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Economic Policy Research Foundation of Turkey

How are we thinking about the G20 agenda in Ankara?

Güven Sak

Moscow, 29 August 2013

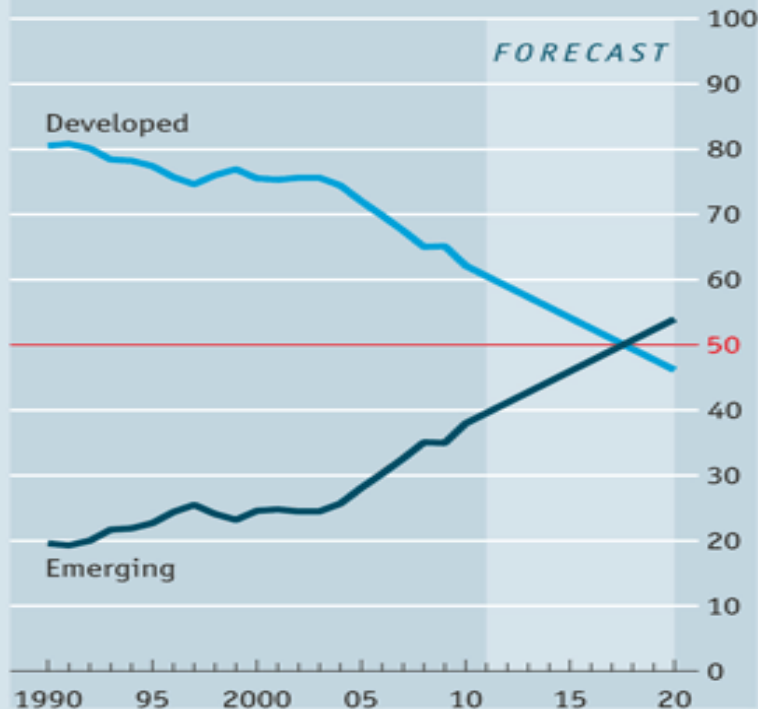
Framework

- Still a brave new world?
- How G20 countries are different from each other?
- How Turkey might deal with the «common agenda» issue?
- How to prioritize the Agenda?
- Concluding comments

Power shift, The Economist

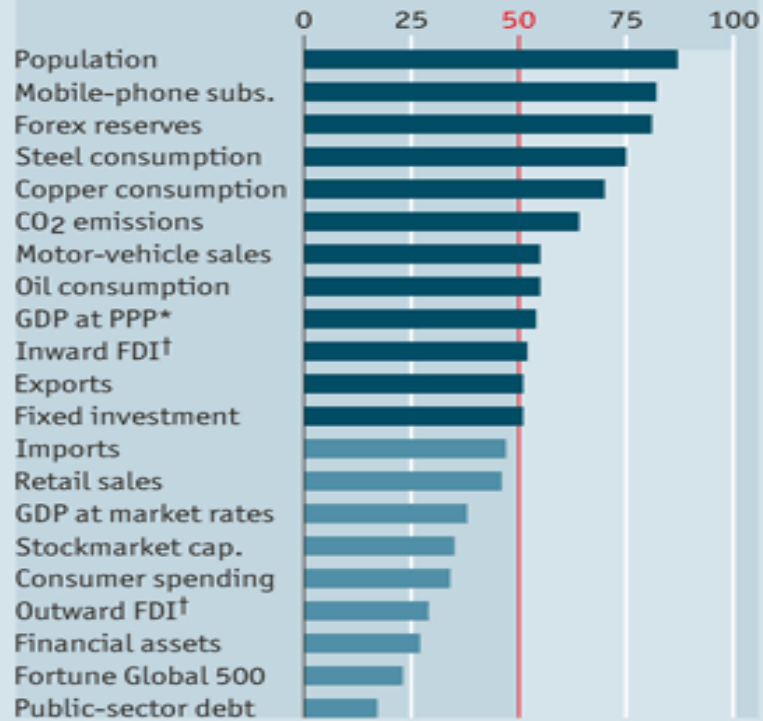
Global balance

Economies' share of world GDP, %
At market exchange rates



Sources: AT Kearney; Bloomberg; BP; dotMobi; Fortune; IMF; UBS; UN; World Bank; World Steel Association; WTO

Emerging economies' world share
2010, %



* Purchasing-power parity
† Foreign direct investment

Emerging World Loses Lead in Economic Growth, WSJ

Passing the Baton

Contribution to global GDP growth, in percentage points



Note: Data are through Aug. 7. Source: Bridgewater Associates LP The Wall Street Journal

Post-QE world is still a rather brave new world

- Impossibility Trilemma in the past,
 - Impossible to have free capital flows, fixed exchange rates and an independent monetary policy at the same time
 - Recipient/emerging countries are bad after 1997, then portfolio managers are the culprits.
- Today we have only a dilemma,
 - Either control the flow of capital or let the FED manage your economy
 - We do not even elect the chairman of Fed.
- G20 still has a mandate for consensus building in crisis management.
 - With a change in circumstances as emerging growth less than developed.
 - From damage control in the west to orchestrating consensus building for a new world. (from “don’t do anything” to “let’s build together” phase.)

It is easier to build consensus at the outset of a crisis to control damage

■ 2008 – Washington DC

- Measures to stabilize financial system
- Use of fiscal measures to support domestic demand
- IMF's new short-term liquidity facility

■ 2009 – London

- Additional \$750 billion resources to IMF
- At least \$100 billion additional lending by the MDBs
- \$250 billion support for trade finance

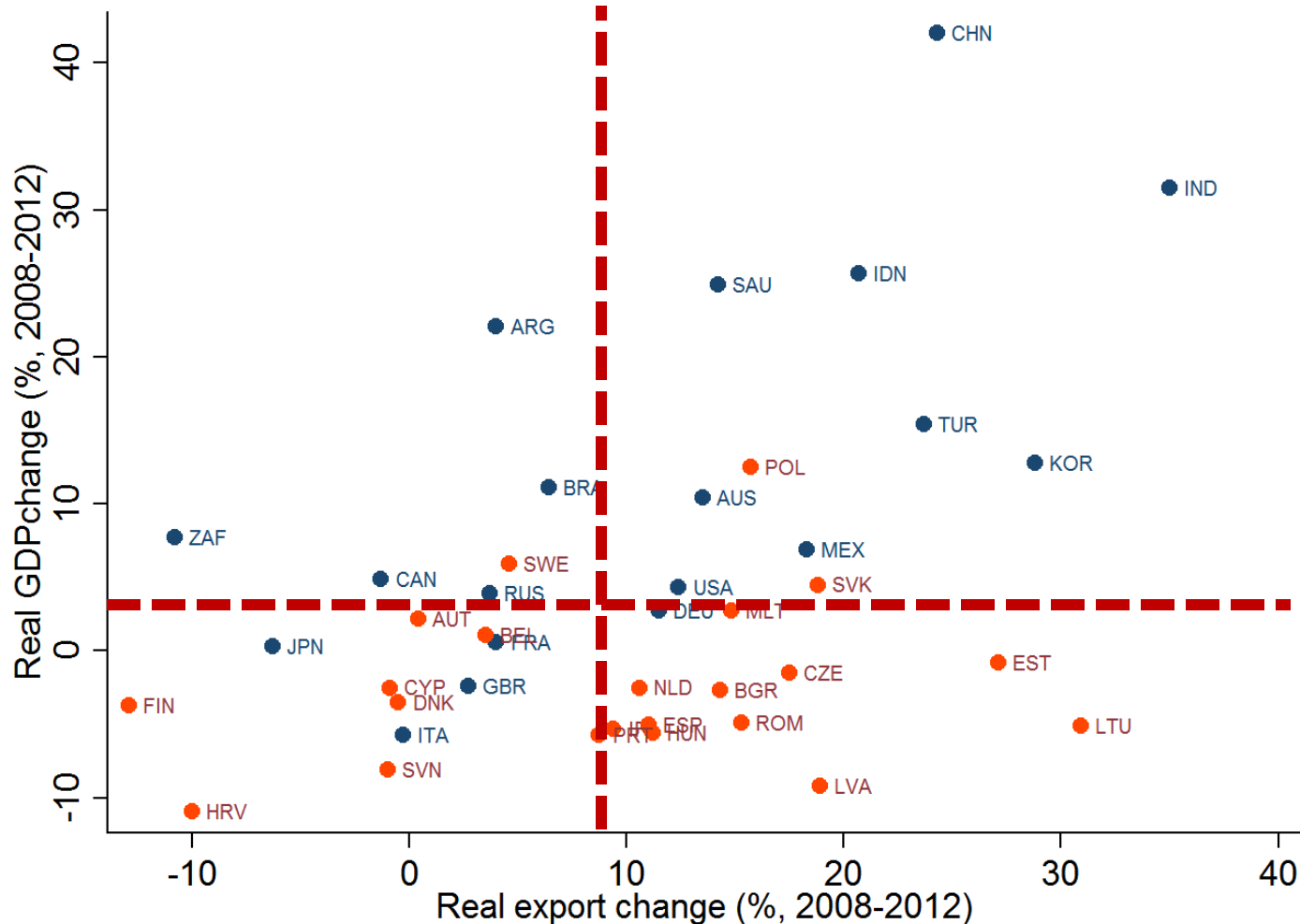
■ 2009 – Pittsburgh

- Launch of the Framework and the MAP
- Bank regulation that will not allow a return to banking as usual
- Global financial architecture reform

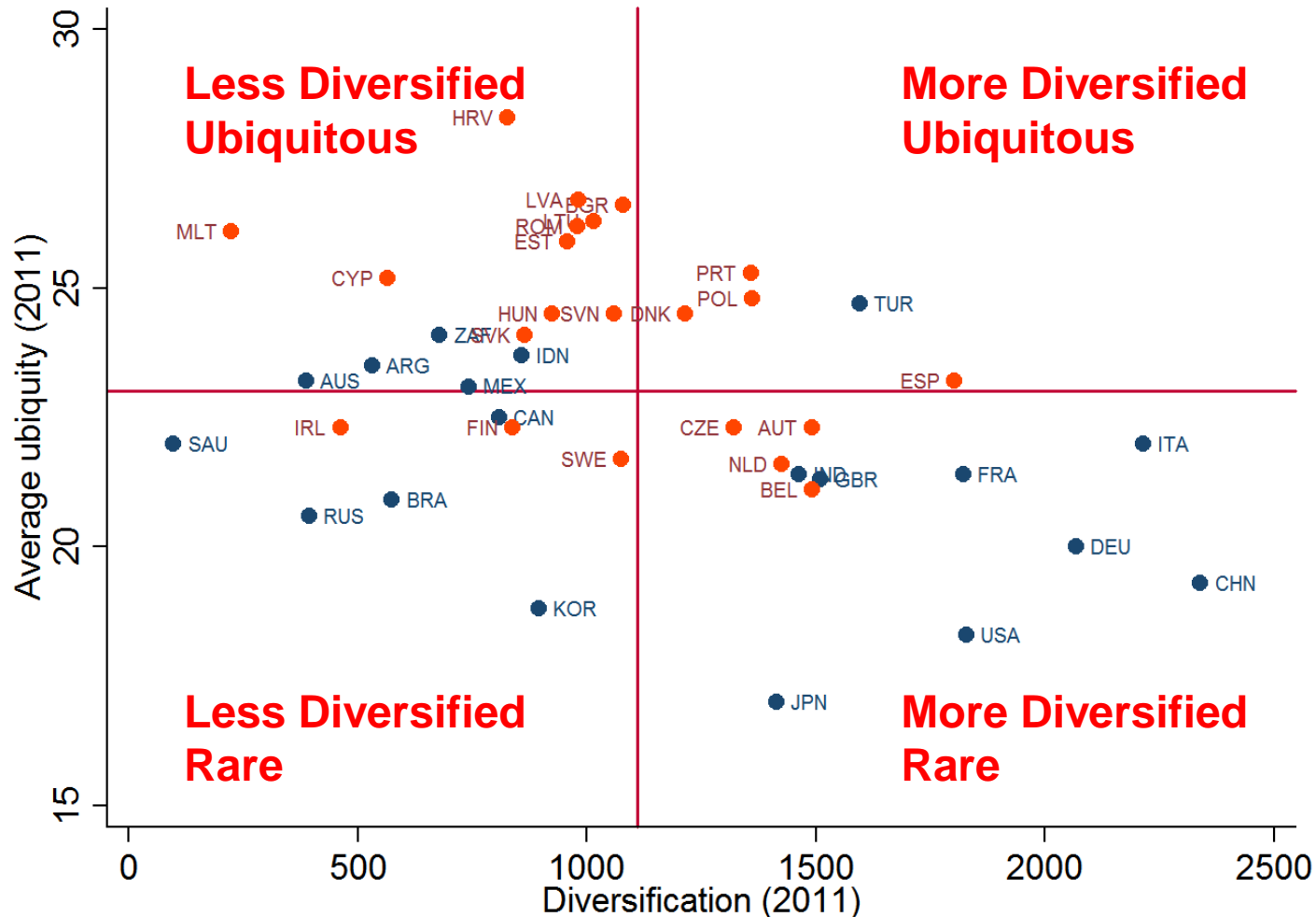
But now things are rather complicated

- Not damage control but orchestrating consensus building for a new future/ financial-commercial architecture
- Different countries, Different needs, Different priorities
 - Not all countries affected same from the crisis
 - Countries are in different stages of the recovery process
 - Some of them just started recovery
 - Some of them just experiencing slowdown
- Production capabilities differentiate significantly
 - Some of them are highly dependent on resources
 - Some of them have the capability to produce sophisticated products

How? G20 has so many different countries in terms of output and export recovery



How? G20 has so many different countries in terms production capabilities



A common G20 agenda for growth coordination harder

- Different countries, different priorities
- Every host country reschedules the agenda according to its own needs
 - Adding new items
 - Shunting some subjects
- Three main problems of this agenda management experience;
 - Lack of continuity
 - Lack of collective prioritization
 - Agenda fatigue

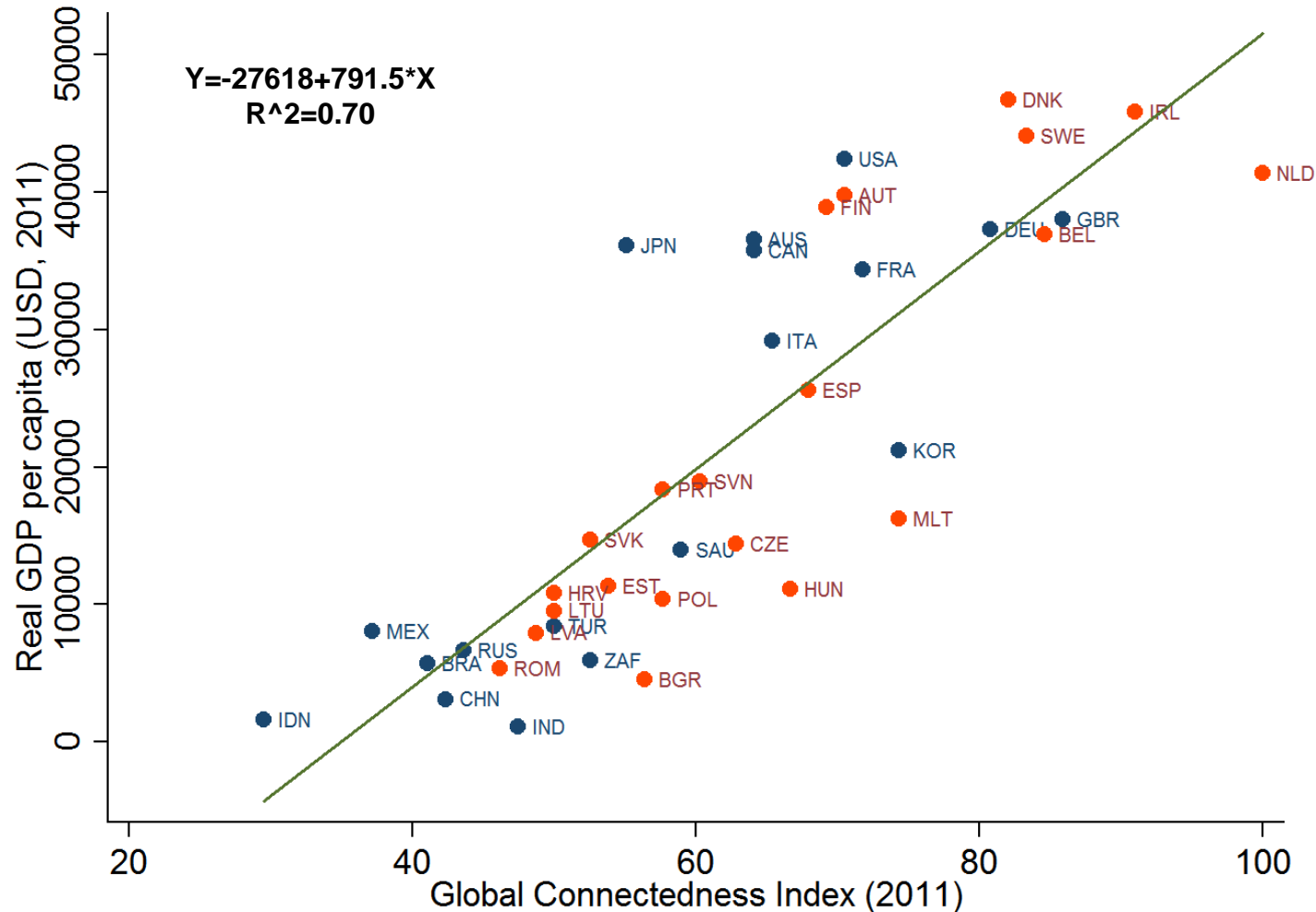
How can Ankara deal with this common agenda problem?

- Two domestic bodies for effective coordination
 - G20 Steering Committee / Intra-governmental
 - G20 Research Centre / PPP

- A new look at the existing agenda: Prioritization of all topics under two pillars
 - Growth and jobs
 - Inclusiveness

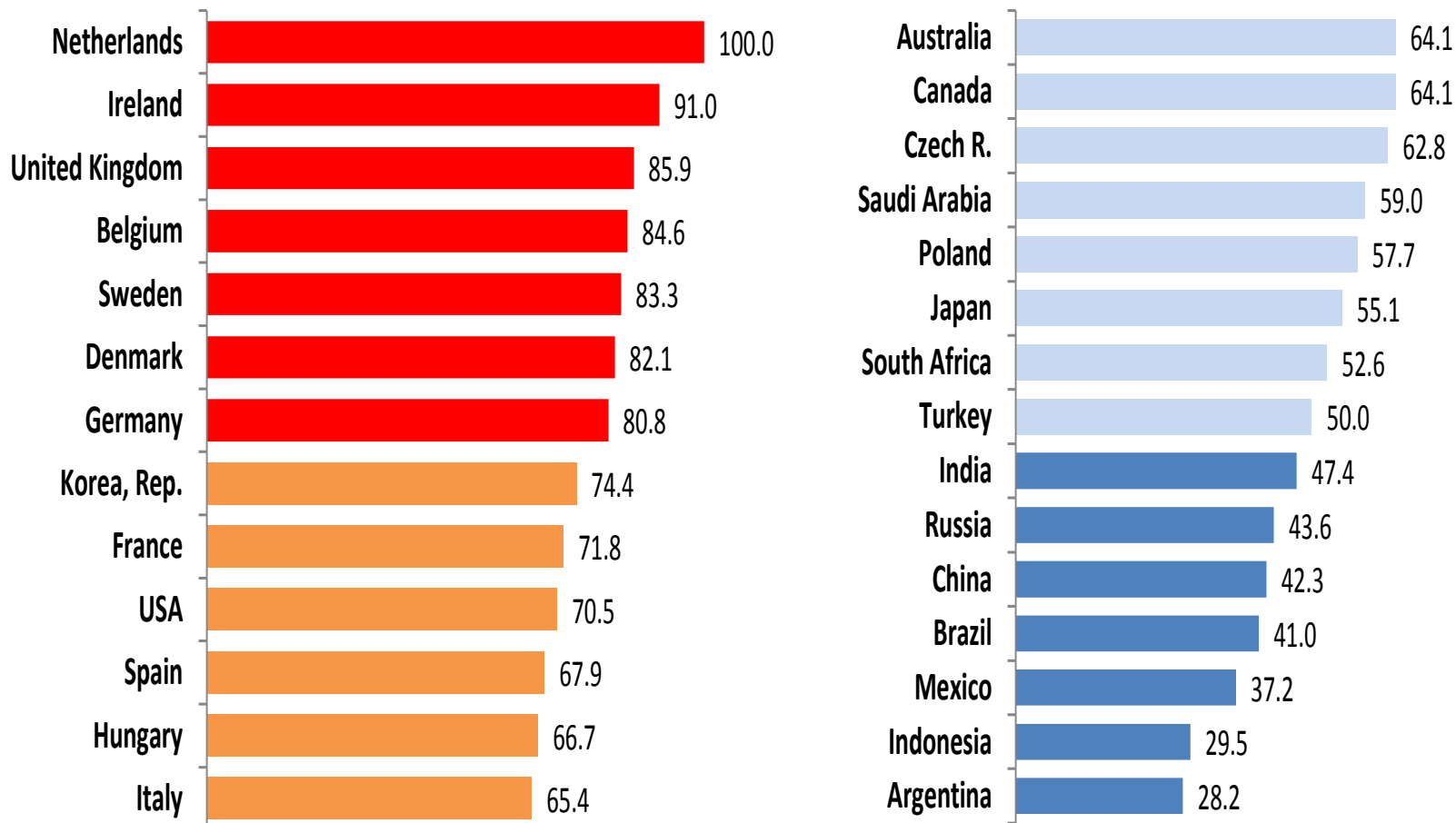
- Finding common themes and focusing on action-based projects
 - Connectivity might be one of those issues

Positive correlation between income and connectivity



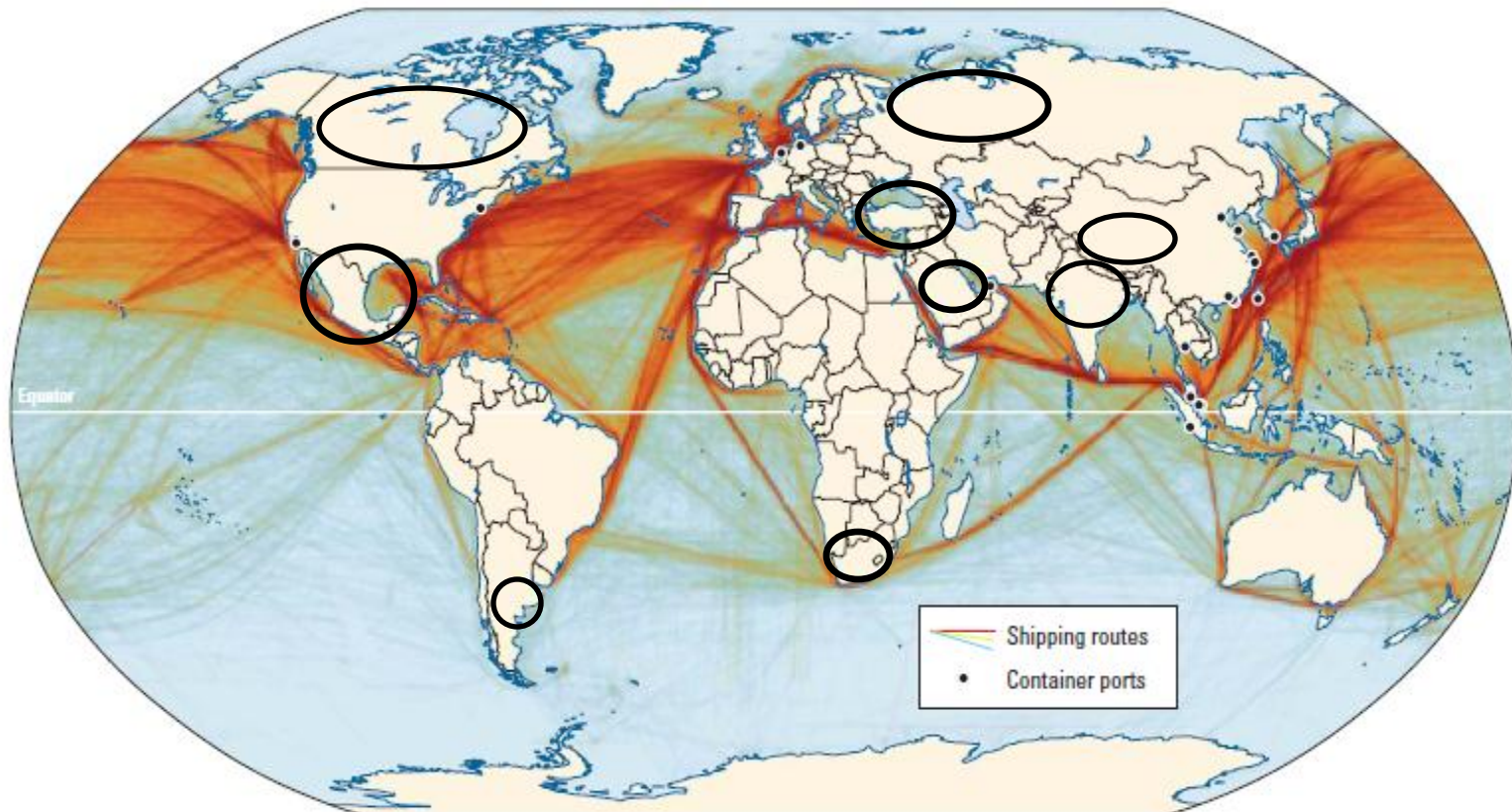
So many countries face with the connectivity problem

DHL Global Connectedness Index, 2012 (Netherlands=100)



Many G20 countries are less connected....

Shipping routes and densities (2008)



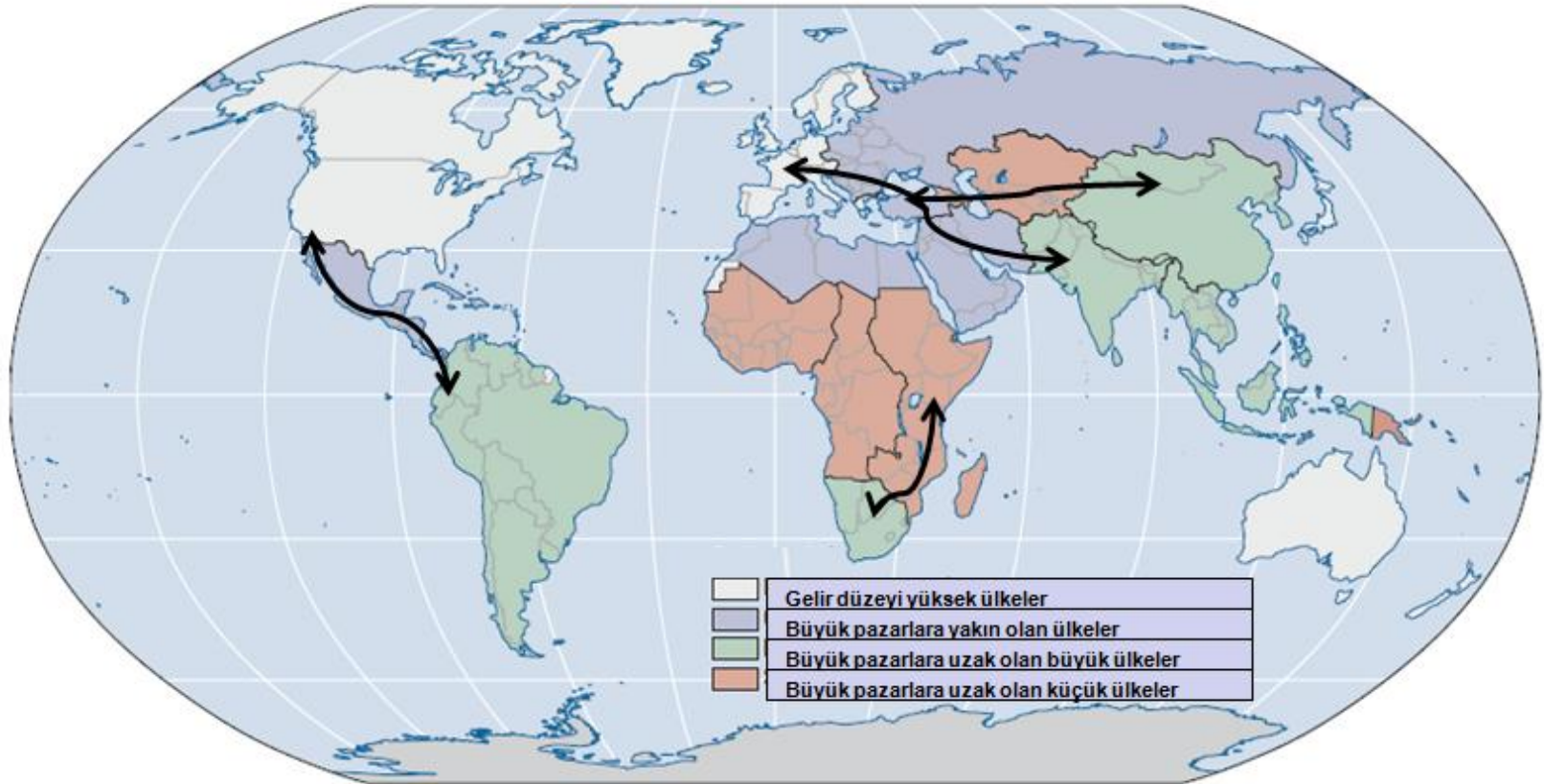
Sources: Data from the World Meteorological Organization (WMO) Voluntary Observing Ships' (VOS) scheme, processed by Halpern and others 2008.
Note: Container ports shown are the 20 largest by TEU of total containers handled in 2005 (Heideloff and Zachcial 2006).

Existing trade routes do not take power shift into account

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



G20 countries can also become a regional hub in order to connect weaker developing countries to the global economy



Source: WDR 2009 team.

So what can be done?

- Need to think of about alternative transport corridors
 - Trade complementarity is low among emerging countries, largely due to low connectivity
 - FDI is affected adversely with connectivity
- Transport corridors can easily be turned into projects for a more action based agenda for G20
 - New land routes?
 - Standardization of border crossings?
 - Cross border cooperation among countries?
- Transport corridors is a cross-cutting theme for various G20 agenda items
 - Trade and investment
 - Infrastructure & Investment finance
 - Development
 - Inclusiveness

Conclusions

- G20 is the best network available for consensus building for a new global future
 - A brief common agenda and brief common goals are needed
- Growing consensus in Ankara for two pillars with action based projects
 - Growth and jobs
 - Inclusiveness
- Connectivity might be one of those common issues
 - New trade corridors and more railways might be the way forward turning G20 emerging countries into hubs connecting LDCs to world markets