



The Economic Policy Research Foundation of Turkey

## **T20 Turkey 2015:**

**What has been the progress? What next?**

**İzmir, 13 June 2015**

# Framework

- G20 and Elections
- T20 Turkey activities
- What can T20 do ?
- Themes : Summary, issue, recommendation
- Events
- Papers

# G20 and Elections

- Mexican Elections and the 2012 Los Cabos leaders' summit
  - President Calderone held G20 summit on 18-19 June 2012. On 1 July presidential elections, a new president was elected
  - The crisis in the euro area was at the top agenda. It is believed that the summit failed to address the European sovereign debt crisis.
- Australian Elections and Australia's G20 Presidency
  - The Presidency was also challenged by the relatively brief time the new government of PM Tony Abbott was in office
  - The new right wing government gave higher priority to economic diplomacy, particularly in international trade; and an emphasis on the importance of Asia to Australia's long-term prosperity and security. Climate change became a contentious issue but was ultimately included in the leaders' declaration as a result of an Chinese –American agreement.
- Turkish Elections and Turkey's G20 Presidency ?

# T20 Turkey activities

- How to define T20' s mission?
  - What is the progress so far ?
  - What next?
- T20 Turkey activities
  - Preparatory extended Troika meeting, December 2014, Istanbul
  - *TEPAV Event*: "The T20 Advisory Council" meeting (Ankara, January 7)
  - *TEPAV - CIGI Joint Event*: "Think20 Launch Event" (Istanbul, February 10-11)
  - Regional thematic meetings: Seoul, Johannesburg, Washington D.C., Ottawa, Berlin
  - Joint papers, blogposts and the website
- What else in 2015?
  - Turkey: İzmir-Bodrum, Ankara, Antalya
  - Regional: Philadelphia (BIO), Shanghai, Beijing, Addis Ababa, Singapur, New Delhi
  - 2015 results and 2016 targets

# What can T20 do ?

- A new mission
  - Bring in a long-range perspective of emerging global economic issues to the G20 agenda
  - A virtual platform to bring greater continuity to the G20 agenda
  - Mobilizing a wide range of experts from both G20 and non-G20 countries
- Think20 as «Global Policy Dialogue Platform»
  - An ongoing, collaborative online platform to address the lack of continuity resulting from the on-going reorganization of T20s.
  - A wide array of experts to carry out joint research projects, fellow/researcher exchange programmes.
- Why T20?
  - The T20 is not an advocacy platform like other engagement groups that campaign around specific issues. Thus, the Think 20 has the ability to analyse and compare policy debates on a technical level.
  - T20's mission can be to provide content to G20 debates
  - T20 can provide the flow of knowledge between key global cities
  - It can also work with other engagement groups

# Themes

- 1. Financial Stability and Reform
- 2. Development
- 3. Trade and Investment
- 4. Infrastructure
- 5. Growth and Employment
- 6. Technology and Innovation
- 7. Internet Economy

# 1. Financial Stability and reform-summary

- G20 was established as a ministerial mechanism to deal with the financial crisis emanated from the periphery-1998
  - It is financial reform need that started the G20 process
  - It reflects a change in the perceptions about the crisis.
    - Frequent financial crisis is the fault of fiscally governments irresponsible-LA
    - There is something wrong with these market participants-Korea-Thailand
- G20 turned into a leaders summit with the crisis at the center-2008
  - It is financial reform need that reshaped G20.
  - When it comes to the financial markets, there is a systemic problem in our system.
  - A fresh new approach towards financial regulation-FSB and the reform agenda-bank fines etc.
- G20 worked wonders when the problem was at the center, but now clouds are gathering over EMEs
  - Policy cooperation very helpful with all global liquidity enhancing tools
  - Now time for monetary tightening at the center, not much interest over side effects (i.e. of tapering ) in EMs.

# 1. Financial Stability and Reform-Issues 1

- ❑ Post 2008, policy cooperation within G20 worked wonders in calming financial markets yet there is no qualified success on Financial reform side yet. Why?
  - ➔ Trade off between increased burden on the financial system and the access to finance needs of the post crisis jobs and growth agenda
  - ➔ Even bank fines may raise concerns
- Governance of global finance is still a mess waiting to be fixed. Why?
  - ➔ G20 could not deliver first step towards a more inclusive financial system governance
    - IMF/WB quota reform
  - ➔ G20 could not yet focus on other issues of a more inclusive financial system governance
    - Renminbi to be part of IMF SDR system
    - SMEs need to be represented in FSB, BIS, etc
    - LIDC focus on access to finance issues need to be enhanced
- A global public mechanism for sovereign debt restructuring need to be considered
  - ➔ Sovereign debt restructuring is currently left to private negotiations and deal making
  - ➔ Argentinian non-default default in 2014 denotes that any private deal could not be final
  - ➔ This is a potential source for future gyrations in global financial markets



# 1. Recommendation 1

- A G20 support new governance models
  - ➔ For the WB' s GIF (Global Infrastructure Facility) the G20 can consider establishing **ad hoc governance mechanism** can be established where projects are selected. Thus, WB can run the day to day operations while decisions on projects will be taken independently.
- Why is the Global Climate Fund, which has a similar ad hoc decision making body, not operational?

# 1. Recommendation 2

- SMEs are important for the global jobs and growth agenda. Up until now SMEs are under represented in international institutions. No advocacy group to that effect. Turkish Presidency has led to the establishment of World SME Forum.
  - ➔ World SME Forum need to be represented within Financial Stability Board

# 1. Recommendation 3

## ■ Sovereign debt restructuring

→ IMF to become the operator of the public mechanism for sovereign debt restructuring

# 1. Recommendation 4

- The mission of Bretton Woods institutions needs to be revisited
  - ➔ IMF redefined itself and adapted to the post-crisis world i.e. Standardized financial data reporting and data analysis, facilitated policy cooperation .
  - ➔ Yet the WB could not adapt to new global conditions. i.e. WB was not able to redefine the G20 development agenda
    - Number of staff members :IMF 2,600 vs WB 12,000
    - Prioritization has been difficult
    - As a result alternative institutions are emerging e.g. AIIB and BRICS Bank.

## 2. Development-Summary

- G20's development agenda took its first leap forward at the Seoul summit in 2009
  - The Seoul Development Consensus, building in informing policies of the relevant IFIs
  - Few efforts to improve harmony with key development institutions, including the United Nations (UN) and its agencies, multilateral development banks (MDBs) and regional development banks.
- Inclusiveness and LIDCs are a priority in 2015
- The UN also has three key deliverables this year:
  - Financing for development in Ethiopia July,
  - The global leaders' summit in September 2015 at the UN General Assembly in New York to develop the Sustainable Development Goals (SDGs),
  - the UN Nations Framework Climate Change Convention in Paris in December to establish a new climate change agreement

## 2. Development-Issues

- Development is a highly cross cutting issue
  - Lack of links between development and other G20 finance track (IIWG)
  - No link between issues such as food security, energy access and core agenda items such as trade and infrastructure
- Low connectivity in developing regions
  - Low access to global value chains for enterprises in low income countries and SMEs
  - Obstacles to private sector infrastructure investments in LIDCs/ Africa
  - Innovative mechanisms to facilitate private sector financing
    - Lack of social infrastructure leads to crisis such as health epidemics
- G-20's institutional problems with regard to Africa
  - Insufficient African representation in the G20
- Leveraging the UN agenda in 2015
  - Opportunity to boost the G20's development agenda ??

## 2. Recommendation 1

- T20 Turkey will launch the Global Policy Dialogue Platform with the UNDP alongside the G20 Leaders' summit in Antalya.
  - Global Policy Dialogue Platform is envisioned as a virtual platform to enhance synergies and dialogue among key experts from think tanks, universities, companies as well as public sector institutions.
  - The focus this year will be on the UN development agenda

## 2. Recommendation 2

- G20 has to focus on Africa to deal with development issues through strengthening African advocacy
  - Mitigate the unintended negative consequences of new financial regulations (like the WSF?)
  - Enhance technical capacities of African countries by forming expert groups



## 2. Recommendation 3

- G20 has to focus on political risk insurance mechanisms to mobilize private investments in African infrastructure projects.
  - ➔ Enhance co-ordination between existing national and multilateral vehicles, and new initiatives such as Power Africa (US) and Power 50 (AfDB),
  - ➔ Focus on a limited number of projects to tackle connectivity bottlenecks in LIDCs.

## 2. Recommendation 4

- Promote SDG standards for investment and FDI
  - Support to SMEs in their compliance with global standards in quality, in labor practices as well as in social and environmental issues, through relevant global platforms.

## 2. Recommendation 5

### ■ Support the strengthening of financial infrastructure in LIDCs

#### → Cross-border connectivity:

- Digital payments to facilitate efficient transfer of remittances.
  - **Conduct a needs assessment in electronic payments in LIDCs.** (both : infrastructure and regulatory needs)
  - **Establish standards for electronic payments in LIDCs.** For instance, WB can determine digital payment standards; offer countries consulting services in setting up their systems and synchronizing them with primary remittance connections.

#### → Within-country connectivity:

- Digital payments to enhance domestic market integration and ensure access to global markets.

#### → Digital payments system and ICT systems – software and hardware

### 3. Trade and Investment-summary

- **Trade has moved from goods crossing borders to factories crossing borders phase.**
  - Trade more intertwined with investment and services as trade now follows global value chain(GVC)s.
- **Complex (not simple) trade needs complex (not simple) rules.**
  - It is basically a move from tariffs to harmonization of domestic regulations.
  - Race to the bottom in the case of regulations - no concern for national priorities?
  - Developing countries placing NTBs not envisaged by WTO for technology transfer—Uncoordinated no global standard, e.g. public procurement
- **RTAs are now taking over the WTO' s role as the main loci of global trade governance**
  - It is all about standardizing the current uncoordinated attempts of developing countries to transfer technology
    - Public procurement policy to transfer technology vs domestic competition law?
    - Equal treatment principle overridden
  - From rule-based WTO to the old power-based trade governance?

# 3. Trade and Investment-Issues

## ■ **World trade growth continues to falter.**

- Demand factors due to GVCs have an impact.
- Trade restrictions, especially NTBs, are an important factor
  - Uncoordinated race with domestic export incentives do limit trade growth more
  - Import restrictions mostly in the form localisation measures (Buy National) limit

## ■ **Regulations and their mode of enforcement may limit trade growth**

- Competition policy
- Movement of capital restrictions
- IPR beyond the TRIPs Agreement
- Investment assurances-property rights, effective courts etc
- Governmental procurement beyond WTO agreement on public procurement?

## ■ **Effective border management has become a more risky area with trade becoming more complex**

- Not only final goods but more intermediates crossing borders
- More people crossing borders to operate factories

### 3. Recommendation 1

- Research shows that an uncoordinated race with export incentives granted to domestic products is harmful to trade as it distorts prices and limits global trade growth
  - ➔ Raise awareness to unintended global trade consequences of generous export incentives provided to domestic companies.

### 3. Recommendation 2

- Uncoordinated/non-standardized localization measures forcing technology transfer is a NTB. There is the need for global standards that enable the free flow of transnational investments.
- Win-Win Solution: New technology platforms are changing the link between industrial development and SDGs. Biotechnology vs. traditional methods – reduce carbon emissions by up to 30%, and increase productivity by up to 12% in different industries.
  - ➔ Establish a virtual G20 science, technology and innovation network to harmonize domestic regulatory standards on new technologies – nano and bio-technologies – as well as public procurement schemes (the WTO+) to transfer these technologies
  - ➔ The cost of harmonization: Capacity building

### 3. Recommendation 3

- Digitalization of border crossings
  - ➔ Customs digitization target for G20 countries for the coming 5 years



## 4. Infrastructure – summary

- There is a need for more and better investment in infrastructure to unlock the potential for long term growth and job creation
  - One of the G20's key priorities that took off during the Australian Presidency is on closing the infrastructure gap.
  - 2,1% growth depends upon infrastructure
  - Emphasis on infrastructure investment in the national growth strategies,
- Infrastructure is also key for enhancing connectivity that can support
  - Connectivity enhancing infrastructure or infrastructure in general ?
- However, large gap between infrastructure investment needs and financing availability in both developed and developing countries
  - Global spending on basic infrastructure—transport, power, water and communications—currently amounts to US\$2.7 trillion a year when it ought to be US\$3.7 trillion.
  - The global US\$1 trillion infrastructure gap is becoming a major constraint on growth in many countries.

## 4. Infrastructure - Issues

- In Australia G20 leaders endorsed the Global Infrastructure Hub
  - ➔ A four-year project that will develop a knowledge-sharing platform and network between governments, the private sector, development banks and other international organisations.
    - Yet not all countries announced their infrastructure investment project pipelines
    - Still no mechanism for creating the deal flow or designing a standard for procurement policies and processes.
- The need for private resources – PPP are the best option for financing the infrastructure gap.
  - ➔ However, legal and technical challenges for PPP
  - ➔ How do we catalyze private sector resources –Is it useful to make an infrastructure asset class? Or do we need more public investment in the context of record low interest rates?
- Political uncertainties impede private investments in some regions
  - ➔ Currently , lack of interest from the private sector despite record low interest rates
  - ➔ Creating an infrastructure asset class and providing project pipelines may not be sufficient
  - ➔ A need for better political insurance schemes?

## 4. Recommendation 1

- The G20 should work with the IMF, the OECD and other relevant international institutional to improve the institutional capacity for PPP.
  - ➔ Establish PPP policy frameworks to help execute the complex operations for documentation and legal standards for attracting international investors;
  - ➔ Establish a robust system of legal guarantees to reduce information asymmetries for private capital, and;
  - ➔ Improve PPP-capacity by educating government employees (i.e. PPP-related training, PPP-toolkits, standard templates and concession agreements, and PPP workshops for knowledge sharing).
  - ➔ To establish the tools for implementing and monitoring these arrangements

## 4. Recommendation 2

- G20 can positively impact infrastructure development by coordinating the policies and practices of the Multilateral Development Banks (MDBs) including regional development banks.
  - ➔ (1) MDBs should increase leveraged finance for infrastructure in preference to fully-funded projects wherever there is scope to crowd in private finance;
  - ➔ (2) MDBs can sell their stakes in completed projects and finance new greenfield projects
  - ➔ (3) MDBs should do more to develop local capital markets;
- Establishment of AIIB is a positive development
  - ➔ Yet coordination requirements remain.

## 4. Recommendation 3

- A G20 support a new governance model for the WB' s GIF (Global Infrastructure Facility) in order to sustain infrastructure financing. The G20 can consider the following:
  - An **ad hoc governance mechanism** can be established where projects are selected. Thus, WB can run the day to day operations while decisions on projects will be taken independently.
  - Evaluate projects from the point of view of whether they enhance **cross-country connectivity**
  - Catalyze resources from **MDBs** (Multilateral development bank) such as the AIIB, BRICS Bank, national development banks and funds.

# 5. Growth and Employment

- G20 has been committed to an additional 2,1% growth target in Brisbane
  - Focus on infrastructure investments
  - Yet no focus on the impact of rapid technological change
- Advances in technology and consumerization of new technologies will become more not less important over the years
  - Tech development will be the basis of growth.
  - G20 should start thinking about both the growth implications and the labour market repercussions of rapid technological change
- G20 has to develop an agenda for the implications of rapid technological change which is changing the rules of the game
  - What needs to be done to foster technological change
  - What happens then in our labour market and in our social security systems

## 5. Growth and employment-Issues

- Rapid tech change makes the skills base of our societies and our education systems insufficient - think out of the box
  - ➔ Focus more on generic adaptable skills
  - ➔ Mechanism to fund global reskilling and global curriculum change
- Is technology significantly downsizing labour (net job loss) - think out of the box
  - New global redistribution mechanism.
- Consumerization of ICT technologies is good for productivity and overall growth-think out of the box
  - ➔ Focus on public policy requirements of ICT consumerization-Short issue list
    - Driverless cars
    - Commercial use of drones
    - Wearables (google glass)
    - Personalized medicine
    - Cybersecurity

## 5. Recommendation 1:

- Work towards the establishment of a Global Skills Accelerator, a fund with an aim to:
  - Upgrade skills that match international market standards
  - Develop local skills i.e. in the case of migrants and refugees
  - Provide mentorship, program design, and seed financing by utilize distance education and local chambers /schools at the local level
- Broadband access target for the young



## 5. Recommendation 2:

- Public policy issues related to consumerization of technology and its growth effects. Call for a working group-G20 asking world bank and oecd to focus on
  - Wearables: privacy and security
  - Driverless cars: insurance, security, lincencing,
  - Commercial drones: security & air traffic, lincencing, privacy
  - Digital currency (bitcoin etc): monetary policy, anti-criminal surveillance, consumer protection
  - Personalized medicine: privacy, standards, public health and social security

## 6. Technology and Innovation-Summary

- **In recent decades, science and technology driven transformations have been reshaping GVCs**
  - New technologies such as biotechnology, ICT and Nanotechnology are all altering the production processes.
  - New technologies have cross cutting sectoral relevance, transforming traditional sectors
- **Developments in technology and innovation have become important for productivity gains and competitiveness**
  - Good for sectoral productivity gains and domestic competitiveness
  - If domestic ecosystem is in place, innovation-led growth is the solution for convergence between developed and developing
- **Developments in science, technology and innovation provide tangible solutions to SDGs**
  - New technologies also provide solutions to global challenges such as environmental degradation and demographic issues
  - In 2014 , the Brisbane Innovation20 conference underlined the link between sustainable development and biotechnology

## 6. Technology and Innovation-Issues

- **Lack of clarity faced by private investors - due to national interests, operational problems in IPR frameworks and market barriers - often hamper knowledge spillovers, the upscaling of best practices and thus economic benefits on a global scale**
  - Entrepreneurs continue to struggle challenging cross border environments and significant gaps in the regulatory conditions
- **Development of technology and innovation requires domestic, and global eco-systems**
  - High stakes lead governments for uncoordinated/hasty measures at technology transfer to create a conducive environment for innovation
    - Not standard interventions, not always successful.
  - Global policy coordination at the highest level is required

## 6. Recommendation 1

- Policy directions and strategies that are being proposed by power-based RTAs need to be better coordinated at the global level.
  - Technology and Innovation should be added to the working agenda of the G20

## 6. Recommendation 2

- Coordinate technology and innovation solutions for global challenges such as health epidemics that have cross border implications and lack of private sector interest
  - ➔ Support the establishment of a global R&D platform and fund
    - to coordinate publicly available R&D outputs of specialized research centers
    - to identify pathogens and develop potential pathogen subtypes/strains.
    - To create a catalog of the studies to identify research complementarities among G20 countries

## 6. Recommendation 3

- Install Innovation Information Units in each G20 country
  - ➔ In order to facilitate information and advice about legal aspects and other policies relevant for innovative activities for interested investors.
  - ➔ Establish links with national policy actors.
  - ➔ Establish a virtual knowledge sharing platform

## 7. Internet economy-Summary

- Internet economy has been developing and flourishing throughout the world with a speed of no match with immense impacts on issues ranging from international trade to national security policies.
  - The Internet economy of G20 countries is expected to reach \$4.2 trillion in 2016.
  - If Internet were a nation, its economy would be the fifth largest in the world.
  - The growth rate of Internet economy is on par with that of China,
- Future Internet growth will be dominated by emerging markets
  - A new set of governments and constituents will seek to assert their voice
- Internet is directly relevant with the G20 agenda
  - Related to themes such as infrastructure, economic growth, trade and development.
  - immense impacts on issues ranging from international trade to national security policies.
  - The word “Internet” has not been included in any of the previous G20 communiqués.

# 7. Internet economy-Issues

- Internet has profoundly transformed trade (impact of e-commerce)
  - Easier market access vs. regulations (customs and security)
- New policy issues have emerged
  - Data localization.
    - Generally sector-specific restrictions; only Russia has passed a general legislation (Sept 2015) .
  - Privacy of personal data
  - Restriction of harmful and criminal content.
  - Cybersecurity
- Governance of Internet
  - The US owns the internet ?
    - Developed country position: Multistakeholder that involves private and NGO sectors i.e. Internet Governance Forum of the UN
    - Emerging market perspective: Multilateral approach i.e. International Telecommunications Union of the UN
  - Cross-ministerial nature of internet
    - There is no specific governmental body



## 7. Recommendation 1

- Include the word Internet in the leaders communique under G20 areas such as trade, infrastructure and development.

# G20 Sherpa Meeting (December 15)



## T20 Troika meeting, Istanbul (December 16)



## *TEPAV Event: “The T20 National Advisory Council” meeting (Ankara, January 7)*





# *TEPAV - CIGI Joint Event: "Think20 Launch Event"* (Istanbul, February 10-11)



*TEPAV - CIGI Joint Event: "Think20 Launch Event" (Istanbul, February 10-11)*



# G20 Employment Working Group engagement, Antalya (February 26)



## Employment Working Group Meeting I

26-28 February 2015

Antalya, Turkey





*TEPAV - KIEP Joint Event: "KIEP-TEPAV Think20 Dialogue: G20 Priorities in Turkish Presidency" (Seoul, February 26)*





*TEPAV - KIEP Joint Event: "Sharing Experiences in G20 Cooperation between Korea and Turkey" (Ankara, March 13)*



# G20 Africa Workshop Johannesburg, (March 31)



*TEPAV Think20 Event: “Challenges to the Global Economy and the Role of the G20”*(Washington, April 16)





## *TEPAV – CIGI Joint Event: “Financial Stability and Reform” (Ottawa, May 4-5)*



## *TEPAV – CIGI Joint Event: “Financial Stability and Reform”* (Ottawa, May 4-5)



## *TEPAV – EPF Joint Event: “Innovation and Technology & SMEs” (Berlin, May 18-21)*



# What came out of these activities?

- Istanbul meeting: Report on T20 Workshop in Istanbul
- Berlin meeting: G20-T20 Regional Seminar on Innovation and Technology Diffusion
- Ottawa meeting: “Prioritizing International Monetary and Financial Cooperation for the G20: Views from the T20”



# T20 Website



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## A Proposal for a Global Skills Accelerator

### Think 20 Turkey

14/05/2015

"Think-20 (T20) is a network of premier think tanks from the G20 economies and is as an outreach group of the G20. T20 produces ideas to help the G20 on delivering concrete and sustainable policy measures and serves as an "ideas bank" for G20 policy-makers..."

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## Publications



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## Network

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# Joint Papers

- "Keys For the Adoption of an Effective Regime on Sovereign Debt Restructurings"
- Think 20 Turkey Sovereign Debt Restructuring Working Group that includes Manuel Montes (The South Centre) and Guillermo Wierzba (CEFID-AR)
- "Infrastructure Financing and Sustainable Development" Think 20 Turkey Sovereign Debt Restructuring Working Group: Amar Bhattacharya (Brookings Institution), Zhongyi Yin (China Institute for Reform and Development) Pelin Yenigun Dilek (EDAM), Tristram Sainsbury (Lowy Institute), Vivan Sharan (ORF), Richard Manning (Oxford University), and Ussal Sahbaz (TEPAV)
- "Room Document for G20 Employment Working Group Meeting Antalya, 26 February 2015" Ussal Sahbaz, Feride Inan and Aysegul Aytac (TEPAV), Barry Carin (CIGI), Tristram Sainsbury (Lowy Institute), Richard Baldwin (CEPR) and Richard Manning (Oxford University)
- Think 20 Turkey Internet Governance Working Group: Chatham House CIGI, CSIS, The South Center