
Priorities for the 2015 G20 Presidency

The G20 Brisbane Summit took place on 15–16 November 2014 against the background of a deteriorating outlook for the global economy. The International Monetary Fund (IMF) warned that the global recovery was ‘uneven and brittle’ and that ‘significant’ downside risks remained – especially in respect of geopolitical tensions, financial market volatility and the possibility of deflation in the euro area.

At the same time confidence appears to be weakening in the G20’s effectiveness as a forum for economic cooperation. A lack of common purpose among its members – reflecting differences of opinion as to the underlying causes of the world’s economic problems – is impeding the group’s ability to prioritize its efforts and agree on joint concrete actions.

The 2014 Brisbane Summit made tangible progress in some areas. The G20 countries agreed to take action to boost global GDP growth by 2 per cent, and to create new structures to support infrastructure investment. They also committed to further efforts to tackle cross-border tax abuses. But concrete outcomes were more difficult to achieve on a wide range of other issues mentioned in the communiqué, despite the efforts of the Australian G20 presidency to focus the debate.

Given the difficult global economic outlook and risks to growth, 2015 is likely to be an even more challenging year for the G20 than 2014 was. To rise effectively to these challenges, the G20 – under Turkey’s presidency this year – needs to focus firmly on the key priorities, and to design and agree concrete and measurable responses.

Turkey has already inherited a substantial agenda. In addition to calling for countries to deliver on growth commitments (through a stronger Mutual Assessment Process, or MAP), the Brisbane communiqué promised the following specific actions in 2015:

1. A report by labour and employment ministers on youth unemployment, labour markets, social protection and workplace safety and health;
2. Support for the United Nations’ Post-2015 Development Agenda;
3. Finalization of international tax rules and the Base Erosion and Profit Shifting (BEPS) Action Plan;
4. Development of further options for IMF quota and governance reforms, in the event of failure by the US Congress to ratify the 2010 reforms;
5. A report by energy ministers on further energy collaboration;
6. Collaboration on climate policy, with the goal of achieving a successful outcome at the UN Climate Change Conference (COP21) in Paris.

Experience shows that unless considerable effort is put into implementing past agreements, and unless there is a clear focus on a few key deliverables, little will be achieved. The next G20 summit in Antalya, Turkey, is now less than 12 months away. Turkey’s presidency needs to have a clear sense of its priorities from the outset. In the first instance it needs to ensure strong support for its priorities from Australia and China, the 2014 and 2016 presidency countries.

For the Turkish G20 presidency in 2015, success will be defined firstly by agreement on concrete and well-targeted milestones towards the achievement of the 2 per cent global growth target in the ‘Brisbane Action Plan’. At Brisbane, the G20 leaders agreed on no fewer than 800 measures, which – if implemented – are expected by the IMF to increase the aggregate economic output of member countries by 2.1 per cent by 2018. Implementation of these measures will be critical to the G20’s success this year. The Turkish government’s stated commitment to implementation, and to ‘ensuring inclusive and robust growth through collective action’, is a positive step.

Given the overriding need to strengthen global growth and protect against risks, we propose that the priorities for 2015 should fall into five main categories:

1. **Trade and development.** Trade and development are closely interrelated and cut across all areas of social and economic development.
 - a. Development should be a policy focus, as the Turkish presidency in 2015 aims to make the G20 more relevant to non-member countries, including to low-income developing countries (LIDCs). Investments in infrastructure (such as trade-enhancing projects) and human capital can have positive multiplier effects. They need to be supported by sound macroeconomic, legal and environmental policies.
 - b. Trade is a major driver of global economic growth, and can make a significant contribution to development. But the proliferation of bilateral and regional trade agreements is putting the multilateral system, with the World Trade Organization (WTO) at its centre, at risk of being sidelined. This also handicaps developing countries, rendering them less able to benefit from trade as a driver of development. A priority for the G20 should be to ensure that the WTO adapts to the evolving global economic landscape, including to the new world of global value chains, the emergence of integrated global standards for traded products and services, and increased transnational investment.
2. **Investment and infrastructure.** At the 2014 Brisbane Summit leaders agreed to put in place processes and institutions that can support a step-change in infrastructure investment, with the objectives of enhancing growth, job creation and productivity. Key priorities for 2015 are:
 - a. As well as monitoring implementation, the G20 should use the political momentum behind investment to ensure that infrastructure projects generate additional jobs, both in the construction phase and in the operational phase. Countries should emphasize employment potential when choosing which projects to support.
 - b. In addition to projects’ job-creation potential, priority should be given to infrastructure investments that increase regional connections – including the expansion of transport and energy routes, and improvements in telecommunications and digital connectivity.
 - c. The identification of existing investment gaps in different countries/regions will be key. So too will efforts to address data gaps and improve information on project pipelines. Major bottlenecks to investment – e.g. the investment climate, finance and political risk – also need to be addressed.

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3. **Small and medium-sized enterprises (SMEs).** The Turkish G20 presidency plans to emphasize support for small and medium-sized enterprises (SMEs), which have a strong role in creating jobs, contributing to equitable growth and alleviating poverty. The G20 should ensure that its leading practices on investment prioritize opportunities for SMEs to participate in new projects; encourage participation of SMEs in global value chains; and ensure that national and multilateral development banks and the World Bank Global Infrastructure Facility guidelines give proper weight to SMEs.
 4. **Strengthening the international financial system.** Given the continuing risks that financial turbulence poses for the global economy, the G20 presidency should prioritize enhancement of the international financial system's ability to withstand market shocks and support countries in crisis. A number of pieces of unfinished business need to be addressed:
 - a. First, reforms should be made to the basis for quota and voice at the IMF. If the US is unwilling or unable to ratify the reforms already agreed, the G20 should put its weight behind changes to the IMF's Articles of Agreement, so that no one country can stand in the way of quota changes.
 - b. Second, financial safety nets must be established that can be made available to countries in difficulty. The G20 should support a permanent network of swap arrangements between its members' central banks; strengthen links between IMF and regional financing arrangements (such as the European Stability Mechanism and the Chiang Mai Initiative Multilateralization); and allow the IMF to borrow from the markets if needed to boost its resources.
 - c. Third, a permanent international system should be put in place for restructuring the sovereign debt of countries in crisis. The case of Argentina demonstrates that the current system is not fit for purpose. Collective-action clauses in government bonds are a useful step forward, but they are not sufficient to address the problem.
 - d. Fourth, in order to reap the benefits of global economic cooperation, individual countries should ensure strong coordination between their fiscal, monetary and prudential authorities.
 5. **Energy and climate change.** Major countries are now more willing to take action on climate change. The multilateral Climate Funds are supported by many G20 countries. But a new, legally binding protocol is needed to underpin further international action. Since there remain fundamental differences between G20 countries, finding a way within the G20 to bridge those differences would be a major step towards a comprehensive agreement at the COP21 meeting in Paris this year.

Reaching agreement on these priority areas, and concrete actions, will be extremely challenging. Extending the agenda to other areas would spread policy-making energy and political capital within the G20 too thinly, so that less is actually achieved.

The G20 also needs to develop more inclusive processes to deliver comprehensive and implementable agreements. Currently, ad hoc arrangements involve a broader range of countries beyond the G20 – as well as groups in society such as business, labour, youth, civil society and think-tanks – in G20 deliberations. There is a strong case for formalizing structures to ensure that a comprehensive range of interests (including social partners, youth

and women) can provide direct input into the G20 process; and that a broader range of countries is consulted. Strengthening these processes would improve the G20's discussions and increase the legitimacy of its agreements.

Background

These recommendations stem from a joint project between Chatham House (the Royal Institute of International Affairs) and the Economic Policy Research Foundation of Turkey (TEPAV), with the contribution of the Foreign & Commonwealth Office through the Global Prosperity Fund.

The project aimed to engage with Turkey's G20 team ahead of the presidency in 2015 to provide recommendations to steer and further advance Turkey's G20 agenda on inclusive G20 governance. The project included consultations with stakeholders, research workshops in London and Turkey, and research papers. The project findings will be disseminated to the public and the project stakeholders (officials, media, business people, civil society, G20 officials, academics) in advance of Turkey's G20 presidency in 2015.

Further information

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