare costs. Further, as major emerging market economies such as China and India become wealthier, they acquire the lifestyle and diets that exacerbate non-communicable diseases, growing sick before they get rich. No economy is set up to deal with the fiscal challenges. The very sustainability of social security institutions is threatened, making healthy ageing an economic imperative.

*No economy is set up to deal with the fiscal challenges. The very sustainability of social security institutions is threatened...*

## INADEQUATE MULTILATERAL ORGANISATIONS

The long-established multilateral system designed to ensure health security has time and again been unable to meet emerging threats. Partly, this is because health initiatives are generally implemented on a country-by-

<sup>9</sup> World Economic Forum, "The Global Economic Burden of Non-communicable Diseases", September 2011, [http://www3.weforum.org/docs/WEF\\_Harvard\\_HE\\_GlobalEconomicBurdenNonCommunicableDiseases\\_2011.pdf](http://www3.weforum.org/docs/WEF_Harvard_HE_GlobalEconomicBurdenNonCommunicableDiseases_2011.pdf).

country basis, due to the geographically confined nature of most health issues and the diversity of national health systems, which can make it difficult to coordinate actions. For issues that cross borders, the World Health Organization (WHO) created the legal framework of International Health Regulations (IHRs) in 2005. Adopted in 2007, the IHRs are designed to prevent the international spread of disease, and foster a 'network of networks'.<sup>10</sup> The IHRs are also intended to act as a global safety net in the event of an infectious disease outbreak or other health threat, through country cooperation on surveillance, communication, and logistics. Capacity varies across the world, especially among low-income and developing countries, and at any given time a large part of the world struggles to uphold the IHRs, leaving them (and the rest of the world) vulnerable to global health risks. This is recognised specifically in Sustainable Development Goal 3 in its target to "strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks".<sup>11</sup>

But the problem with Zika and other mosquito-borne viral diseases is that control measures against international spread are not likely to succeed because of the ubiquitous nature of the mosquito vector in the tropical world. That, plus the exponential rise in international travel. This situation reveals a big gap in global health security. The WHO is meant to be the world's security blanket for marshalling the response when the IHR's fail. But the WHO-led efforts to address the Ebola epidemic were unreasonably slow, with catastrophic effect. The epidemic occurred against a background of an under-resourced and poorly focused WHO, and took place in failed states where civil war, poverty, ignorance, and lack of adequate water and sanitation combined to make fertile ground for the spread of Ebola.

While the standard soul-searching process has taken place and institutional lessons learned from the experience with Ebola have been accepted, there has not yet been the necessary reforms and required resources to implement them. Therein lies a problem with the IHR themselves; they leave out explicit treatment and funding mechanisms, with the World Health Assembly meant to deliberate on these matters. The World Bank, with a president committed to global health, is taking up the enormous new task of helping the full United Nations system implement the 2030 Agenda for Sustainable Development.

*While the standard soul-searching process has taken place... not yet been the necessary reforms and required resources to implement them.*

<sup>10</sup> Tristram Sainsbury and Hannah Wurf, "Can the G20 Help Prepare the World for Future Health Pandemics?", in *Investment, Inclusiveness, Implementation, and Health Governance*, G20 Monitor No 16 (Sydney: Lowy Institute for International Policy, April 2015), 30, <http://www.lowyinstitute.org/publications/investment-inclusiveness-implementation-and-health-governance>.

<sup>11</sup> United Nations, Sustainable Development Goals, <http://www.un.org/sustainabledevelopment/health/>.

## G20 ACTIONS ON HEALTH TO DATE

The economic and fiscal considerations, combined with the global health governance gaps that are not being addressed elsewhere, make health governance a task that is tailor-made for the G20. Since the G20 was elevated to a leader-level forum in 2008, it has discussed health issues, both explicitly and indirectly. Health issues have been on the Leaders' agenda since November 2008, initially as part of the G20 development work aligned with the eight millennium development goals, including three devoted to health.<sup>12</sup> G20 Summits have governed global health continuously since then, with a strong surge in 2013 that has been sustained (see Table 1). Every Leaders Summit communiqué has covered health issues to some degree.

*...health governance a task that is tailor-made for the G20.*

Table 1: G20 Health Performance, 2008–2015<sup>13</sup>

Summit	DPM		DELIBERATION		DIR			DEC		DELIVERY		DGG	
	Att.	CC	Words		Docs	FS	EQ	CMT	% overall	Compliance	#	In	Out
			#	%									
2008 Washington	100%	0	118	3.2	1	0	0	0	0	–	–	0	1
2009 London	100%	0	59	0.9	1	1	1	0	0	0.3	1	0	0
2009 Pittsburgh	100%	0	284	3	1	1	1	0	0	–0.05	1	0	1
2010 Toronto	90%	0	139	1.2	1	0	0	0	0	–	–	0	0
2010 Seoul	95%	0	643	4.1	4	0	0	0	0	0.19	1	3	2
2011 Cannes	95%	0	470	2.9	3	0	0	0	0	–	–	1	0
2012 Los Cabos	95%	1	250	1.9	2	1	1	0	0	–	–	0	1
2013 St Petersburg	90%	0	1340	11.2	5	0	0	0	0	–	–	6	4
2014 Brisbane	90%	0	769	8.4	3	1	1	33	16	0.65	2	4	9
2015 Antalya	90%		481	3.5	4	0	0	2	1.7	N/A	N/A	5	3
Total	N/A	1	4,553	N/A	25	4	4	35	N/A	N/A	5	19	21
Average	95%	0.1	455.3	4.0	2.5	0.4	0.4	3.5	1.7	0.2	1.2	1.9	2.1

Source: Authors' calculations, component data from G20 Research Group

<sup>12</sup> John Kirton, Julia Kulik and Caroline Bracht, "Slowly Succeeding — G20 Social Policy Governance", in *Actors and Agency in Global Social Governance*, Alexandra Kaasch and Kerstin Martens, eds (Oxford: Oxford University Press, 2015), 153–173.

<sup>13</sup> Notes: Compiled by Julia Kulik, 14 July 2016.

DPM = Domestic Political Management measured by the number of leaders in attendance (Att.) and communiqué compliments (CC), the number of times a country or leader was positively mentioned in a health-related context

DELIBETARION = Deliberation measured by the number of words on the subject, the percentage words and the number of dedicated documents (Docs) to the issue.

DIR = Direction setting measured by the number of references to the G20's foundational mission of financial stability (FS) and making globalization work for all/equality (EQ) in a health-related context.

The G20's attention to health has expanded steadily over time. The initial focus was on the millennium development goals, disease, and health in general. Leaders then referred to the importance of responding to "health problems such as non-communicable diseases" in November 2010,<sup>14</sup> access to health care in 2011, and innovative new industries and markets in health care in 2012. The 2013 Petersburg Summit added malnutrition, the outbreak of new diseases, the WHO's IHRs, health insurance and national healthcare expenditure targets, and health reform. In 2014, the Brisbane Summit addressed workplace health and issued a separate Leaders' statement on a wide range of issues related to the Ebola epidemic. In 2015, health systems and antimicrobial resistance were added to the list.

*The G20's delivery on its own health commitments has also improved over time.*

The G20's delivery on its own health commitments has also improved over time. Initial low compliance ratings in the early years soared to an 83 per cent average compliance with the two major assessed health commitments from Brisbane in 2014. The first commitment, on funding for emergency and long-term needs, received 68 per cent compliance, including full compliance from Germany. The second, a commitment to fight antimicrobial resistance, secured 98 per cent compliance, including full compliance from both China and Germany.

## OPPORTUNITIES AT HANGZHOU AND HAMBURG

At the 2015 G20 Summit in Antalya, Leaders agreed to return to the issue of health in 2016.<sup>15</sup> Yet despite successes since 2013, it may seem surprising that the Chinese Government's G20 priorities omitted health as a specific priority. Even China's emphasis on the UN's 2030 Agenda, one of the ten key deliverables listed for G20 in May 2016, dilutes the health focus to just one of 17 Sustainable Development Goals (SDGs) — a sharp drop from the three of eight millennium development goals.<sup>16</sup> However, the SDGs come as a fully integrated set. Goals on absolute poverty, food

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DEC = Decisions measured by the number of health commitments (CMT) and the percentage of overall commitments made that year.

DELIVERY = Delivery measured by compliance with health commitments and the number of compliance reports assessed. An asterisk represents commitment assessed that were not designated health commitments but those that are deemed health-related. A dash means no data are available for that year. N/A means not available, and not yet measured.

DGG = Development of Global Governance measured by the number of references to governance mechanisms within the G20 (In) and the number of governance mechanisms outside of the G20 (Out) in a health-related context.

<sup>14</sup> G20 Seoul Summit, "Annex II: Multi-Year Action Plan on Development", Seoul, 12 November 2010, <http://www.g20.utoronto.ca/2010/g20seoul-development.html>.

<sup>15</sup> G20, *G20 Leaders' Communiqué*, Antalya Summit, 15–16 November 2015, <http://www.mofa.go.jp/files/000111117.pdf>.

<sup>16</sup> G20, *Wang Yi: Strive to Achieve Ten Results from G20 Hangzhou Summit*, Chinese G20 Presidency Statement, 27 May 2016, [http://www.g20.org/English/Dynamic/201606/t20160601\\_2294.html](http://www.g20.org/English/Dynamic/201606/t20160601_2294.html).

and nutrition security, water and sanitation, violence, climate change, and ecosystem and urban management all link strongly to health.

Many of China's priority items for Hangzhou, from innovation to climate change, inherently involve health. It is from this 'mainstreamed' whole-of-global-governance foundation that health can be progressed at the Hangzhou Summit and its successor in Hamburg in 2017. There are five opportunities in health that the authors identify for the next two G20 Summits.

*...advance the 2015 Antalya Summit's attention to antimicrobial resistance...*

The first opportunity is to advance the 2015 Antalya Summit's attention to antimicrobial resistance, an integral part of global health security. Antimicrobial resistance takes the lives of an estimated 700 000 people each year. The toll is projected to soar to ten million a year by 2050, for a total cost exceeding the world's current annual GDP.<sup>17</sup> At Hangzhou, Leaders should act to support the recommendations made by the Review on Antimicrobial Resistance.<sup>18</sup> In particular, G20 countries should reiterate their support for the IHRs and integrate anti-antimicrobial resistance initiatives into their development strategies and their efforts to implement the SDGs. They should also increase funding for research, development, and diagnostic technology that improves the efficient use of antibiotics in agriculture and in humans. Collectively, Leaders could agree that the G20 develops a global mechanism to reinvigorate the market for globally affordable, accessible, and efficiently used new antibiotics.

The second opportunity is to apply the Chinese G20 focus on innovation to health. For example, with mobile phones now starting to exceed the number of people in many countries, there are opportunities for G20 countries to embrace more participatory domestic approaches to monitoring health and disease threats, educate and inform citizens, and support preventive medical care. One application may lie in advances in artificial intelligence recognition technologies, drones, and robots to improve health. There are many ways of harnessing technology to improve health outcomes, including from backyard mapping of the breeding sites of mosquitoes, through to monitoring the health status of those that have or are vulnerable to NCDs, and caring for the infirm. People and communities can be empowered to take care of themselves and their environments.

The third opportunity is for the G20 to consider providing political support for fostering a stronger regional approach for meeting international health commitments. Regional political and economic communities could meet regularly to progress the IHRs and other health security matters for small

<sup>17</sup> Jim O'Neill, "Global Cooperation as a Life-and-Death Issue", Project Syndicate, 13 July 2016, <https://www.project-syndicate.org/commentary/antimicrobial-resistance-global-cooperation-by-jim-o-neill-2016-07>.

<sup>18</sup> UK Government, Review on Antimicrobial Resistance, "Tackling Drug-Resistant Infections Globally: Final Report and Recommendations", Chaired by Jim O'Neill, May 2016, [http://amr-review.org/sites/default/files/160525\\_Final%20paper\\_with%20cover.pdf](http://amr-review.org/sites/default/files/160525_Final%20paper_with%20cover.pdf).

countries in vulnerable situations, and extend this to complex threats such as NCDs, violence, and injuries. The groupings would focus on sharing surveillance and rapid response, lab capacity, risk communications, and other resources. They could set ambitious targets specific to their region, such as accelerating the implementation of the IHRs, cutting the childhood obesity epidemic in half in ten years, and exceeding the WHO-agreed 30 per cent reduction in premature deaths from NCDs and injuries. The model could be based on the new Caribbean Public Health Agency (CARPHA), involving the 24 small member states, the United States, United Kingdom, and French and Dutch territories. The Caribbean region was the first in the world to eliminate indigenous measles, and elevated the issues of NCDs and obesity to global attention.

The fourth opportunity is to provide political support for global efforts to prevent and control NCDs, such as the Framework Convention on Tobacco Control and the global plan for reducing harmful use of alcohol. The biggest opportunity here is to drive forward actions against obesogenic environments. Potential collective actions include agreed minimum requirements on mandatory nutritional labelling, school feeding environments, marketing to children, and product standards relating to levels of fat, salt and sugar. In addition, key international organisations such as the WHO, International Monetary Fund and World Bank could be asked to quantify the benefits and costs of fiscal, tariff and product inspection adjustments, and increasing local fruit and vegetable consumption. Given that many major multinational food and beverage corporations are based in the G20, the G20 could work with the Business 20 to promote and produce healthier food, through measures such as adjusting tariff schedules and import inspection regimes and support the transfer of healthy food production technologies in trade and cooperation agreements. Individually, G20 members could act on the various incentives and subsidies that sustain unhealthy food, and commit to reduce the worst agricultural subsidies, just as it has done for its members' fossil fuel subsidies.

*...use the political weight of the G20 to fix the global health governance gaps that surround the WHO.*

The fifth opportunity is to use the political weight of the G20 to fix the global health governance gaps that surround the WHO. Specifically, the G20 can agree on the need to increase the WHO's funding and put the WHO's funding on a more permanent basis, and to improve its functioning through greater government support for national registers, health risk surveillance, and vaccines.<sup>19</sup> In this regard, the G20 should not be seen as a 'doing body' for the details about the operations of the WHO. Instead, its role should be focused on issuing high-level direction and asking negotiators at the UN General Health Assembly to negotiate the specifics. Germany's great success at the G7 Summit it hosted at Elmau in June 2015 was in raising money for health and in promising to lift many millions from the hunger that causes malnutrition and disease. This shows it is able to use

<sup>19</sup> Sainsbury and Wurf, "Can the G20 Help Prepare the World for Future Health Pandemics?".

its hosting prerogatives to mobilise money for health on a significant scale. Germany also tried to secure G7 agreement within the G7 to increase the core funding for WHO, but met resistance from several countries, including the United Kingdom and Canada. It would be ambitious, but the 2017 Hamburg Summit could be the ideal opportunity for Germany to secure a headline agreement from all, including from the new leaders representing both the United Kingdom and Canada.

## CONCLUSION

Investing in public health to remove preventable impediments to growth is good for national economies. The time has now come for G20 Leaders to act on an ambitious global health agenda at Hangzhou in 2016 and Hamburg in 2017, to realise their dual mission of promoting financial stability and economic growth in order to make globalisation work for all. The G20 needs to do more to prevent the enormous economic costs from contagious outbreaks such as Zika and the chronic epidemics of NCDs and antimicrobial resistance. Doing so will unleash new sources of economic growth from enhanced workforce productivity and participation, and reduce the upward spiral of healthcare costs, releasing fiscal space that can then be used to drive economic, social and sustainable development.

Health innovation that builds social and technological resilience can be a core component of reaping these rewards, an authentic application of one of Hangzhou's key priorities. The G20 is now led by China and Germany, two countries with rapidly ageing populations and soaring healthcare costs, but also leaders in global health governance in their own distinctive but complementary ways. They can and should come together now to make the G20's Hangzhou and Hamburg Summits a success for global health.

*The G20 needs to do more to prevent the enormous economic costs from contagious outbreaks such as Zika and the chronic epidemics of NCDs and antimicrobial resistance.*

# THE WOMEN 20 FORUM FOR GENDER EQUALITY: OPPORTUNITIES AND CHALLENGES

SUSAN HARRIS RIMMER AND ANNE FULWOOD<sup>1</sup>

## INTRODUCTION

The Women 20 (W20) represents a new space in economic governance. It is a collective of gender-focused organisations and individuals from G20 countries launched in September 2015 with the aim of promoting gender-inclusive economic growth and presenting policy recommendations to G20 Leaders. Therein lies a big opportunity — given time, the W20 could become the economic equivalent of the UN Security Council's Women, Peace and Security agenda.<sup>2</sup> The W20 has the opportunity to contribute to the G20 agenda in three distinct ways: agenda-setting, providing new perspectives, and enhancing the socialisation and accountability of G20 commitments. There are also serious and particular challenges that the W20 must overcome in order to have an impact at the leader level.

This paper looks at the three distinct contributions of the W20, how far the W20 has come in progressing them, and the external support available to the group. It also canvasses some important challenges and highlights how Australia should contribute to overcoming them. Finally, the paper looks at the opportunities that the W20 should seek to take advantage of during the German 2017 G20 host year.

## OPPORTUNITIES: ACCOUNTABILITY, FRESH PERSPECTIVES, AND A NEW AGENDA

As 'womenomics' took the world by storm in 2009, the G20, as the world's premier economic forum, looked decidedly old-fashioned with its lack of

*...given time, the W20 could become the economic equivalent of the UN Security Council's Women, Peace and Security agenda.*

<sup>1</sup> Susan Harris Rimmer is Associate Professor and an Australian Research Council Future Fellow at Griffith Law School, and a member of the Think 20 (Russia, Australia, Turkey, China) as well as Australia's representative to the W20 (Turkey, China, Germany). Anne Fulwood is Media Director of Ogilvy Public Relations Australia and Australia's representative at the W20 (Turkey, China, Germany).

<sup>2</sup> The Security Council has adopted a cluster of interrelated resolutions on the theme of 'Women, Peace and Security': see UN Documents for Women, Peace and Security available at <http://www.securitycouncilreport.org/un-documents/women-peace-and-security/>. United Nations Security Council (UNSC) Resolution 1325 (2000) articulates three priorities: the representation of women at all levels of peace and security governance; the meaningful participation of women in peace and security governance; and the protection of women's rights and bodies in conflict and post-conflict situations. UNSC resolutions are binding on all UN member states and other UN entities.

female representation and neglect of gender policy.<sup>3</sup> Economic governance should reflect the citizenship of its member states, and it is proven that diverse teams make better decisions.<sup>4</sup> At the same time, G20 Leaders are looking for new pathways to growth, and the headline-stealing economic benefits unlocked by investing in women should make for a persuasive case to G20 decision-makers. The ‘size of the prize’ for G20 economies for investing in gender equality in growth terms is very large, as is the potential for more sustainable and equal growth. A new McKinsey report puts the figure at US\$12 trillion extra GDP by 2025 by simply giving more women the same opportunities as men.<sup>5</sup> At the 2015 launch of the W20 in Ankara, Christine Lagarde called women’s empowerment an “economic no-brainer”.<sup>6</sup>

The W20’s clearest contribution to the G20 agenda will be in ensuring the G20 remains accountable for existing commitments to gender equality. The W20 mandate adopted by Turkey includes:<sup>7</sup>

- helping achieve progress on the G20’s commitments to “women’s full economic and social participation”, which was made in the Los Cabos Leaders’ Declaration in 2012<sup>8</sup>
- “women’s financial inclusion and education”, which was made in the St Petersburg Leaders’ Declaration in 2013<sup>9</sup>
- “reducing the gap in participation rates between men and women by 25 per cent by 2025”, which was agreed on in the Brisbane Leaders’ Declaration in 2014.<sup>10</sup>

*The W20’s clearest contribution to the G20 agenda will be in ensuring the G20 remains accountable for existing commitments to gender equality.*

<sup>3</sup> As do other forums such as the World Economic Forum and ASEAN.

<sup>4</sup> See further Adam D Galinsky et al., “Maximizing the Gains and Minimizing the Pains of Diversity: A Policy Perspective”, *Perspectives on Psychological Science* 10, (2015), 742–748; and Mijntje Lückerath-Rovers, “Women on Boards and Firm Performance”, *Journal of Management & Governance* 17, Issue 2 (2013), 491–509.

<sup>5</sup> Jonathan Woetzel et al, *The Power of Parity: How Advancing Women’s Equality Can Add \$12 Trillion to Global Growth* (McKinsey Global Institute, September 2015), <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>.

<sup>6</sup> Christine Lagarde, “Delivering on the Promise of 2025”, Keynote Address by Managing Director of the International Monetary Fund at the W20 Summit, Ankara, Turkey, 6 September 2015, <https://www.imf.org/external/np/speeches/2015/090615.htm>.

<sup>7</sup> Transcript of the speech delivered by HE Ahmet Davutoğlu, Prime Minister of the Republic of Turkey, at the official launch of Women 20 in Ankara, 6 September 2015, <http://g20.org.tr/verbatim-transcript-of-the-speech-delivered-by-he-ahmet-davutoglu-prime-minister-of-the-republic-of-turkey-on-the-occasion-of-the-official-launch-of-women-20-in-ankara-on-6-september-2015/>.

<sup>8</sup> G20, *G20 Mexico Leaders’ Declaration*, Los Cabos, 18–19 June 2012, <http://g20watch.edu.au/g20-leaders-declaration-los-cabos-2012>.

<sup>9</sup> G20, *G20 Russia Leaders’ Declaration*, St Peterburg, 5 September 2013, <http://www.mofa.go.jp/files/000013493.pdf>.

<sup>10</sup> G20, *G20 Australia Leaders’ Communiqué*, Brisbane, 15–16 November 2014, [http://www.g20australia.org/sites/default/files/g20\\_resources/library/brisbane\\_g20\\_leaders\\_summit\\_communique.pdf](http://www.g20australia.org/sites/default/files/g20_resources/library/brisbane_g20_leaders_summit_communique.pdf).

There is an opportunity for the W20 to monitor and ensure accountability for the G20's past commitments to women in these areas. For future influence, the W20 will also need to solidify the commitment of national leadership to the group and begin to suggest and monitor concrete measures at the country level to align with country growth targets.

The W20 also has an opportunity to effect transformational agenda-setting at the G20, particularly in recognising unpaid labour in national accounts, incentives for women-owned businesses, and the need for investment in more social infrastructure. The W20 sees women as crucial actors in economic governance, not just as unrealised economic assets. As a result, the W20 offers fresh thinking and new solutions for the current G20 agenda, casting a gender lens over infrastructure, anti-corruption, trade, financial regulation, development, and tax. The group can challenge mainstream economic thinking in which the differentiated gender effects of macroeconomic and microeconomic policy are not sufficiently considered. It can also highlight the lack of female representation in national chambers of commerce, finance ministries, and other sectors.

*...ongoing opportunities to promote both women's engagement in a broad spectrum of areas, and men's engagement in gender-related issues.*

Furthermore, the W20 provides ongoing opportunities to promote both women's engagement in a broad spectrum of areas, and men's engagement in gender-related issues. Increasing the representation of women in the private sector, particularly in global corporations, small and medium enterprises and among entrepreneurs, is a priority for the W20.<sup>11</sup> The few female or feminist leaders within the G20 can use the W20 to showcase their economic credentials. G20 countries can use the W20 to gain attention for the economic potential of their female population. While there are a few male W20 delegates, and male Ministers speaking, the audience and speaker list at typical W20 gatherings have been female dominated. There are benefits from involving more men in the W20, and at the same time highlighting women's underrepresentation in most other G20 forums.

## PROGRESS: A LONG DISTANCE IN A SHORT TIME

A forum in Canberra co-hosted by the Australian National University and Chatham House in September 2014 was the first to explore the idea of a W20 and how it might operate.<sup>12</sup> A few months later, the G20 Summit in Brisbane made history by including a specific target to reduce the gender

<sup>11</sup> This composition in part explains why the W20 is quite different in focus than previous multilateral groupings dealing with women's economic participation, such as the 1995 UN Women's Conference in Beijing. UN forums have typically: emphasised physical security of women and the removal of legal barriers as the precondition for economic activity; recognised the need to recompense women for care work; opposed any economic growth that is due to increased militarisation; and aligned more overtly with the environmental movement in critiques of growth.

<sup>12</sup> See "Investing in Gender Equality at the Group of 20 Leaders Summit: Australia to Turkey", 24 September 2014, <http://genderinstitute.anu.edu.au/news/investing-gender-equality-group-20-leaders-summit-australia-turkey>.

participation gap in formal labour markets in G20 economies by 25 per cent by 2025, while at the same time outlining country strategies to achieve growth.<sup>13</sup> This promise could bring more than 100 million women into the labour force, and yet, as one headline among many and with little detail to back up the Leaders' statement, it garnered limited media and civil society attention. This goal could be seen as the first of concrete actions to overcome the "barriers hindering women's full economic and social participation" called for in the Los Cabos Declaration in 2012.<sup>14</sup>

Under the 2015 Turkish G20 Presidency, the W20 engagement group was officially established to provide policy advice to G20 Leaders.<sup>15</sup> It was launched in Ankara on 6 September 2015 and the first summit took place on 15–16 October 2015. The Istanbul W20 communiqué made recommendations in areas of empowering women through strengthening linkages between education, employment and entrepreneurship; increasing the number of women in leadership positions; ensuring women's access to finance; and supporting women's networks and women owned enterprises.<sup>16</sup> The 2015 process was influenced by an open poll and delegate submissions, and proposed a monitoring system for future W20 Summits.

China continued Turkey's investment in the W20 in 2016, chiefly through the W20 Summit in Xi'an where the representatives of G20 countries and invited guests agreed a communiqué to be presented to the G20 Leaders in the lead-up to the September 2016 Hangzhou Summit. China had some experience in this area having held a successful APEC Women in the Economy Forum in 2015 with discussions on women and green development, as well as women and regional trade. The All-China Women's Federation hosted the 2016 W20 Summit with a keynote speech by China's Vice President, Li Yuanchao. Li opened the summit in Xi'an on 26 May 2016 and his speech demonstrated the increasing legitimacy of the gender and growth agenda, which the Chinese term 'She-Power':

"It is all the more important to pool women's wisdom and strength at a time when the global economic recovery remains fragile. As the Chinese economy moves into a New Normal, efforts are

*China continued Turkey's investment in the W20 in 2016, chiefly through the W20 Summit in Xi'an...*

<sup>13</sup> G20, *G20 Australia Leaders' Communiqué*, Brisbane Summit, 15–16 November 2014, [http://www.g20australia.org/sites/default/files/g20\\_resources/library/brisbane\\_g20\\_leaders\\_summit\\_communique.pdf](http://www.g20australia.org/sites/default/files/g20_resources/library/brisbane_g20_leaders_summit_communique.pdf).

<sup>14</sup> G20, *G20 Mexico Leaders' Declaration*, Los Cabos, 18–19 June 2012, <http://g20watch.edu.au/g20-leaders-declaration-los-cabos-2012>.

<sup>15</sup> Susan Harris Rimmer, "Why the W20? Reasons to Take the Newest G20 Social Partner Seriously", 10 November 2015, <http://www.usak.org.tr/en/usak-analysis/comments/why-the-w20-reasons-to-take-the-newest-g20-social-partner-seriously>.

<sup>16</sup> W20, *Women's Summit Communiqué*, G20 Turkey, Istanbul, 17 October 2015, <http://www.g20.utoronto.ca/2015/151017-w20.html>.

made to encourage mass innovation and entrepreneurship, and women are essential in this endeavour.”<sup>17</sup>

W20 delegates underlined the importance of seeing demonstrable progress by the G20 Employment and Labor Ministers, and the Employment Working Group. In debates during the Turkish Presidency, G20 members opted for self-reporting against a template on a biennial basis. The International Labour Organization (ILO) and Organisation for Economic Co-operation and Development (OECD) will compile a report on new policy initiatives, although it is unclear yet whether this will be made public. W20 delegates have urged member states to update and publish their strategies towards the target, and adopt transparent and rigorous monitoring processes. If necessary, G20 countries should use the technical support of international organisations to make data more comparable and more accessible to the public.

*China has also taken an interesting step by linking the female labour participation debates to their headline outcome of a G20 Blueprint for Innovative Growth...*

China has also taken an interesting step by linking the female labour participation debates to their headline outcome of a G20 Blueprint for Innovative Growth, to be released in Hangzhou in September 2016.<sup>18</sup> The Vice President noted with pride that 55 per cent of e-commerce is conducted by women in China, and that the majority of online purchasing power is also female-dominated. The Chinese focus on women in the digital economy also has implications for the G20 Skills Agenda. The W20 recommended that G20 Leaders should work to narrow and remove the digital divide, help women to gain equal access to the internet, provide effective digital skills training for women, set targets for women and girls to study STEM (science, technology, engineering and mathematics) subjects, and strengthen the capacity of women to undertake internet-based entrepreneurship and employment.

There is an opportunity for developing countries to improve gender equality in conjunction with their economic development, just as some developing countries have surpassed developed nations in modern infrastructure and moved straight to mobile technology or renewable energy. There must be the potential for increased female labour participation to move straight to reasonable quality work in the new skills economy, supported by adequate social protections. G20 members are currently debating how best to recalibrate GDP measurement to include activity in the digital economy, and this also presents an opportunity to systematically recognise and measure all forms of work and value, including creating a national income accounting that includes unpaid care work that is disproportionately done by women.

<sup>17</sup> “Full text of Vice-President Li Yuanchao’s Remarks at Opening Ceremony of W20 Meeting in Xi’an”, *China Daily*, 25 May 2016 (updated 26 May 2016), [http://www.chinadaily.com.cn/china/2016-05/26/content\\_25474918.htm](http://www.chinadaily.com.cn/china/2016-05/26/content_25474918.htm).

<sup>18</sup> “Wang Yi: Strive to Achieve Ten Results from G20 Hangzhou Summit”, briefing for Chinese and foreign journalists on the G20 Hangzhou Summit held by the Ministry of Foreign Affairs, 26 May 2016, [http://www.g20.org/English/image/201606/t20160601\\_2295.html](http://www.g20.org/English/image/201606/t20160601_2295.html).

W20 delegates also recommended more focus on gender and trade. They called on G20 Leaders to support entrepreneurship and launch specific programs to help women overcome business start-up barriers, and grow and sustain their businesses, including through trade. In addition, G20 members can improve women's access to credit and other means of production, and the provision of relevant training, information services and technical support. They can also take special measures to encourage inclusive sourcing policies by governments and by corporations to include more women as suppliers in local and global value chains. Further, they should establish baseline data, set targets and report on progress in increasing women's access to procurement and trade opportunities.

## EXTERNAL SUPPORT FOR THE W20

The OECD has been exceptionally supportive of the W20, as has UN Women (an entity responsible for promoting women's empowerment and gender equality) and the ILO. For example, the OECD held a panel in June 2016 on the G20 labour gap target.<sup>19</sup> These organisations are also involved with a new initiative called the High Level Panel on Women's Economic Empowerment, led by UN Women, funded by Canada and the United Kingdom. The inaugural meeting of the Panel was held on 15 March 2016 in the UN headquarters in New York. The Panel is expert and not country based. The UK think tank Chatham House has held annual policy forums and country-based consultations to provide some continuity and high-level policy advice to the W20 hosts.

There is some overlap with membership between both groups, including Elizabeth Vazquez, who is CEO and Co-founder of WEConnect International and the US W20 delegate. Sharan Burrow is a member of the Panel but she has also led the Labour 20 (L20) engagement group, and has been a strong advocate in the G20 for increased female labour participation. The panel will produce two reports for the UN Secretary-General based on research by Professor Laura Tyson (former Chair of the US President's Council of Economic Advisers) later in 2016.

## CHALLENGES FOR THE W20, AND AUSTRALIA'S CONTRIBUTION

The challenge for the W20 is to be strategic and add value to the diffuse and crowded G20 policy space. As the Lowy Institute's Hannah Wurf has written, "The W20 will now need to work out how to elevate some of these issues from the domestic policy space to the G20 level".<sup>20</sup> There is no

*The challenge for the W20 is to be strategic and add value to the diffuse and crowded G20 policy space.*

<sup>19</sup> OECD Forum, "Closing the Gender Gap: 25 by 2025", [http://webcastcdn.viewontv.com/client/oecd/forum2016/video\\_33304388ad3a42c49a38e79179ffe46e.html](http://webcastcdn.viewontv.com/client/oecd/forum2016/video_33304388ad3a42c49a38e79179ffe46e.html).

<sup>20</sup> Hannah Wurf, "Can the W20 Influence the G20 to Unlock Opportunities for Women", 11 September 2015, <http://www.lowyinterpreter.org/post/2015/09/11/Can-the-W20-influence-the-G20-to-unlock-opportunities-for-women.aspx>.

reason the W20 cannot work with or enhance the policy work of the other engagement groups. The civil society group (C20) has had a strong gender focus over the last two years and the L20 has supported the G20's female labour participation target. A joint proposal from the Business 20 and Think 20 outlined a global skills accelerator, which could also take into account the need to upskill women. The W20 should also be making better use of its extensive network of high-power female professionals to ensure that the young women involved in the Girls20 and Youth 20 feel there is a pathway for women into economic governance.

The other, related challenge for the W20 is in defining a distinctive space, one that builds the forum's legitimacy as a valued, and valuable, part of efforts to overcome the structural exclusion of women from the global economy. Some governance scholars and economists can fall into the trap of talking of women simply as a resource to be better 'utilised', but others try to focus attention on women in economic governance. The World Bank, UN Women, and others point out the structural and cultural barriers to participation in the formal economy. Women experience more obstacles in accessing land, financial services, technology, information, and markets. In many countries, legal, social and cultural barriers to joining the labour market restrict women's options for paid work. Women's unpaid work in the care economy is not valued or measured by the mainstream economic theory. W20 delegates have to work much harder to influence mainstream economic leaders. There are very few trained economists as delegates to the W20, which in some ways is representative of the profession. Among tenured economists in Australia, Canada, Great Britain, the United States and Sweden, a 2008 study found only 5 per cent to 9 per cent are female.<sup>21</sup>

*There are very few trained economists as delegates to the W20, which in some ways is representative of the profession.*

A further challenge is the rights basis of the W20 agenda, and the sometimes troubled relationship between the G20 and the UN.<sup>22</sup> The G20 agenda may undermine the Sustainable Development Goals, as there are possible tensions between 'sustained' and 'sustainable' growth under the new Goal 8 and the gender equality Goal 5. The Chinese Presidency wishes to formulate action plans to implement the UN 2030 Agenda for Sustainable Development to showcase their developing country leadership credentials.<sup>23</sup> The gender goal and associated targets are certainly some of the most controversial aspects of the current UN negotiations.

<sup>21</sup> Christina Jonung and Ann-Charlotte Ståhlberg, "Reaching the Top? On Gender Balance in the Economics Profession", *Econ Journal Watch* 50, No 2 (May 2008), 174–192, <http://econjwatch.org/articles/reaching-the-top-on-gender-balance-in-the-economics-profession>.

<sup>22</sup> Susan Harris Rimmer, "The Architecture of Women's Economic Empowerment", *IntLawGrrls*, 23 April 2016, <https://ilg2.org/2016/04/23/the-architecture-of-womens-economic-empowerment/>.

<sup>23</sup> "Wang Yi: Strive to Achieve Ten Results from G20 Hangzhou Summit", briefing for Chinese and foreign journalists on the G20 Hangzhou Summit.

The Australian representatives of the W20 were chosen by the Australian Government but are completely self-funded and independent. As two Australian voices, we have attempted to make distinct policy contributions while also striving to improve the strength of the forum. We have argued that communication and financial literacy skills were the two most important pieces of the puzzle to progress the economic empowerment of women, and that the W20 must be able to communicate its business idea, its ambition, and its skills in order to participate. Further, women of all ages must be able to, confidently, know their financials, from school to CEO level — financial knowledge and independence is a necessity to empowerment.”<sup>24</sup> Beyond this, we have focused on women in STEM and the digital economy, the economic and social impact of current gender disparities, and the ability to gain the ‘future skills’ required by the global economy.<sup>25</sup> We have also highlighted how women, especially of regional and rural Australia, can drive engagement and participation by working closely with business, investors, the community and government.”<sup>26</sup>

## CONCLUSION: THE OPPORTUNITY FOR GERMANY

The next W20 Summit will be hosted by Germany in April 2017 with the full support and attendance of Chancellor Angela Merkel. This may be the best opportunity the W20 has to influence the G20 Leaders’ Summit. Germany can begin the complex process of supporting W20 representatives to be more active in domestic advocacy on gender-related issues, and facilitating engagement opportunities.

To maximise the prospect of success, W20 delegates need to make use of the evidence of gender disparity and move towards policy solutions that are aligned to the current state of G20 negotiations at the working group level, and at the discussion point of the Sherpa and Finance tracks in the lead up to the German Summit. There needs to be more detailed and targeted research products to underline the calls for accountability to previous commitments. There is also the opportunity to work more collaboratively with other engagement groups, particularly the T20 and the B20, which have a proven record of influencing G20 communiqués.

Recommendations to the G20 Leaders should stress the importance of proper gender practices, starting with the G20 countries in their domestic actions. For instance, Chatham House has recommended undertaking a gender audit of public sector employees, prioritising finance ministries and

*...W20 delegates need to make use of the evidence of gender disparity and move towards policy solutions that are aligned to the current state of G20 negotiations...*

<sup>24</sup> “Anne Fulwood is Australia’s Representative @ Women20 (W20)”, News & Views, Ogilvy Public Relations, 24 May 2016, <https://www.ogilvypr.com/anne-fulwood-is-australias-representative-women20-w20/#sthash.QWdnmkSW.nA42W0oz.dpuf>.

<sup>25</sup> Remarks by Associate Professor Susan Harris Rimmer, Australian Representative to W20, at Plenary III, “Women’s Role in the Digital Economy”, 2016 W20 Meeting, 26 May 2016, available at <http://www.womenofchina.cn/womenofchina/html1/news/action/1606/1215-1.htm>.

<sup>26</sup> “Anne Fulwood is Australia’s Representative @ Women20 (W20)”, News & Views, Ogilvy Public Relations, 24 May 2016.

central banks and continuing to all G20 delegations.<sup>27</sup> G20 Leaders have selected an economic governance group for the first time to focus on these crucial gender equality issues at the strategic level. Unlike other international groupings with a gender focus, this is a group dedicated to making the premier economic forum accountable to taking women seriously and improving women's lives. The W20 remains an idea with a lot of potential.

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<sup>27</sup> Paola Subacchi and Susan Harris Rimmer, "W20 Can Help Push Gender Equality Commitments to Fruition", Chatham House, Expert Comment, 15 October 2015, <https://www.chathamhouse.org/expert/comment/w20-can-help-push-gender-equality-commitments-fruition#sthash.ZgDoMh3t.dpuf>.



## CONTRIBUTORS

### TRISTRAM SAINSBURY

Tristram is Research Fellow and Project Director in the G20 Studies Centre. He is a contributing author and co-editor with Mike Callaghan of *The Future of International Economic Governance and the G20*, and editor of the G20 Studies Centre's quarterly G20 Monitor. Prior to joining the Lowy Institute, Tristram was at the Australian Treasury where he worked on G20 policy, focusing mainly on international financial architecture reform, financial regulation reform, and G20 growth strategies. He has also worked on a project on innovative approaches to Australian assistance to microstates in the Pacific at the Crawford School for Public Policy at the Australian National University. Tristram holds a Masters in Applied Economics from ANU and has completed undergraduate studies in Resource Economics at the University of Sydney. Tristram is a visiting fellow at Chongyang Institute for Financial Studies, Renmin University and a Visiting Scholar at the Kiel Institute for the World Economy.



Tristram Sainsbury

Tristram Sainsbury  
tsainsbury@lowyinstitute.org

### DR YE YU

Yu is a Non-resident Fellow at the Lowy Institute for International Policy. She is a political economist and Associate Professor and Assistant Director at the Institute for World Economy Studies at the Shanghai Institutes for International Studies (SIIS), one of China's leading think tanks. Dr Ye has completed research on the role of China in global economic governance, with a focus on the G20 and the BRICS New Development Bank. She has also worked on the China–US economic relationship and its effects on the global economic order. Dr Ye has a PhD in international trade and investment law from Fudan University.



Ye Yu

Dr Ye Yu  
yeyu@siis.org.cn



David Gruen

### DR DAVID GRUEN

David is the Deputy Secretary, Economic at the Department of the Prime Minister and Cabinet and Australia's G20 Sherpa. Before joining the Department in September 2014 he was Executive Director of Macroeconomic Group at the Australian Treasury. He joined the Treasury in January 2003. Before joining the Treasury in 2003 he was Head of Economic Research Department at the Reserve Bank of Australia from May 1998 to December 2002.

With financial support from a Fulbright Postdoctoral Fellowship, he was visiting lecturer in the Economics Department and the Woodrow Wilson School at Princeton University from August 1991 to June 1993. He holds PhD degrees in physiology from Cambridge University, England, and in economics from the Australian National University.



Sam Bide

### SAM BIDE

Sam is an economic and G20 policy adviser at the Department of the Prime Minister and Cabinet. Prior to joining the Department, he was an economic adviser at the Western Australian Treasury. His key area of interest is the role of microeconomic reform in fully realising the welfare benefits of trade.

He holds a Bachelor of Economics with a Major in International Business and a Bachelor of Commerce with a Major in Corporate Finance from the University of Western Australia.

Sam Bide  
samuel.bide@pmc.gov.au

## FERGUS HANSON

Fergus is author of *Internet Wars: The Struggle for Power in the 21st Century*. He has worked as a Non Resident Fellow at the Brookings Institution and as a Director at the Lowy Institute where he ran its flagship publication, the annual Lowy Poll. He was the 2011 Department of Foreign Affairs and Trade (DFAT) Professional Fulbright scholar based at Georgetown University. He worked at DFAT from 2004 to 2007 and served at the Australian Embassy in The Hague. Prior to DFAT, Fergus was a fellow at Cambridge University's Lauterpacht Research Centre for International Law.

Fergus Hanson  
fergushanson@gmail.com



*Fergus Hanson*

## HUGH JORGENSEN

Hugh is an adviser to the Deutsches Institut für Entwicklungspolitik (The German Development Institute), joint coordinator of the Think 20 process under the 2017 German G20 Presidency. Formerly he was a Research Associate with the G20 Studies Centre at the Lowy Institute for International Policy. He holds a double degree in Economics and Arts (Hons I) from the University of Queensland, and as an Erasmus Mundus Scholar, a Masters in Public Policy from the Institute of Social Studies of Erasmus University Rotterdam in The Hague and the Institut Barcelona d'Estudis Internacionals.

Hugh Jorgensen  
hugh.jorgensen@uqconnect.edu.au



*Hugh Jorgensen*



*John Kirton*

## JOHN KIRTON

John is Director of the G8 Research Group, Co-director of the G20 Research Group, Co-director of the Global Health Diplomacy Program, and a Research Associate of the Munk School of Global Affairs. He is also co-director of the BRICS Research Group based at Trinity College, where he is a Fellow. A professor of political science, he teaches international relations, global governance and Canadian foreign policy, and his research interests include global health governance, international finance and trade, trade-environment issues, and foreign policy decision making. He graduated from the University of Toronto with a BA in political science, from the Norman Paterson School of International Affairs at Carleton University with an MA in international affairs, and from the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University with a PhD in international relations.

John Kirton  
[john.kirton@utoronto.ca](mailto:john.kirton@utoronto.ca)



*James Hospedales*

## DR JAMES HOSPEDALES

James was appointed the inaugural executive director of the Caribbean Public Health Agency in 2012. He was previously the coordinator of the Prevention and Control of Chronic Diseases at the Pan American Health Organization. From 1998 to 2006, he was director of the Caribbean Epidemiology Centre. Dr Hospedales was a member of the Caribbean Commission on Health and Development, which made policy recommendations to the Heads of Government and named chronic diseases as a super-priority for the region.

James Hospedales  
[hospedja@CARPHA.ORG](mailto:hospedja@CARPHA.ORG)

## DR SUSAN HARRIS RIMMER

Sue is Associate Professor and an Australian Research Council Future Fellow at Griffith Law School, and an Adjunct Reader in the Asia Pacific College of Diplomacy at The Australian National University. She is a member of the Think 20 (Russia, Australia, Turkey, China) as well as the Australian representative to the W20 with Anne Fulwood (Turkey, China, Germany). She is an Associate Fellow, International Economics at the UK Royal Institute of International Affairs (Chatham House).

Susan Harris Rimmer  
s.harrisrimmer@griffith.edu.au

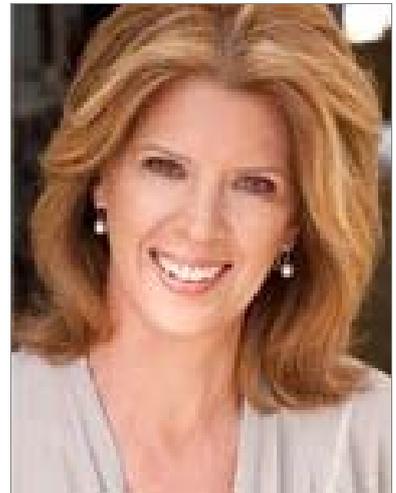


*Susan Harris Rimmer*

## ANNE FULWOOD

Anne is Media Director of Ogilvy Public Relations Australia and Australia's representative at the W20 (Turkey, China, Germany). Anne established her reputation, over two decades, as one of Australian television's best-known and most respected journalists and hosts. Anne's broad range of interests and experience covers foreign and current affairs, federal and state politics, conservation and the environment, sport and the media.

Anne Fulwood  
Anne.Fulwood@ogilvy.com.au



*Anne Fulwood*

**LOWY INSTITUTE**  
FOR INTERNATIONAL POLICY

Level 3, 1 Bligh Street  
Sydney NSW 2000 Australia

Tel: +61 2 8238 9000  
Fax: +61 2 8238 9005

[www.lowyinstitute.org](http://www.lowyinstitute.org)  
twitter: @lowyinstitute