

tepav

The Economic Policy Research Foundation of Turkey

G20:

Need for an inclusive growth agenda

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Ankara - December 18, 2012

Framework

- G20: A workable framework
- What do we understand from inclusiveness?
- Key issues from the G-20 perspective regarding inclusiveness
 - Globalisation & convergence: Is deindustrialisation a harmful trend?
 - Trade Complementarity: South-South cooperation lacking
 - Trade baskets and routes designed for developed countries
- How to make use of G20? Need for an inclusive growth agenda?
 - One proposal: Getting emerging countries' SMEs together
- Concluding remarks

G20: A workable framework?

- We should find results for 3 important questions
 - What should be the aim of G20?
 - What should be the issues covered in G20?
 - How can G20 be effective and operational?

G20: A workable framework?

■ Objective:

- Deal with global imbalances
- Sustain macroeconomic and financial stability
- Focus on growth and job creation

■ Agenda

- Issues only related with the proposed aims
 - Green economy and infrastructure for growth and job creation
 - Commodity price volatility to deal with global imbalances

G20: A workable framework?

■ Management

- Should get beyond of an advisory role for finance ministers, central bank governors, and international institutions
- Troika is might be important for the continuity of policy discussions

■ A permanent secreteriat might be needed;

- to sustain medium term planning
- to increase the knowledge content of the policy discussions
 - Analyses that show that some of the sovereign policies are incompatible
 - Analyses that show the overall impact of the proposed global actions
 - Independent & technically capable mechanism to synthesize the information gathered from sovereign states
- lobbying continuously to convince sovereigns in conforming with the global action

G20 as a global steering mechanism

- Even if no crisis agenda in the medium term, global imbalances will be here to stay
 - Enhanced globalization requires enhanced policy coordination tools
 - Increased interdependence with globalisation
 - Sovereign states should be aware of the externalities stemming from their own policies
- G20 should be considered as a policy coordination tool
 - One is to understand the interdependencies both economically and policywise
 - Second is to manage interdependencies
 - No way to end interdependencies
- G20 should focus on its primary agenda and avoid agenda fatigue
 - You can not solve all problems
 - Focus on policy compatibility and policy coordination with common goals

Inclusiveness: a general definition

- Equality of opportunities
 - Firm size, gender, socio-economic groups etc.
- Access to job opportunities
 - Skills and capabilities
- Entrepreneurship
 - Opportunity to take risks
- Geography and location
 - Connectivity potential
- Effective social safety nets

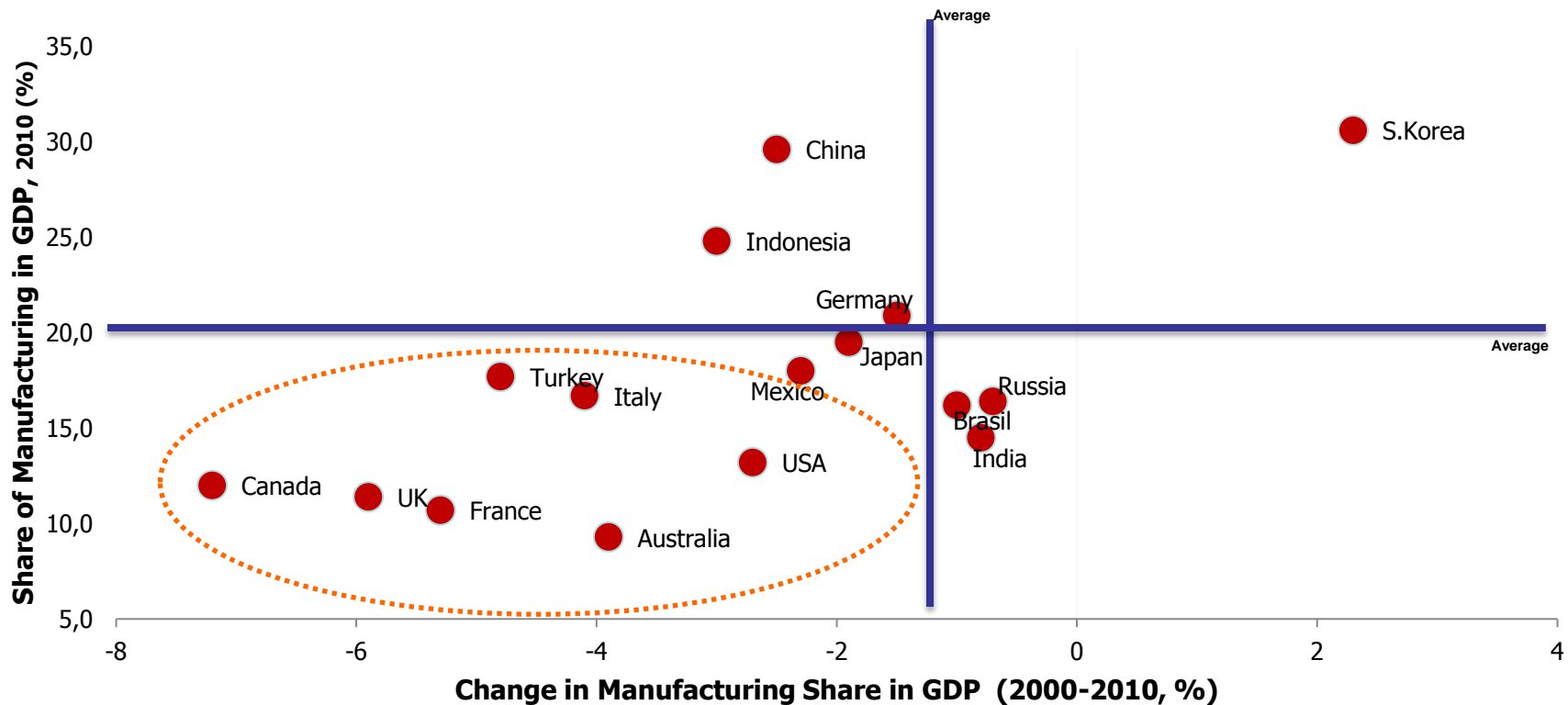
Inclusiveness: from G-20 perspective?

- **Equality of opportunities**
 - **Firm size**, gender, socio-economic groups etc.
- Access to job opportunities
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Key issues regarding inclusiveness

- Globalisation & convergence
 - Is deindustrialisation a harmful trend?
- Trade Complementarity
 - South-South cooperation lacking
- Connectivity
 - Trade baskets and routes designed for developed countries

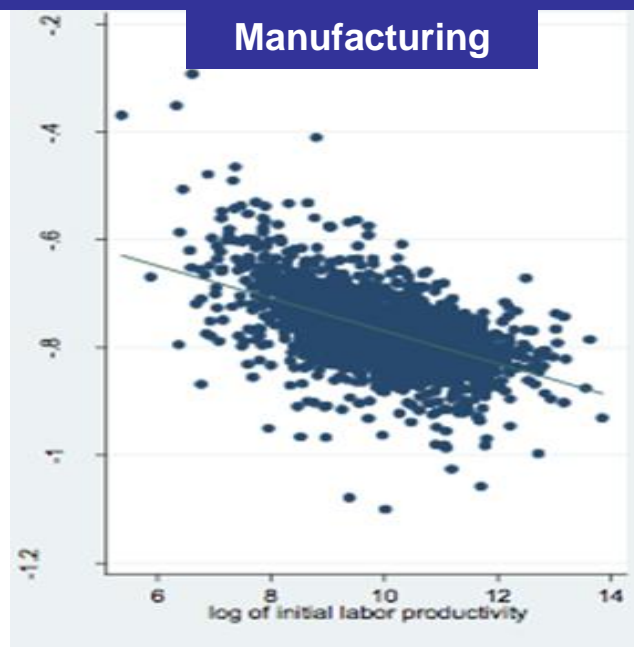
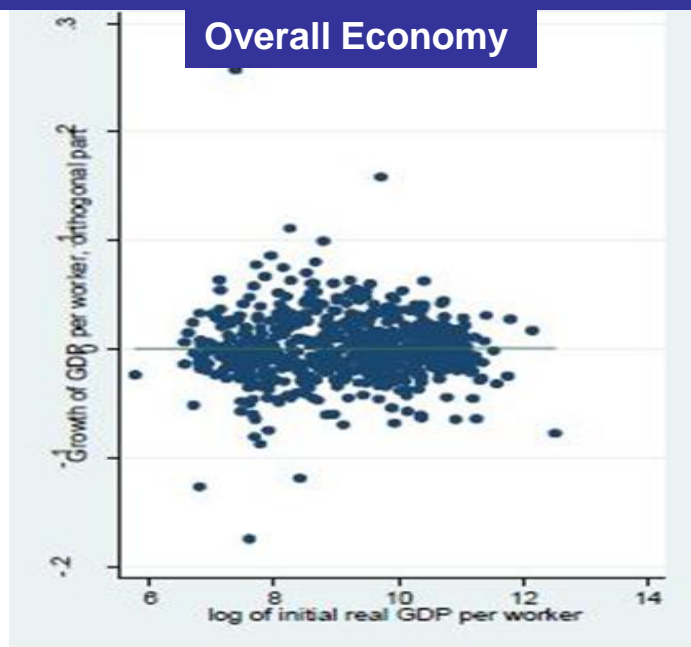
A side effect of globalisation: de-industrialisation



Deindustrialization: harmful for convergence

- Only rule: countries boost their productivity only if they are in manufacturing.

Unconditional growth in productivity



Trade complementarity: Missing among emerging markets

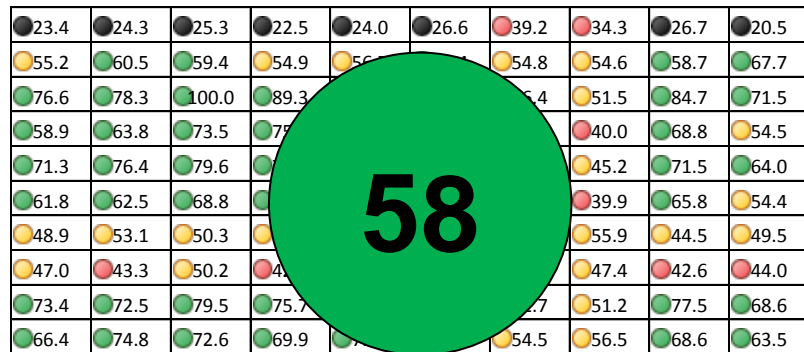
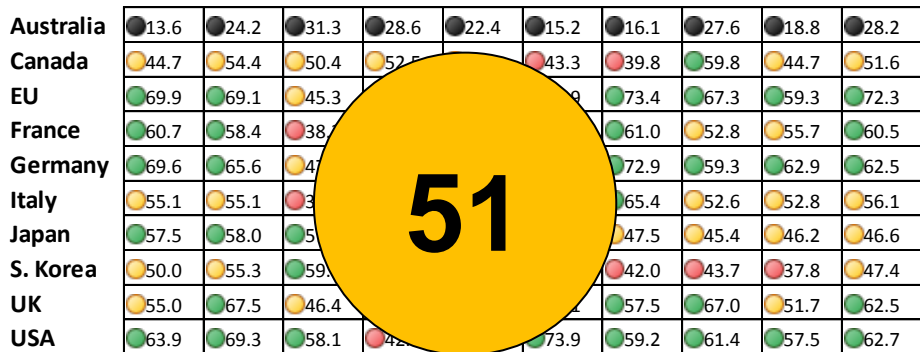
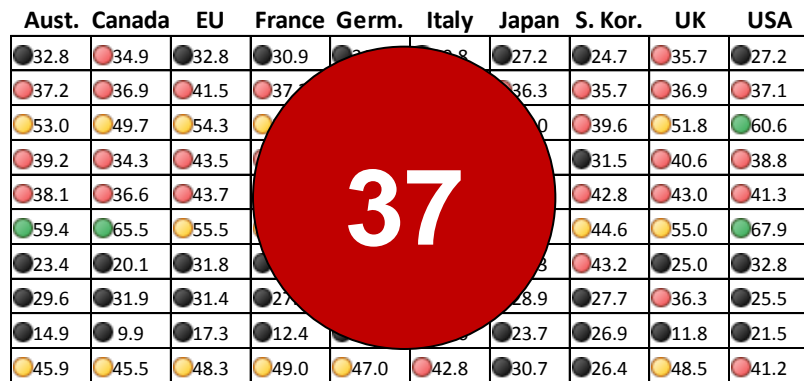
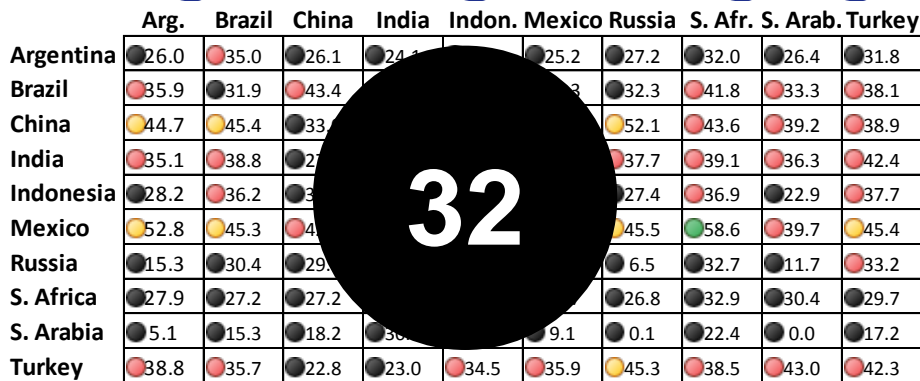
	Arg.	Brazil	China	India	Indon.	Mexico	Russia	S. Afr.	S. Arab.	Turkey
Argentina	26.0	35.0	26.1	24.1	30.8	25.2	27.2	32.0	26.4	31.8
Brazil	35.9	31.9	43.4	30.7	39.8	28.3	32.3	41.8	33.3	38.1
China	44.7	45.4	33.0	30.5	40.0	56.9	52.1	43.6	39.2	38.9
India	35.1	38.8	27.7	31.2	49.6	35.6	37.7	39.1	36.3	42.4
Indonesia	28.2	36.2	31.6	35.3	30.2	26.8	27.4	36.9	22.9	37.7
Mexico	52.8	45.3	42.3	42.9	38.7	48.1	45.5	58.6	39.7	45.4
Russia	15.3	30.4	29.1	45.3	36.5	17.3	6.5	32.7	11.7	33.2
S. Africa	27.9	27.2	27.2	37.7	24.3	23.7	26.8	32.9	30.4	29.7
S. Arabia	5.1	15.3	18.2	30.8	16.7	9.1	0.1	22.4	0.0	17.2
Turkey	38.8	35.7	22.8	23.0	34.5	35.9	45.3	38.5	43.0	42.3

Australia	13.6	24.2	31.3	28.6	22.4	15.2	16.1	27.6	18.8	28.2
Canada	44.7	54.4	50.4	52.5	44.9	43.3	39.8	59.8	44.7	51.6
EU	69.9	69.1	45.3	43.1	59.4	70.9	73.4	67.3	59.3	72.3
France	60.7	58.4	38.3	34.1	50.8	57.0	61.0	52.8	55.7	60.5
Germany	69.6	65.6	47.5	37.3	51.3	65.3	72.9	59.3	62.9	62.5
Italy	55.1	55.1	35.2	33.4	48.5	55.0	65.4	52.6	52.8	56.1
Japan	57.5	58.0	57.4	34.4	48.5	60.6	47.5	45.4	46.2	46.6
S. Korea	50.0	55.3	59.1	32.7	50.8	63.1	42.0	43.7	37.8	47.4
UK	55.0	67.5	46.4	44.5	53.5	57.1	57.5	67.0	51.7	62.5
USA	63.9	69.3	58.1	42.5	57.3	73.9	59.2	61.4	57.5	62.7

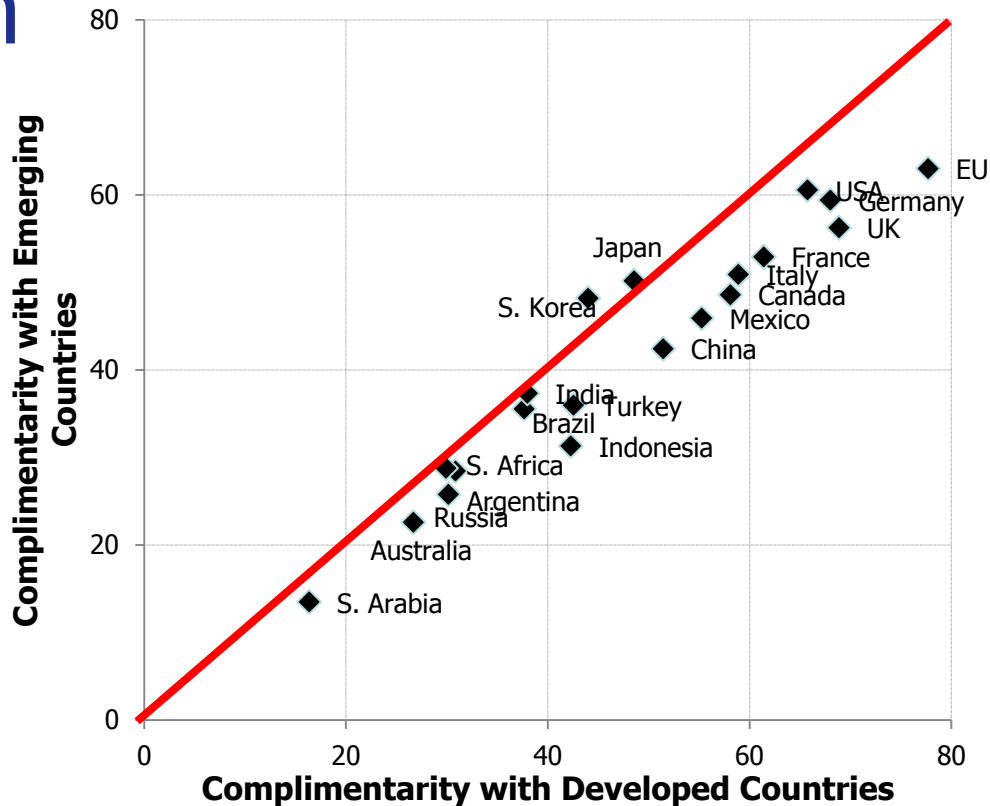
	Aust.	Canada	EU	France	Germ.	Italy	Japan	S. Kor.	UK	USA
Aust.	32.8	34.9	32.8	30.9	31.5	30.8	27.2	24.7	35.7	27.2
Canada	37.2	36.9	41.5	37.2	37.7	40.0	36.3	35.7	36.9	37.1
EU	53.0	49.7	54.3	52.5	56.5	46.4	50.0	39.6	51.8	60.6
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S. Kor.	29.6	31.9	31.4	27.5	30.5	29.7	28.9	27.7	36.3	25.5
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Canada	55.2	60.5	59.4	54.9	56.7	58.4	54.8	54.6	58.7	67.7
EU	76.6	78.3	100.0	89.3	88.3	80.3	56.4	51.5	84.7	71.5
France	58.9	63.8	73.5	75.6	71.2	64.9	42.7	40.0	68.8	54.5
Germany	71.3	76.4	79.6	78.2	79.9	69.1	44.7	45.2	71.5	64.0
Italy	61.8	62.5	68.8	69.8	65.0	60.2	40.6	39.9	65.8	54.4
Japan	48.9	53.1	50.3	45.3	55.7	45.4	36.8	55.9	44.5	49.5
S. Korea	47.0	43.3	50.2	42.1	46.5	40.9	35.8	47.4	42.6	44.0
UK	73.4	72.5	79.5	75.7	71.2	66.2	52.7	51.2	77.5	68.6
USA	66.4	74.8	72.6	69.9	71.4	59.2	54.5	56.5	68.6	63.5

Trade complementarity: Missing among emerging markets



Export baskets mostly designed towards the 'north'

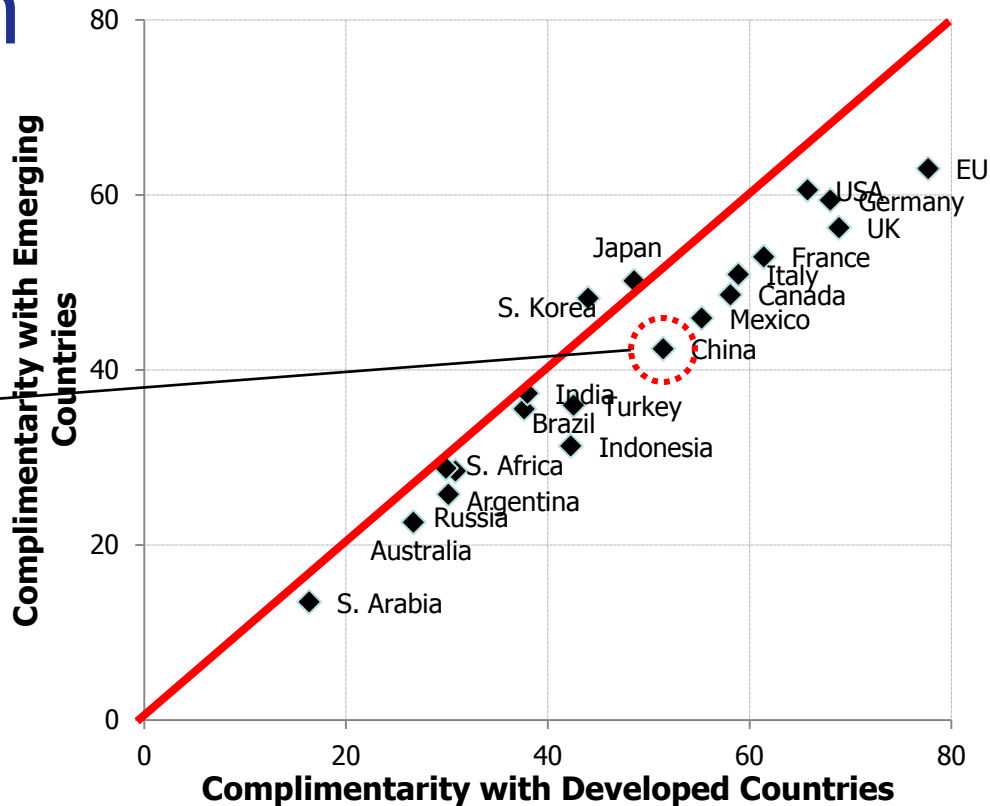


Export baskets mostly designed towards the 'north'

USA	60.6
Mexico	56.9
Germany	56.5
EU	54.3
Australia	53.0

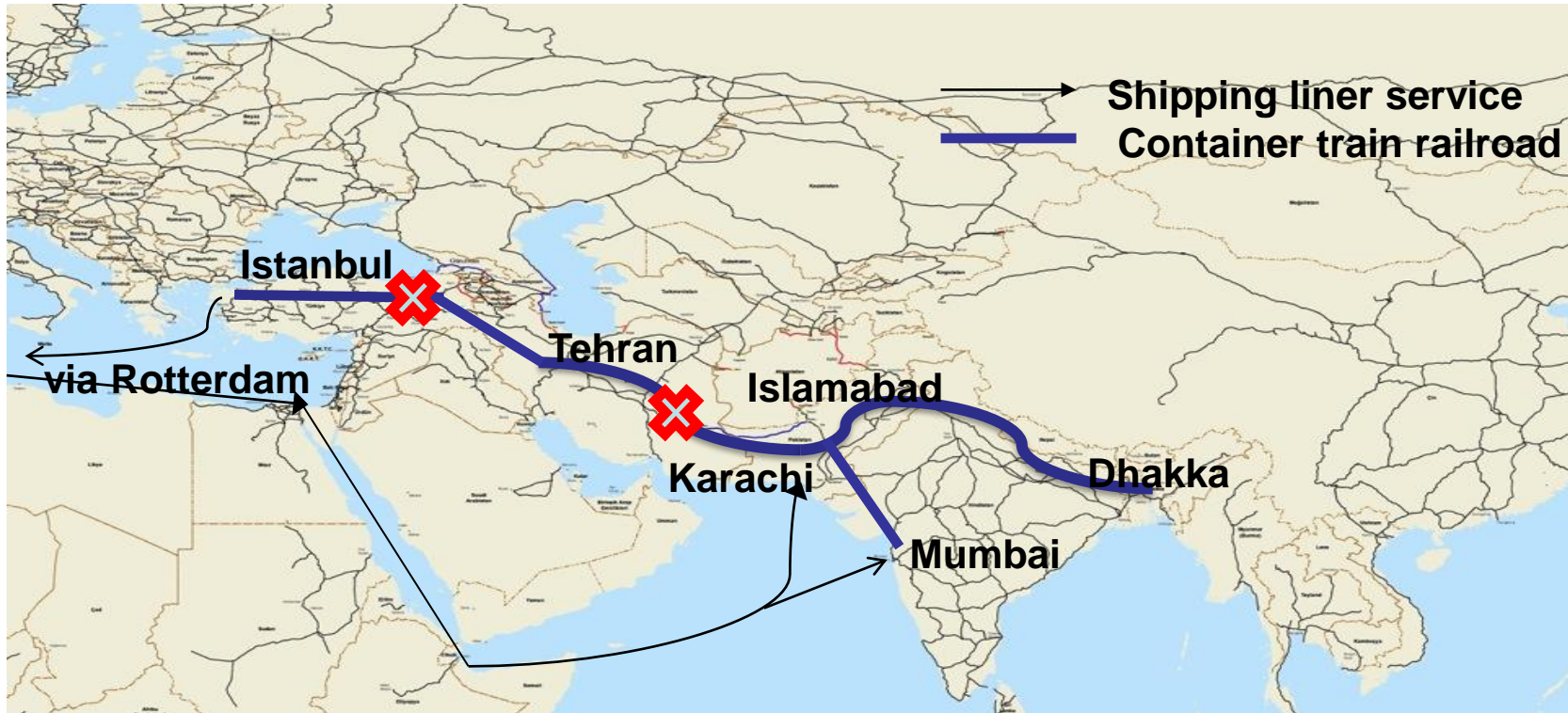
China

Indonesia	40.0
S. Korea	39.6
S. Arabia	39.2
Turkey	38.9
India	30.5



Even trade routes are designed accordingly

How would you ship your cargo from Istanbul to Karachi or Mumbai?



So what?

- Trade complementarity is low among emerging countries, largely due to low FDI flows between them
- FDI is low due to low connectivity
- Need to think of about alternative transportation modes
 - FDI flows: MNCs or SMEs

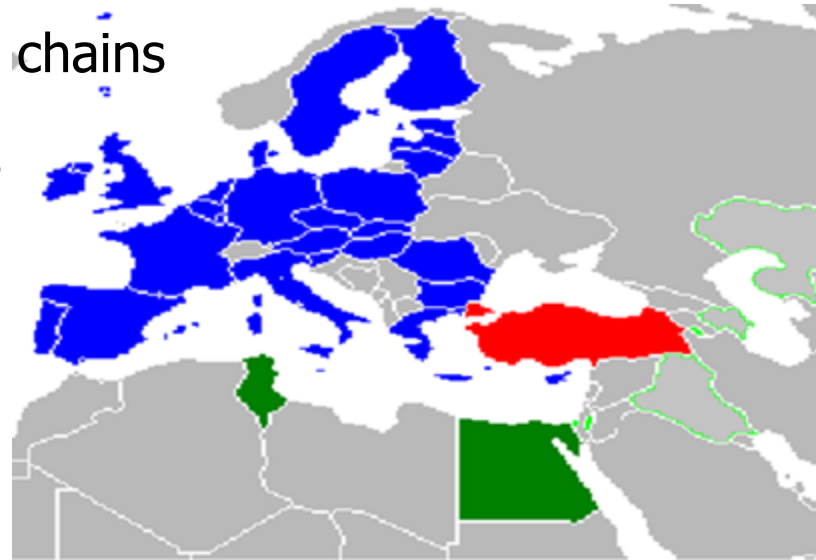
How to tailor G-20 agenda toward more inclusiveness?

- Big issues?
 - Focus on re-industrialization
 - Focus on connectivity
 - Focus on entrepreneurship (women and youth)
- A workable program?
 - SME internationalization
 - not led by MNEs, but a coordinated effort to include SMEs
 - Based on a value chain approach

An example: Global Business Bridges Initiative

Coordinated by EU Delegation, Ministry of Economy and TOBB.
Feasibility Study carried out by TEPAV

- A new policy tool: Building SME value chains
 - Identification of synergies & opportunities
 - Finding the right SMEs
 - Networking and match-making
- Uniting SMEs around a final product



1st phase: Tunisia, Egypt, Palestine

A new role for G20: Coordinating SME internationalization

A new program could be designed to do the following:

1. Identifying the appropriate value chains
2. Finding the right SMEs
3. Inviting complementary actors
4. Utilizing incentives and relevant support schemes
5. Initiating policy dialogue at the value chain level

Concluding remarks

- Even if there will be no crisis agenda, global economy will need more policy coordination
 - Deindustrialization is a harmful trend for convergence
 - Emerging markets are not connected to each other
- A new and permanent agenda for G20
 - Increasing South-South connectivity
 - SME internationalization and Value Chain coordination