

# Mexico's vision of innovation and cooperation at the Los Cabos Summit

**We must find fresh approaches to stimulate global trade while ensuring financial inclusion and food security in developing countries, writes Felipe Calderón, president of Mexico**

**S**ince Mexico took over the presidency of the G20 on 1 December 2011, the global economy has continued to face a number of challenges. The temptations that are facing leaders in the context of the current crisis are many: resorting to protectionist measures, failing to take bold action on medium- and longer-term issues, and focusing on the domestic sphere at the expense of global well-being, among others. However, I believe that the G20 is the best forum for encouraging countries to maintain an international, cooperative outlook, even in the most difficult of situations. I know that leaders will arrive in Los Cabos armed with the courage, ambition and creativity required to put the global economy back on the path to sustained long-term growth and to create a fairer and more prosperous world for developed and developing countries alike.

Economic stabilisation – complemented by structural reforms to stimulate growth and employment – must remain one of our key priorities. That was the strategy we followed in Latin America after the crises of the 1980s and 90s, and it has led to the region being in a much stronger economic position today. Learning from these experiences, I look forward to seeing leaders at Los Cabos agreeing on an enhanced action plan that encourages member countries to swiftly implement previous commitments and to carry out further concrete actions to correct macroeconomic imbalances and stimulate growth. It remains crucial to avoid protectionist measures and, instead, to foster international trade. The progress made at the ministerial conference of the World Trade Organization (WTO) in December 2011 was very encouraging, and I look forward to Russia's entry, as well as to the implementation of measures to help the least developed countries join the WTO. In the absence of agreement on the Doha Development Round, we must continue to find fresh, credible approaches to stimulate global trade.

Following the financial crisis of 2008-09, the G20 and the Financial Stability Board (FSB) have done a great deal of work to formulate policies that will help strengthen financial stability. This year we have moved to the implementation phase in many areas. At the Los Cabos Summit we will review the progress report on previous G20 recommendations, including derivatives reforms, resolution regimes

and compensation practices. We will also discuss recommendations on regulating other areas of the financial sector, such as shadow banking, in order to help avoid future crises.

## **Financial stability**

As the first Latin American country to hold the presidency of the G20, Mexico is committed to reflecting the concerns of emerging economies on our agenda. With regard to financial stability measures, it is important to strike a balance between the implementation of agreements such as Basel III and the need for the global banking system to continue to play a major role in the development of emerging economies. We have also been keen to focus on financial inclusion. Although this is not generally an issue of interest for advanced economies, it is of great importance for the development agenda. It could make a tremendous difference to the well-being of millions of people, giving them greater security and life opportunities. At the summit, I am certain we can agree on measures to advance financial education, consumer protection and access to financial products.

We have also emphasised the need to strengthen the international financial architecture; we have worked hard to make progress on creating a robust global financial firewall. We celebrate the agreement reached recently to strengthen the finances of the International Monetary Fund (IMF). Now, we should continue with this effort and reinforce the ability of this international financial institution to respond effectively to global crises. To achieve this goal, a key element is to enhance the voice and representation of emerging markets and developing countries. The G20 will also continue its work to strengthen the IMF's surveillance framework, ensuring more effective integration of bilateral and multilateral surveillance.

Finally, we look forward to the implementation of the action plan to foster the development and deepening of local currency bond markets, so that emerging economies are better able to deal with negative shocks.

## **Sustainable development**

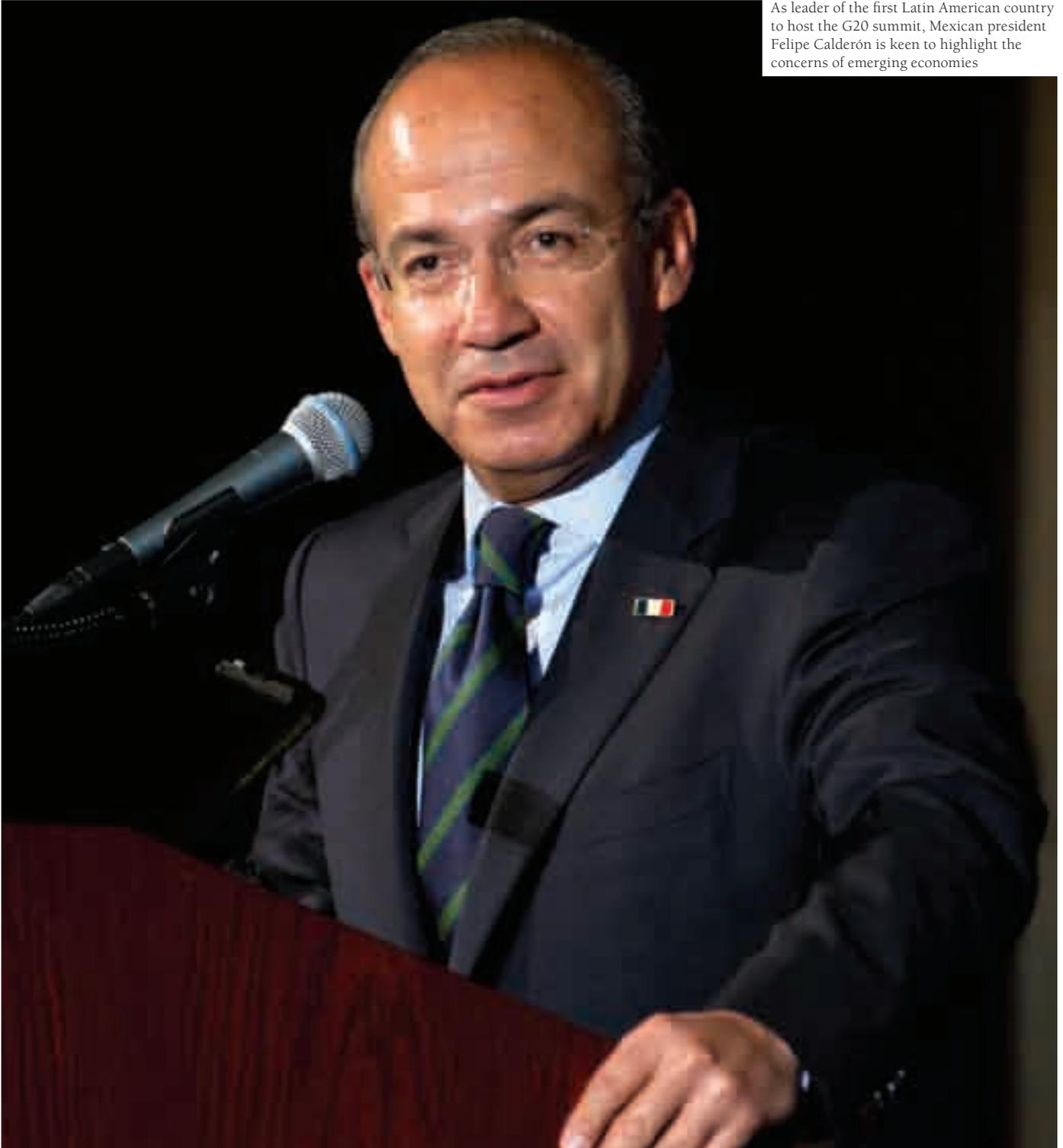
Another priority of the Mexican presidency of the G20 is food security. The poorest households allocate half of their income to food. However, food prices have more than doubled in the past decade, and this alone has led to a dramatic increase in global poverty. This is the reason why Mexico has worked hard to foster compliance with the commitments set out in the Cannes Action Plan on Food Price Volatility and Agriculture. We would like to see agreement at the Los Cabos Summit to strengthen international cooperation on agricultural innovation, technology transfers, and research and development. We also need to advance in the incorporation of sustainability criteria into agricultural practices. And we need to address the issue of financial speculation and its impact on food prices. It is vital that we commit to put an end to hunger; famine is unacceptable in today's world, and we must ensure that there is no repeat of what happened in the Horn of Africa in 2011.

---

***I know that leaders will arrive in Los Cabos armed with the courage, ambition and creativity required to put the global economy back on the path to long-term growth***

---

As leader of the first Latin American country to host the G20 summit, Mexican president Felipe Calderón is keen to highlight the concerns of emerging economies



Mexico is also well aware that the potential consequences of climate change in the coming decades are such that many of our current concerns about the world economic crisis will seem superfluous in comparison. Climate change is affecting the whole planet. Each country must do its part under the principle of common but differentiated responsibilities. At Los Cabos, I am certain that we will have the opportunity to make progress on green growth policies, the phase-out of inefficient fossil fuel subsidies, and the Green Climate Fund. We must succeed in designing tools that enable developing countries to boost their technical and institutional capacities, in order to implement policies that achieve sustainable development, compatible

with economic growth and poverty reduction. We will also aim to provide countries with policy options to insert green growth strategies into their structural reform agendas. Furthermore, we will promote disaster risk management as a policy tool of crucial importance for economic stability.

Clearly, this is an ambitious agenda, which can only be achieved through the efforts of all G20 member countries. However, I believe that at this crucial moment, my fellow leaders will come together in a spirit of cooperation. Only by working together will we be able to achieve prosperity, security and justice for the generations of today and those of tomorrow as well. ■

# A new spirit of cooperation

*In order to achieve sustainable growth throughout the world, innovation is more important than ever, both in terms of high technology and on a more basic level*



**Peter Löscher,**  
President and CEO,  
Siemens AG

The global economy is going through fundamental transformations. Patterns of growth are changing, the distribution of wealth is uneven, and economic conditions are once again becoming more challenging – even in the emerging countries on whom we all depend.

Our common goal of a more robust and integrated global economy is clear, but the road to get us there is far from certain, particularly if we are to remain true to our commitment to sustainable development. As President Felipe Calderon stated in his presentation to the B20 Plenary in Cannes last year: “The critical issue is to solve the dilemma between economic growth and the environment – to find new ways to promote development and sustainability at the same time.”

While there is no magic solution, we do have some powerful and effective tools to work with. One of the most promising, both in emerging economies and in the developing world, is the immense and versatile power of innovation. Innovation takes different forms, and responds to circumstances in different ways. And times of change can often be times of opportunity.

From a historical perspective times of economic upheaval are, in many cases, associated with technological leaps. The Industrial Revolution introduced transformational technological changes. Such transitions can be highly disruptive, but the end result is often positive.

It is not entirely clear whether we are currently undergoing such a technology-driven transformation in our global economy. However, I am optimistic that we are, given the pace and magnitude of innovation currently taking place around us. I see creative destruction of business models all over the world, in the most diverse industries, and within my own organisation, a multinational company.

The following are just a few examples of the innovation push that I see taking place. Our energy systems are undergoing rapid change, with new technologies enhancing their efficiencies and enabling economically sensible low-carbon energy production. Our latest H family of gas turbines delivers market-leading levels of efficiency higher than 60 per cent.

New developments in wind and solar power are stretching the limits of what is possible. For example, one of our technology partners has developed a new high-concentrated photovoltaic module more than 70 per cent more efficient than previously existing technology through the use of monocrystalline modules. That's an incredible leap forward,

and makes this technology one of great promise for the sun-drenched parts of our world.

Some other examples: in the area of healthcare, personalised medicine is starting to make a big difference; the economic potential of the internet is being reaped to an ever larger extent, for example making supply chains more sophisticated and helping farmers in rural India to know the fair price for their crops; and production methods are being revolutionised with the introduction of “3D printing”.

Challenging economic times can serve to support innovation, rather than hinder it. One driver of innovation is increasing cost-consciousness. In emerging economies such as India, China and Brazil, chest X-rays are on offer for as little as US\$3, tablet PCs for US\$100 and cars for US\$3,000.

The mindset that makes these products possible is becoming a powerful transformative force in the developed world, too. It is a force that demands big changes in the dynamics of innovation – how it happens and where it happens. Avoiding or ignoring these changes carries great risks, but successfully navigating this new environment can offer enormous rewards – for countries, for companies and for individuals.

The phenomenal growth story of emerging nations over the past decades is one driver of this trend. Consumers in these parts of the world are moving up the income ladder. More

---

## Opportunities for sustainable growth – in 2012 and beyond – lie in more economical products and services, and in more efficient use of resources

---

people are enjoying fresh water, electricity and education for the first time. More people are purchasing cars, washing machines, or smartphones for the first time. However, they are not yet able to pay high prices.

In developed countries, the opposite trend is gathering momentum. Governments and consumers are both looking for ways to cut spending. Obvious manifestations of the new frugality in rich countries include the success of discount supermarkets and no-frills airlines, and the introduction of more efficient, but cheaper and simpler, trains.

Opportunities for sustainable growth – in 2012 and beyond – lie in more economical products and services, and in more efficient use of resources. This holds true for developed as well as emerging countries, for consumer goods as well as investment goods. What links these changes is innovation in the broader sense.

The most successful frugal products are not just existing products stripped of some of their features. They tend to be disruptively new, developed in response to very specific consumer needs and often with an extremely limited budget. At Siemens, we also call them SMART products because they have to be



An array of Siemens wind turbines turn at the West Wind park, near Wellington in New Zealand

“Simple,” “Maintenance friendly,” “Affordable,” “Reliable,” and “Timely to market.”

The innovations driving these products can be technological, they can involve processes, or they can draw on a disruptive business model. Often they are a combination of these three. Scarcity of resources is thus not an impediment, but an enabler for frugal innovation.

Collaboration is also vital. A great example of this type of collaboration is the Fetal Heart Monitor, a device developed by Siemens to monitor the heart rate of foetuses in the womb. Traditionally, this type of examination is performed with ultrasound technology. The Fetal Heart Monitor, however, is a much simpler and more economical device that uses microphones, making examinations easier to perform even without specialised training. What’s more, it costs far less than the US\$4,000 or so for ultrasound devices.

The idea for the Fetal Heart Monitor was conceived in India. German engineers then helped with the development of the microphones, improving the product while maintaining its simplicity and robustness. This approach illustrates the advantages of combining high-end expertise from places like Princeton or Munich with innovative ideas from Bangalore, Mexico City or Shanghai.

In this environment, emerging regions are, as their name suggests, increasingly powerful. However, it is a myth that their prime advantage is lower labor costs. Entrepreneurs from these regions are often more nimble, creative and ambitious. Yesterday they built low-cost washing machines, today they are offering low-cost X-ray machines. Nevertheless, this trend is positive for both emerging and developed economies: the competitive challenge speeds up innovation of technology and business models. And it drives more efficient and more sustainable use of increasingly scarce resources like energy and raw materials.

Competition between private companies on a global level is not sufficient to guarantee that the world embraces all the opportunities technological innovation grants. Good ideas need the right kind of environment in which to flourish.

Therefore, it is our joint responsibility to work towards the right policy framework that allows for turning great ideas into great products, leading to the creation of new businesses and, finally, new jobs. Managing globalisation in a better way is part of the solution. This goes far beyond legal matters like protection of intellectual property rights. Profound change must happen in terms of how we cooperate on a global level.

The great news is that as the world is becoming more frugal, it is at the same time becoming more plentiful. Millions of people in developing countries are rising out of poverty – thanks to the right policies, to better education, and to the power of innovation.

The right spirit of cooperation can make this trend more broad-based and genuinely long-term. It can help translate innovation into growth and make growth more sustainable and environmentally friendly. We need to support this spirit of cooperation between individuals, between companies and between nations. Because cooperation is the only way to assure that the new model for the world economy can be more robust, sustainable and equitable than the one it will replace.

---

# SIEMENS

[www.siemens.com](http://www.siemens.com)

# Maintaining momentum towards growth

**With its experience of chairing the G20 summit in Seoul, Korea is well placed to help unite countries in a mission to create harmony between a sustainable environment and a healthy economy, writes Korean president Lee Myung-bak**

**I**n my time in office I have dealt with a series of economic challenges, beginning with the global financial crisis in 2008 and, more recently, the European sovereign debt crisis in 2011. In our increasingly interconnected global economy, risks were felt throughout the world; difficulties within advanced economies were acutely felt in many emerging and developing economies. We lost more than 20 million jobs and youth unemployment is now a global concern. In such a world, the role of the G20 remains crucial.

Although some say the eurozone may have avoided the worst and that the United States is showing signs of an economic recovery, we must maintain our sense of urgency. Uncertainty persists and the situation could deteriorate quickly if confidence in the market wanes. Subdued growth in advanced and emerging economies is raising concerns about a prolonged recession. We must stay vigilant because challenges, including high and volatile oil prices, deleveraging by multinational banks and increasing geopolitical risks, have yet to be resolved. The G20 must remain committed to achieving sustainable and balanced growth.

The collective leadership of the G20 helped the global economy step away from the brink of a depression by fostering effective policy coordination through fiscal expansionary measures and a standstill on protectionist measures and by urging financial regulatory reforms. Now the G20 is helping Europe overcome its sovereign debt crisis. At the 2011 Cannes Summit, all the G20 members agreed to work together to prevent contagion of the eurozone crisis and support global recovery. Subsequent agreements to strengthen the firewalls of the European Stability Mechanism and International Monetary Fund show strong commitments. Building on these achievements, G20 leaders will be able to deliver meaningful outcomes at the Los Cabos Summit in Mexico.

The key role of the G20 is to lead international collaboration to promote sustainable growth, prevent crises and strengthen global economic resilience. In the short term, and in this still-fragile global economy, we must maintain the recovery momentum and secure strong growth engines. In the long term, the G20 must go from being a 'crisis manager' to a 'global economic architect'.

At the Los Cabos Summit, I look forward to the G20 members reaching a consensus on four fronts. First, we must identify appropriate policy responses to set in motion a virtuous cycle of growth and fiscal health. Advanced countries must step up growth-enhancing investment expenditures and make bold reforms in pension and social security

systems. Emerging countries must devise sustainable growth strategies that contribute to global rebalancing. More secure social safety nets along with investments in human capital, public goods and innovative industries would boost domestic demand. Advanced, emerging and developing countries should embrace free trade as a driver of growth and prosperity. Protectionism must not deter our efforts.

Next, the G20 should continue addressing commodity price volatility. High and volatile commodity prices over the past decade had a harmful impact on the world economy, especially on low-income commodity-importing countries. The elevation and uncertain prospects of oil prices are threatening global economic recovery. Building on our previous commitments, the G20 leaders must devise credible measures to enhance oil market stability. Producing countries must continue ensuring adequate oil supply. With the G20 leaders having committed to enhancing the function and transparency of both physical and financial commodity markets, we should more quickly develop measures to prevent market-disturbing speculation. In this context, the G20 must move towards the swift implementation of the recommendations of the International Organization of Securities Commissions to improve the regulation and supervision of commodity derivatives markets.

## Effective policy coordination

In addition, the development agenda must gain traction to enhance the growth capacities of the developing world. In November 2010, G20 leaders agreed on the Seoul Development Consensus and its Multi-Year Action Plan to pursue shared growth. Last year, achievements were made in many areas including infrastructure, food security and human resource development. The success of the G20 development agenda is instrumental for not only sustainable growth, but also global rebalancing. By fully implementing agreements on development, the G20 must reap tangible outcomes to boost growth in developing countries, which will contribute to narrowing the development gap and creating additional global demand.

Last but not least, we must move towards sustainable development via green growth. Achieving harmony between a sustainable environment and economic growth is our shared mission. I have been fully committed to promoting low-carbon green growth as part of a new vision to guide Korea's development. With new technologies for clean and renewable energy and energy efficiency, and by promoting related industries, green growth can lead to new sources of growth and job creation, as well as solutions for climate change and energy crises. It is highly encouraging that the G20 has been strengthening its discussions on green growth, which is now a priority agenda item. In this context, I hope the G20 will devise a concrete plan for green structural reforms and identify and implement adequate support programmes for developing countries to pursue green growth policies.

As the chair of the G20 Seoul Summit, Korea learned at first hand that successful international cooperation requires tremendous effort from everyone involved. The G20 has achieved much, precisely because its members have understood that serving the global common good also best serves individual purposes, especially in this closely interconnected global economy. As a member of this premier forum for effective policy coordination, Korea will continue to cooperate in the pursuit of strong, sustainable and balanced global growth. ■

President Lee Myung-bak wishes to achieve consensus at the summit. The question of volatile commodity prices is one item on the agenda



# From field to fork:

## the food security challenge and how Saskatchewan can help



**Dr Karen Chad**  
Vice-President Research,  
University of Saskatchewan

**W**ith the world's population expected to reach nine billion by 2050, it's clear that the global food system will be challenged to meet the demands of this growing population. But closing the expanding gap between rising food demand and stagnating food production is not simply a question of producing and distributing more food.

The drivers of food scarcity and access are complex and interwoven. They involve not just new knowledge of water, soils, energy and agricultural production, but also an understanding of the decision-making and regulatory structures across the supply chain, business practices at all stages of food production and delivery, and cultural factors that drive consumer tastes.

To ensure an enduring supply of safe, high-quality food for the evolving appetites of increasingly affluent global populations, we need to fully optimise the global food supply at all key points along the chain. This requires an integrated, multidisciplinary and system-wide view of the global food supply chain – from field to fork.

To date, research in food security has generally focused on sustainable production practices, improving yield and maximising nutritional value – all vitally important aspects of tackling the problem. But productivity includes much more than just outputs; it is influenced by price, quality, safety, income distribution, environmental considerations, and consumer acceptance. What's needed is a system-wide approach to how regional, national and global food networks function.

Indeed, there is consensus among leading international organisations, such as the Consultative Group on International Agriculture Research, that the food system cannot effectively

address global food security challenges without accelerated innovation – not just in agricultural research and resource sustainability, but also in social science areas such as economics, governance and policy.

At the University of Saskatchewan (U of S) food research hub, we plan to take a comprehensive approach to help reshape food systems – an approach largely lacking in today's research landscape. Our goal is to serve the growing food needs of humankind by discovering, developing and delivering high-impact technological, economic, nutritional and environmental innovations to enhance productivity throughout the global food system.

We will create a new interdisciplinary institute that will build on our excellence in resource management, crop development and animal health, as well as expertise in policy related to agricultural innovation and trade, bio-processing and utilisation, and human nutrition.

We will initially focus on wheat, pulses and related prairie-crop systems where we have globally recognised strength, and we will carry our results to relevant regions around the world.

As a world leader in agricultural crop research and home to one of Canada's largest clusters of researchers and related research centres, we are well positioned to make strides in more efficient use of resources to increase the amount of nutritious food available globally. We will improve education and training on global food security issues and serve as a credible resource for innovative research, training and policy.

Working with partners around the world and building on our strengths, our new institute will integrate science and policy research and innovation across the food chain to contribute Saskatchewan-led solutions for sustainably feeding a hungry world.



**UNIVERSITY OF  
SASKATCHEWAN**

Saskatoon, Canada | [www.usask.ca/research](http://www.usask.ca/research)

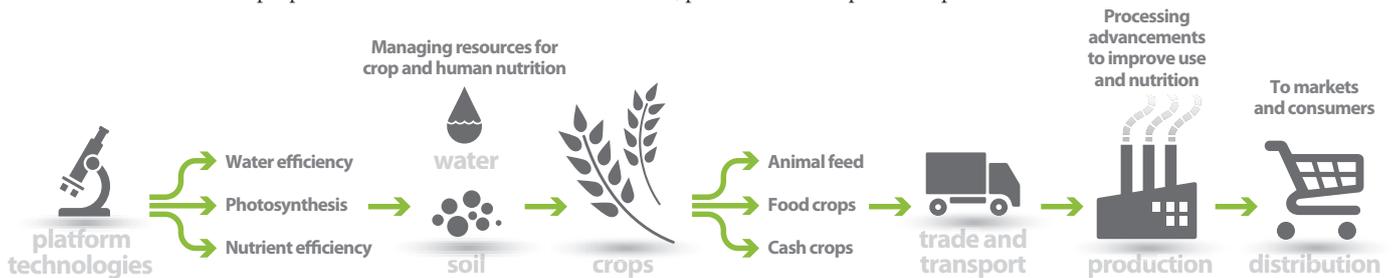


# Saskatchewan will be part of the solution

Over the past century, the University of Saskatchewan has led far-sighted research and innovation to help grow a province and feed a growing nation. Now we will help feed a hungry world.

## From field to fork

The new University of Saskatchewan global food security institute will help optimize the food supply system to make the best use of natural resources and deliver the best nutrition to people round the world—with a focus on wheat, pulses and related prairie crops.



### Saskatchewan is a world leader in wheat, pulses and canola production:

- Contains 43% of Canada's arable land
- Wheat, canola and pulses account for more than 80% of Saskatchewan crop exports
- Accounts for 11% of global wheat exports\*

Saskatchewan production  
% of global production



### Saskatchewan is rich in natural resources such as potash, oil and water.

Potash reserves  
% of global reserves



### Saskatchewan agriculture improvements can have major global impact:

- Our soil is amongst the most productive in the world. Our soil type, climate and key crops are common to many countries. Our food institute's impact could reach 570 million people and 170 million tonnes of crop worth CAN\$34 billion.
- As Canada's largest agricultural producer, we have a dominant role in global food and food products systems and trade.

\* Excludes durum wheat

## The U of S outstanding food research hub

### Centres of innovation

Globally recognized:

- Canadian Light Source synchrotron at U of S
- U of S Vaccine and Infectious Disease Organization-International Vaccine Centre

National leaders with global reach:

- U of S Crop Development Centre
- U of S Global Institute for Water Security
- More than 10 U of S colleges relevant to food security

Government research leaders:

- Agriculture and Agri-Food Canada
- NRC of Canada
- Saskatchewan Research Council

Regional strength:

- Canadian Feed Research Centre
- Canada-Saskatchewan Irrigation Diversification Centre
- U of S Feeds Innovation Institute
- Western Beef Development Centre
- Prairie Swine Centre
- Innovation Place (>50 companies)
- AgWest Bio Inc.
- POS BioSciences pilot plant
- Multinational agbio industry firms
- Saskatchewan Food Industry Development Centre Inc.
- Johnson-Shoyama Graduate School of Public Policy

### Steeple of excellence

Our research will complement activities of major global partners in a range of areas along the food chain—from crop development to policy.

- Resource Management
- Crop Development
- Animal health

### Emerging strengths

- Policy related to agricultural trade and innovation
- Bio-processing and use
- Human nutrition

# A relentless focus on global economic and financial prosperity

**The G20 has already transformed the lives of many of the world's poorest people. It must now agree on and implement critical reforms across economies to ensure ongoing stability in the years ahead, writes Julia Gillard, prime minister of Australia**

**A**ustralia has been a champion of the G20 from its inception, first as a meeting of finance ministers and central bank governors and then when the forum was elevated to a leaders' summit in 2008. The G20 has since proved its effectiveness to the world by ameliorating the destruction wrought by the global financial crisis, averting a global economic depression and saving an estimated 21 million jobs. Four years on, the G20's responsibilities to solve global economic challenges have not changed. While it has made progress in addressing the current vulnerabilities in the world economy, Australia would like to see the adoption and implementation of a number of critical reforms to ensure ongoing stability and growing prosperity in the years ahead.

The recent announcement of an additional \$430 billion in resources for the International Monetary Fund (IMF) would not have been possible without the cooperation and leadership of the G20. This strengthening of the global firewalls to build on European firewalls is a significant achievement that points to the effectiveness and relevance of the forum. A strong IMF that can meet the needs of all its members is a necessary condition for global stability.

## Foundations for growth

Adequate IMF resources themselves are not enough to guarantee global stability and growth. While all should acknowledge the growing number of policy actions taken by authorities worldwide, particularly in Europe, the G20 must use this breathing space wisely if it is to further reduce risks and resolve the remaining vulnerabilities in the global economy.

Market confidence is vital to a self-sustaining recovery. That is why I fully support Mexican president Felipe Calderón's priorities of economic stabilisation and structural reform as foundations for growth and employment at the Los Cabos Summit. There is still much work to be done, including by Europe. Fortunately, the leaders of the world's major economies laid much of the groundwork in the 2011 Cannes Action Plan for Growth and Jobs. Leaders will need to discuss

their progress and fill out more detail at June's summit as a starting point for our Los Cabos Action Plan.

The G20 must deliver on a highly interdependent set of policy challenges. This includes sustainable government finances, a strong global financial system and deeper structural reforms by all of the world's big economies. It is the challenge of structural reform that can be lost in the day-to-day financial market headlines. It is also the most difficult to coordinate. Even if countries have a shared set of fiscal and financial reforms that are agreed upon and well understood, it is often the case that structural reform priorities are quite different across economies. Whether it is product and services markets, labour markets, taxation or skills and education, all have some reform priorities that need to be addressed. Australia's point has been that those reforms should be explained through the prism of how they support growth and jobs.

These reform decisions can be very difficult politically, and very complex in policy terms, particularly when viewed across economies. That is exactly why G20 leaders must have the discussion: we must also be able to explain these reforms to our people in a meaningful way. And G20 leaders must hold each other accountable. If we do not pave the way for growth and jobs through sustained reforms, there is a strong likelihood that we will continue to lurch from crisis to crisis.

Trade is a key priority in securing global economic stability and growth. There are pressures to 'keep jobs at home', despite it being counterproductive for growth and jobs in the long term and contrary

to the messages the G20 has been sending since 2008.

This is why I stood up for a renewed G20 commitment to resist protectionism at the Cannes Summit in 2011. Open trade is a public good that helps us all. By ensuring that markets remain open and allowing trade to grow, economic activity (and the jobs that come with it)

will increase. This not only provides income and skills, but is also fundamental to people's dignity, health and quality of life.

## Definition and focus

With the growing recognition of the effectiveness of the G20 comes a natural tendency for countries to seek to inject topics of concern into the agenda where they can be given effective leader-level attention. However, at its core the G20 must remain an institution that is tightly focused on the big financial and economic items of the day. By providing a global meeting place for leaders, the G20 allows us to deliver on the things that matter for people across the globe. For it to lose definition or focus will only serve to dilute its effectiveness when it is most critically needed. Already one can see how the G20 has transformed the lives of many of the world's poorest. In the two short years since G20 leaders launched the Seoul Development Consensus for Shared Growth, we have worked to help low-income countries fight poverty through work on food security and economic resilience.

I am proud of our work on the G20 development agenda and of Australia's contribution. Last year, we joined with Indonesia and Italy to secure the G20 leaders' agreement to reduce the global average cost

---

***The G20 must remain tightly focused on the big financial and economic items of the day. For it to lose definition or focus will only serve to dilute its effectiveness when it is most needed***

---

Australian prime minister Julia Gillard views open trade as a key priority for the G20 members in securing global economic stability and growth



of sending remittances from just over nine per cent to five per cent by 2014. This has the potential to produce additional annual flows of up to \$15 billion to the people that need it most. This year, we are continuing our fight against global food insecurity by partnering with other G20 members, including Canada and the United Kingdom, as well as the Bill and Melinda Gates Foundation, to spur private investment in new products and innovations that will help us feed an additional two billion people by 2050. These outcomes are a vital contribution to achieving the Millennium Development Goals.

Australia will continue to do its bit to ensure the G20's ongoing agility and relevance. We will use our membership of the G20 troika once Russia assumes the chair in 2013 to enhance our engagement with G20 colleagues and non-G20 members, particularly those in the Asia-Pacific region, to ensure that the voices of those with an interest in the G20's actions are taken into account. And we will work closely with

Russia as it takes up the G20 presidency to ensure that the momentum for medium- to long-term initiatives can be sustained through 2013 to 2015, with Australia having the privilege of hosting the G20 in 2014.

My vision for 2014 is for a summit that further advances our ability to create and sustain the economic conditions that drive growth and improve living conditions. I see a meeting that upholds the G20 as a reflection of new geopolitical realities, where major developed and emerging economies work together to make a difference for the world's peoples. I see a responsive, leader-led forum unfettered by bureaucratic trappings with an agenda owned by members but exercised in the interests of all. The G20 is a unique group that can only maintain its relevance and 'earned legitimacy' through a relentless focus on global economic and financial prosperity that improves people's living standards. That would be a contribution that Australia would be proud to have as part of its legacy. ■



## BRASIL, A COUNTRY OF GREAT OPPORTUNITIES.

Robust economy. Large consumer market. Wide industrial and technological base. Rich natural resources. Diversified energy matrix and world leader in clean energy production.

This is Brasil, the host country of the 2014 World Cup and the 2016 Olympics. Safe destination for investments, which grows based on economic, social and environmental sustainability.

Apex-Brasil is the Brazilian government agency that supports foreign investors throughout their investment decision-making process in Brasil.

To invest in Brasil, visit [www.apexbrasil.com.br](http://www.apexbrasil.com.br)



# Brazil's view on global economic and environmental governance



**During a recent lecture, Brazilian president Dilma Rousseff described a path from economic growth to social inclusion, income distribution and environmental preservation**

**W**e Brazilians are very proud to be one of the so-called emerging nations; nations that actually have maintained notable economic growth for the past number of years. According to the International Monetary Fund (IMF), we BRICS countries – Brazil, Russia, India, China and South Africa – are responsible for 56 per cent of the world's economic growth.

We have also achieved macroeconomic stability. Not only have we brought inflation under control, but all variables measuring the

country's fiscal robustness have also improved markedly. Above all, Brazil, once a country with massive public debt and a ratio of 60.4 per cent debt to gross domestic product (GDP) in 2002, now proudly has a debt-to-GDP ratio of 36.5 per cent. At the time my administration took office, Brazil depended on the IMF. Now our country holds a reserve of \$362 billion, is one of the biggest buyers of US bonds and has settled all of its debts with the IMF. This accomplishment was extremely important for Brazil because it meant that we could finally independently determine our own economic and social policies. And we went from being a debtor nation to a creditor nation with the IMF.

But I must stress that the most important aspect of this process – the element that has most propelled us forward and that has truly fuelled the growth of the Brazilian economy – has been the first-time inclusion of 40 million Brazilians in the middle class.

Brazil has been generating an average of two million jobs annually. Consumption has been growing at a rate of more than eight per cent per year. This phenomenal rate owes itself precisely to the fact that once-impoorished Brazilians have now become active consumers. We have also democratised lending and have given millions of Brazilians access to personal bank accounts. The country has proudly built a powerful network for social protection. Brazil today is a country that,



in terms of social policies, has managed to stock up an arsenal of technologies that directly address the question of inequality.

We know that we are affected by the international economy, yet we are well positioned to confront this reality. We live in a time of much preoccupation, and the crisis currently faced by the world's developed countries, most recently by the European Union, is still a harsh reality, with recession and heavy unemployment an undeniable fact.

### Weighty problems

Although we recognise that the actions taken by the central banks, mainly the European Central Bank, improved the situation greatly, many threats persisted. What the central banks did was to stop the occurrence of a liquidity crisis. However, the fact that the banks only stuck to monetary policies, the concurrent fact that countries in crisis are not being targeted for their markets, plus the fact that countries with budgetary surpluses are not pursuing investment expansion policies together place a number of weighty problems upon emerging countries. Primarily, there is a kind of competition whereby the devaluation of developed countries' currencies affects and leads to significant problems for emerging countries' manufacturing industries, as is the case in Brazil. Nonetheless, Brazil is in a condition to tackle this problem because it has a solid and healthy banking system.

But these policies alone – fiscal consolidation plus expansion policies by those countries able to apply such – will not contribute to renewed growth or prosperity. Moreover, we face a serious problem,

which is the price of petroleum while there is decreased demand from developed countries, which will also impede renewed growth.

This year Brazil is in a much better position than it was last year. In 2011, we were forced to rearrange our macroeconomic policy. Now we are poised for more notable growth than what we were able to accomplish last year.

Given our country's history, it is clear that simply tackling recession, unemployment and job insecurity does not constitute a systematic solution to overcome the crisis. Together with sound fiscal policies, it is critical to recover investment and drive consumption in order to spur growth to pre-crisis levels. Brazil has 20 years of experience in this area. For 20 years, we applied non-stop policies of fiscal consolidation – better yet, of radical fiscal adjustment. And we faced extreme difficulties in overcoming stagnation, low growth and a lack of social policies – to the extent that a huge problem for us was once the sanitation policies in large Brazilian metropolises because we were simply unable to finance sanitation systems and unable to use public funds to improve the ageing sanitation systems in place.

This process has changed today because Brazil now focuses on its domestic market and then subsequently looks to the international market. We do not consider protectionism correct, nor do we believe it leads to competitive growth for the country. To the contrary, what is clear is that we must ensure and capitalise on the development of our large, continental country, with its 190 million inhabitants, its rich pre-salt reserves, its mining resources, its agricultural sector that needs



The Juscelino Kubitschek bridge in Brazil's capital, Brasilia. The city was designed and built in four years, formally becoming the country's capital in 1960

to be productive and use advanced technology, and the industrial sector that, despite its suffering, we are striving to make more extensive and complex. The industrial sector will survive – this I guarantee – and will become one of the pillars of Brazilian growth.

### **Sustainable development**

We attach [importance] to the Rio+20 United Nations Conference on Sustainable Development. The Rio+20 summit will study, discuss and work on a new development paradigm for upcoming years. In addition to the Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change, which took place in Durban and whose commitment periods we seek to pursue throughout this year, we will actively engage in Rio+20 and in the biodiversity conference in India [in October 2012]. Rio+20 will focus not only on the climate, but also on biodiversity. And the question is: what is sustainable diversity for the coming decade – and for this century?

Brazil and the UN are in agreement that the crux of this conference can be summarised as follows: we can indeed grow, include, preserve and protect. In other words, we must focus on social equality. The importance of this matter grows ever stronger as the consequences of the crises facing developed countries, and even many developing countries, continue to increase social inequality throughout the world. Therefore, we raise the question of reducing inequality and expanding social inclusion in all areas, improving opportunities across every spectrum of society. This is the truly essential question facing us at this political juncture.

In addition to decreasing social inequalities, there is also the question of the right to growth and the question of respecting and protecting the environment. To this end, we, as a country, are in a special position, and I recognise this with pride. We have an energy mix that is based fundamentally on renewable resources, which is not the case in the majority of countries, where the mix is based on fossil fuels or nuclear energy.

Brazil also has great biodiversity. It is one of the most biologically diverse countries in the world. This is seen as a huge growth potential for the biotechnology sector and, ultimately, for the protection of biodiversity. Concurrently, we must preserve our forests and our huge rivers. We do not want to be a country stripped of its natural resources. We hold the world's largest forest reserve – the Amazon – and we also have a huge lesser-known biomass, the Pantanal wetlands, as well as other smaller biomasses. For us, this discussion covers a crucial concern: in a world in which we must use both technology and political will to deal with growth and protection, the question is how to best ensure a world that encompasses growth, social inclusion, income distribution and environmental preservation all at the same time. This is the crux of the debate. ■

---

*Translation of excerpts from a lecture made by  
President Dilma Rousseff to the Harvard Kennedy  
School of Government, Boston, 10 April 2012*



**Petrobras is more than an oil company.**



**And if you think about it, it's more than an energy**



Petrobras is renowned around the world for its technology and leadership in deep and ultra-deepwater exploration and production. It's also a pioneer in biofuels and invests in alternative energy sources.



company too.



But, more importantly, Petrobras is committed to social and environmental development and fosters good citizenship values, culture and the arts. If the future is a challenge, Petrobras is ready for it.



CHALLENGE IS OUR ENERGY

# South Africa's philosophy of interconnectedness

## South African president Jacob Zuma is seeking to use his country's participation in the Los Cabos Summit to promote the interests of Africa as a whole, in areas including infrastructure, international trade and global economic stability

**S**outh Africa seeks to use every forum where it has a voice, but in particular the G20, to make a contribution to the effort to ensure fair and effective responses to the challenges confronting the world today. The G20 plays a central role in the effort to strengthen multilateral cooperation.

We believe that the dynamic changes now under way within the global economy provide significant risks and opportunities for economies such as South Africa and within Africa. One of the key elements of African growth is improving the capacity to trade within Africa and internationally. A key pillar for strengthening African trade is building better infrastructure – better ports, railroads, roads, communications and electricity supplies.

Our capacity to grow is based on a sense that we will slowly return to relatively high rates of global growth, based on the growth of major emerging markets in particular. This optimism is supported by emerging signs of economic recovery worldwide. In sub-Saharan Africa, we are proud of our increased growth rates in recent years. The International Monetary Fund (IMF) believes that the sub-Saharan Africa economy will grow at a rate of 5.4 per cent in 2012, considerably exceeding average world growth. According to the IMF, between 2000 and 2010 six of the 10 fastest-growing economies in the world were in sub-Saharan Africa. This trend is likely to continue. It is forecast that for the five years to 2015 this will increase to seven out of the 10 fastest-growing economies. Africa is poised to be a major growth point in the global economy.

### Forging consensus

The G20 has a very specific role to play in adding value to the international community. The G20 presents opportunities for advancing both global governance reforms and the international development agenda in a manner that is complementary. Through a series of summits, the G20 has helped to jumpstart actions by forging consensus among members, building the political will and

mobilising the necessary resources for an effective response to global challenges. For all its prominence as the premier forum for global economic coordination for its members, however, the G20 is not an alternative to the United Nations or other fully representative multilateral institutions.

The G20 could contribute to multilateralism by acting as a consensus builder on certain issues. At their Los Cabos Summit, G20 leaders could assist in making progress in negotiations that are taking place in other forums by signalling their strong political support for positive outcomes, without usurping the role or mandate of the organisation where such negotiations are taking place. Areas where the G20 could help to add value in this regard include sustainable development, trade, climate financing and reform of the international financial architecture.

Central to South Africa's national agenda is creating a better South Africa and contributing to a better and safer Africa and a better world. South Africa seeks to use its participation in the G20 to promote and strengthen the interests of Africa and of the developing countries of the South. This is done without receiving any formal mandate from African countries, but in the knowledge that the voice of Africa needs to be heard on decisions taken by the G20 that have implications for the whole international community. For South Africa, it is equally important that the G20 expand its outreach programme, to ensure that the interests of all non-member countries are better understood and

inform its decision-making.

The state of the global economy and prospects for growth remain fundamental to the work of the G20. The sovereign debt crisis in Europe continues to create uncertainty about prospects for the global economy. Eurozone governments and institutions must act swiftly to resolve the crisis and put in

---

***According to the IMF, between 2000 and 2010 six of the 10 fastest-growing economies in the world were in sub-Saharan Africa. By 2015, this is forecast to increase to seven out of 10***

---

place adequate mechanisms to promote economic growth.

As we head towards the G20 Los Cabos Summit in June 2012, it is important that the G20 show that it can implement the agreements that it has reached to date. Agreement must also be reached on important issues. Key priorities for South Africa in the current cycle include:

- Reforming the IMF while ensuring that Africa's shareholding is not eroded, and in particular reiterating the call for a third chair for Africa on the IMF's executive board, as now exists at the World Bank. This is vital to the overall effort of real inclusion in the global economy;
- Continuing the effort to ensure that the heads of the Bretton Woods institutions are appointed through a process that is transparent, fair and merit-based;
- Supporting the effort to create greater stability in European economies to ensure that the uncertainty there does not undermine the significant growth gains made by economies in Africa in recent years through, for example, sharp falls in investment and trade;
- Pushing for progress in the effort to identify increased multilateral sources of financing to support the costly transition towards low-carbon or green growth that many economies will have to make;

South Africa's President Jacob Zuma welcomes the opportunity to use the G20 forum to debate issues facing the African continent and the world



- Continuing to promote the need for real international cooperation between high- and middle-income countries to improve their support for low-income countries, in particular through the work of the G20 Development Working Group;
- Continuing to highlight the potentially vast contribution that sub-Saharan Africa can make towards global economic recovery as a new source or driver of global growth;
- Sustaining the need for greater focus on the capacity to trade within Africa and also to trade internationally. A key pillar for strengthening African trade is building better infrastructure – including improving ports, railroads, roads, communications and electricity supplies.

We attach a great deal of value to the importance of cooperation. This is expressed in the philosophical concept of *Ubuntu*, which emphasises that one cannot exist as a human being in isolation. It speaks about our interconnectedness. *Ubuntu* is roughly translated as 'humanity', or 'humanness – I am because we are'.

South Africa brings the spirit of *ubuntu* to our participation in the G20. Our struggle for a better life for all in South Africa is closely intertwined with our struggle for a better Africa and a better world. In this, our G20 partners have an important contribution to make. South Africa is committed to working together with the Mexican presidency and other G20 members to ensure a successful outcome at the Los Cabos Summit. ■

# Africa's shifting landscape



**Lou Anna K Simon, president,  
Michigan State University**

**W**ith more than 50 years of engagement with Africa and more than 160 faculty currently working on projects with African partners, Michigan State University has developed a rich reservoir of knowledge and

experience on the continent. From that, we find that five 'megatrends' will influence prospects for prosperity and food security in the next 10 to 15 years.

If underestimated, these trends will thwart the efforts of both Africans and their friends around the world to achieve positive development goals. These powerful currents will have different meanings for different countries, organisations, and individuals. But if we are to 'bend the trend' toward equitable and sustainable development, then governments, corporations, foundations, NGOs and universities today must carefully reckon the conditions under which we hope to proceed to this destination.

To begin with, policy debates need to focus more on development of a system that serves all people as democracy takes firmer root in Africa. Today, we can seize opportunities to work with the megatrends to create a better future for all, especially for those who are most at risk of being left behind.

## MEGATREND 1: Urbanisation and pressures on land

Africa's food-consumption patterns will change dramatically over the coming decades. Rising urbanisation and growing per-capita incomes will double the marketed volumes of foodstuffs and ramp up demand for high-value foods (dairy, meat, fresh fruits and vegetables), processed foods, packaged convenience foods, and prepared foods. As fewer farm families support growing urban populations, farm productivity will need to increase in both crop and livestock production. Growing demand for packaged convenience foods will require substantial private-sector investment in food-processing technology.

But at the same time, people in rural areas are being squeezed onto smaller plots of land, leaving little room to expand farms and help meet the growing demand for locally grown food. While not fully understood, the squeeze is the result of an array of features that may include changes in traditional local land-allocation systems, as well as the flow of investments.

### Strategic implication

To scale up processing of staple crops throughout Africa, the food industry will need to undertake research on the biochemistry of basic food fermentation and on nutritional outcomes under alternative processing technologies. To fuel necessary productivity increases, the system will require a steady flow of scientific and technical skills in support of farm production, feed industries, storage, supply-chain management and food processing.

Governments will need policy and programme analysts and regulatory experts accustomed to thinking and operating in a market economy to ensure that policies and regulatory structures promote innovation and growth. Policies must also incorporate the needs and concerns of small-farm producers. Disproportionately women, these smallholders are a major link in a rapidly modernising food chain and a key to African economic development.

As foreign direct investment increases, policies have to address potential negative impacts on the environment, marginalised groups of society and conditions that promote unlawful land grabs. At the same time, it will be crucial to collaborate with the business sector to encourage investment, share best business practices and develop policies.

## MEGATREND 2: Connectivity

With 600 million cell phones on the ground, Africa is connecting like never before. This opens access to a variety of opportunities for users, while generating potentially useful information about public sentiment, economic activity, and even emerging health threats. Smallholders can use their phones to check market prices, giving them the global insight to set competitive prices for their produce. Telemedicine can deliver more of its early promise.

There is tremendous potential for wireless technology to enable African development and to contribute to development goals. Not only will this technology produce data about its users, it has the potential to advance education and modern agricultural extension services.

### Strategic implication

As connectivity grows throughout Africa, so, too, can insights into its people and institutions. To harness resources in ways that will benefit the smallholder and others along the value chain, foundations, governments, and universities should work together to develop a talent pool with deep analytical expertise. Such information could identify troubling patterns at an early point and help guide programs supporting vulnerable communities and people with targeted education and assistance.





### MEGATREND 3: Regional integration

Every nation in Africa is a member of at least one regional economic group. There is new momentum for regional integration, especially around efforts dedicated to strengthening regional agricultural capacity. With knowledge and communication leapfrogging boundaries, the case for regionalisation is strengthened. The African Union's repurposing of the New Partnership for African Development (NEPAD) into a continent-wide implementing agency, the development of the Comprehensive Africa Agriculture Development Program (CAADP), and the expansion of activities by long-standing regional groups such as SADC, EAC, ECOWAS, and COMESA are recent examples of these African-owned and African-led initiatives. Such efforts are intended to address vulnerability to rising global food prices and to food shortages.

#### Strategic implications

Africa has a wide variety of crops and agricultural environments. These differences provide a strong basis for productive agricultural trade based on comparative advantage. But a successful regional agriculture effort will be highly dependent on stakeholders' understanding of policy impacts on productivity, on market access, on income growth, on poverty reduction, and on the reduction of trade restrictions between African countries.

### MEGATREND 4: Influences of democracy

There is a stubborn public perception that, for all the effort and foreign assistance over many years, there has been no meaningful change in sub-Saharan Africa. The fact is that in 1989 there were only three democracies in sub-Saharan Africa, while today there are more than 20. Never have so many low-income countries moved toward popular governance in such a brief period. Fragile and imperfect, these governments have a long way to go. But today they're on the road.

#### Strategic implication

As democratic ideals take hold, responsibility to address social problems will extend beyond government and become an expectation placed on businesses and organisations. Corporations and foreign direct investors will be asked to consider the social impact of their actions. We know that, on the whole, the economy improves when trust in the private sector is high and societal conditions improve. Social engagement and assumption of leadership on appropriate issues will become increasingly important in building trust and creating value for companies and organisations in Africa.



### MEGATREND 5: Supermarketization

Africa is poised for rapid transformation of its retail food sector, embodied in the rapid spread of supermarkets. This follows a decade of similar change in East and South-east Asia and in Latin America. As the supermarket industry develops, leading chains are rapidly adopting technological, organisational, and institutional changes in their product-procurement systems.

Farmers face a rapidly evolving market with the potential to change the very nature, composition and volume of trade in the region. It will happen with unprecedented speed. What took 100 years in the West took 30 years in China, and Africa promises an even swifter transformation.

#### Strategic implication

To help small farmers grasp emerging opportunities and to help those who can't find other employment, development programmes will be challenged to assist small farmers to make the transition to the new market environment.

#### Conclusion

These megatrends say something about what we know about the future, but it is still uncertain how people and regions will react. We know that by supporting the development of resilient communities through informed policymaking, we all benefit – whether we are in Michigan or Malawi. Family farms the world over, after all, are increasingly buffeted by the winds of change in an increasingly global market.

Resilient communities are better positioned to shape their own futures and to address the big challenges, such as climate change, health and nutrition, education and the prosperity of their citizens.

At Michigan State University, we believe that universities play an important role in this process. We create a safe space to discuss equitable and sustainable development trajectories, where bold ideas are tested and the preferred future on behalf of the common good is pursued.

**MICHIGAN STATE**  
**UNIVERSITY**

[www.msu.edu](http://www.msu.edu)

# Prospects for the G20 Los Cabos Summit

## The G20 leaders meeting in Mexico will discuss the widest possible range of issues, from international financial crises and energy security to sustainable development

By John Kirton, co-director, G20 Research Group

The seventh G20 summit, taking place in Los Cabos, Mexico, on 18-19 June 2012, promises to be an exceptionally important event. It is the first summit hosted by Mexico. It is the second summit hosted by an emerging economy member of the G20, thus helping to institutionalise the hosting rotation between the group's established and emerging members. It is the first summit held in Latin America and only the second summit held in the broad Asia-Pacific region, highlighting the geographic shift in global economic activity from the ailing Atlantic world, and the hope for new sources of growth from rising powers beyond. It returns the G20 summit to its initial cadence of meeting at about six-month intervals, by following the last G20 summit in Cannes, France, on 3-4 November 2011. It thus provides a guaranteed and well-timed supply of global economic governance capacity to meet the latest instalment of the global crisis that is erupting, once again in the field of finance and economics from Europe and, above all, Greece. This is a fitting challenge for – and a great test of – a G20 summit that at its Pittsburgh meeting in September 2009 proclaimed itself to be the permanent, premier forum for its members' international economic cooperation in the world.

The current challenge is compounded by the fact that Los Cabos will include key veteran leaders with looming elections on their minds and several new leaders attending for the first time. The summit will take place immediately before the presidential elections in Mexico that will decide who will succeed Felipe Calderón, the summit's host. It comes in the run-up to US president Barack Obama's re-election bid on 6 November, where his skill in American and thus global economic governance will do much to shape his fate. It will be the first chance for Vladimir Putin, newly elected as president of Russia, to meet several of the G20's leaders, especially as he skipped the G8 summit held at Camp David in the United States on 18-19 May. It will also be the first G20 summit for newly elected, growth-oriented socialist French president François Hollande, facing French national legislative

elections on 10 and 17 June. Hollande and most G20 leaders will also be preoccupied with the elections in Greece on 17 June, to see whether voters will return a workable coalition government committed to the painful steps needed to keep Greece inside the eurozone and even the European Union itself.

### Building on past consensus

To be sure, the Los Cabos Summit need not do the whole job by itself. The Camp David Summit set a G8 growth strategy that confirmed fiscal consolidation and structural reform as essential elements, but also approved new stimulus from public- and private-sector investment in infrastructure and education, rather than more short-term government spending and resulting deficits across the board.

NATO's summit in Chicago on 20-21 May reinforced the need for a secure, stable environment where crime, corruption and terrorism would be curtailed and where development in difficult regions such as Afghanistan, the Middle East and North Africa could take place. The Rio+20 Summit in Brazil on 20-21 June will multiply the momentum of Los Cabos on development and green growth.

Nonetheless, Los Cabos, as with several G20 summits past, must contain and control the euro crisis, rather than be consumed by it, and still find time to advance the big, broad, finance, economic, development and social priorities that it has set to guide a troubled world. Los Cabos will first seek to contain the euro crisis, the day after the Greek elections, by sending a credible message of support

to keep Greece in the eurozone or stop the contagion to Spain, Portugal, Italy and beyond, should Greece leave.

To be sure, many may be overwhelmed by fast-moving globalised markets seized by fear – and the ultimate solution does lie within Europe itself. But G20 summitteers are now experienced in successfully coping with successive

instalments of the euro crisis. Moreover, the G20's strong majority of non-European members have proven that they can get reluctant European governments to do difficult things, as in agreeing to voice and vote for reform at the International Monetary Fund (IMF).

A component and consequence of a successful crisis response will be G20 action to strengthen and sustain the still-fragile recovery in the global economy. It will come through a Los Cabos action plan to revive a global economy where much of Europe is contracting and growth in North America and Japan is sluggish and, in many major emerging economies, is slowing for the first time since the 2008 crisis passed.

Few members have the fiscal or monetary policy space to stimulate much more in the orthodox Keynesian way that the G20 has relied on since 2008. Thus the Los Cabos leaders will seek both to advance the G20's built-in agenda of strengthening sustainable and balanced growth through the Mutual Assessment Process and address the first priority of the Mexican host of providing economic stabilisation and structural reform as the foundations for growth, private-sector confidence, fiscal consolidation and high-quality employment.

***The current challenge is compounded by the fact that Los Cabos will include key veteran leaders with looming elections and several new leaders attending for the first time***



Stock markets have experienced a great deal of turmoil in recent months, and more is likely to come in the wake of continuing concerns in the eurozone

The second Mexican priority is strengthening the financial system and fostering financial inclusion to promote economic growth. It includes unfinished business from the old G20 agenda, focused on big institutions in advanced countries, with regulating the shadow banking system the focus now. Given Mexico's status as an emerging economy, and the G20's emphasis on development since the Seoul Summit in November 2010, Los Cabos will emphasise the increased availability of credit services to the poor, national strategies, financial education and consumer protection.

#### **Finance, energy and sustainable development**

The third priority is improving the international financial architecture in an interconnected world. This includes the adequacy of global financial resources, the IMF's surveillance framework, IMF governance and the implementation of the IMF reforms to give emerging economies a greater voice. In raising new IMF resources, the G20 got off to a good start in April, when its finance ministers and others promised an additional \$430 billion. But the Los Cabos leaders must confirm and establish details of the donations from the big emerging countries, especially as they may well be needed right away to contain the euro crisis or its contagious effects.

The fourth priority is enhancing food security and stability in volatile international commodity markets. The recent decline in world oil prices and new sources of gas supplies in North America should offer some relief on the energy front. In managing the supply and price

of food and increasing agricultural productivity, the path has been paved by the G8 Camp David Summit's new alliance, strategy and funding for food and nutrition in Africa.

The fifth priority is promoting sustainable development, and working on green growth and climate change control. It includes forwarding the Seoul Development Consensus and the programme of the G20's Development Working Group. Calderón has long served as the G20's leader on climate change. He has advanced the work of the United Nations Framework Convention on Climate Change at Cancún in 2010 and has the Rio+20 Summit to broaden the work started at Los Cabos right away.

Finally, Mexico will seek to strengthen the G20 as an institution through greater interaction and inclusion with non-member countries, the United Nations system, international organisations, the private sector through the Business 20, policy analysts and advocates through the new Think Tank 20, young students and professionals through the Y20, and structured dialogues with non-governmental organisations and civil society. It could also add to its institutional legacy by bringing to life the Academic 20 called for by the Seoul Summit, by giving young entrepreneurs a more equal place alongside their big business peers and by expanding accountability mechanisms to monitor and improve its work.

This is a truly formidable set of challenges. But there is no other international institution able and willing to do these big jobs that the world badly needs to get done now. ■



*cutting through complexity*

# One last push to the finish line for IFRS

A marathon is a test of endurance. As we progress toward a single set of globally adopted Accounting Standards, we are near the end of a marathon. We have made great strides but we have not reached the finish line. Governments, companies, accounting firms and regulators need to make one more push to reach the elusive goal promised by IFRS. Only then can the benefits of a global accounting framework be realized by businesses, investors and the public at large.

KPMG views IFRS as more than an accounting issue. The change is transformational. We understand the wider impact on companies' systems, people and the enterprise as a whole. Our firms' audit, tax and advisory teams have the experience to cut through the complexity of IFRS and deliver value to our member firm clients.

[kpmg.com/ifrs](http://kpmg.com/ifrs)





cutting through complexity

# One last push for global adoption of IFRS will require intense efforts

The last mile of a marathon is the longest. The same is true of the drive to achieve the global adoption of International Financial Reporting Standards (IFRS), a process that began more than a decade ago. Even though we are on the final leg of the process, it would be a mistake to think we can coast home. There is a great deal more to be done, requiring hard work, courage and compromise.

The Group of 20 needs to make one final push to ensure we cross the finish line. Sixteen of the twenty members are committing themselves to IFRS adoption. The remaining four must boldly overcome lingering objections and commit to the integration of IFRS into their national accounting standards.

There is a great deal at stake. The debate over IFRS is one of the few issues where there is a real chance for the nations of the world to find common ground. In economics, the only forum that is remotely similar is the Doha round of global trade talks, and they are at a standstill.

The benefits of IFRS are great indeed. A global agreement will bolster economic confidence, enhance capital-market liquidity and provide a firmer foundation for a solid economic recovery. The world's financial markets are now more evenly balanced between Asia, Europe and the US than ever before. Investors need to be sure that similar transactions will be recorded in similar ways no matter what stock exchange the shares are listed on. There needs to be similar levels of transparency, too. A single, global accounting standard will lower the cost of capital.

There was clear evidence of the benefits when European banks reported their exposure to Greek sovereign debt at the end of last year. Because European countries

have adopted IFRS, it was possible to compare the impact on the banks' balance sheets, something that would have been impossible without IFRS. The banks' results were not pretty, but the process of transparency helped build confidence. This shows that there has been significant progress on international accounting standards in the past few years as more countries climb aboard.

There is more that needs to be done. Four major convergence projects contained in the memorandum of understanding between the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board remain to be finalized. These projects cover financial instruments, revenue recognition, leasing, and insurance contracts. In addition, the focus should now move to consistent implementation and application of IFRS. This requires closer global cooperation between all stakeholders in the corporate reporting chain, including securities regulators, standard setters and the accountancy profession.

With respect to the future agenda of the IASB, there are a number of key issues to be addressed: one is tackling the growing concern about complexity and disclosure overload in financial statements. Another is about what actually is the performance that a company's management should be

held accountable for. Views on this topic differ significantly, and the IASB is the appropriate body to lead this future debate.

These matters are hugely important, but less pressing than the need to obtain a commitment from the remaining major economies that have not done so yet, to adopt IFRS in full. We are nearly there. The Group of 20 needs to make one last push toward global accounting standards. When we have passed the finish line, we will all be winners.



**Brian Heckler**  
Partner KPMG LLP (US)  
US Leader Accounting  
Change Services



**Mark Vaessen**  
Partner KPMG LLP (UK)  
Global IFRS Network Leader

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2012 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent member firms affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve. Publication name: G20 conference 2012. Publication number: 120526. Publication date: May 2012



# ATLANTIC COUNCIL

**IDEAS. INFLUENCE. IMPACT.**



For the past half century, the Atlantic Council has been a preeminent, nonpartisan institution devoted to promoting transatlantic cooperation and international security. Its founders developed an ambitious agenda to engage Americans with their European partners and global friends on matters of mutual concern.

Under the leadership of its Chairman Chuck Hagel and President and CEO Frederick Kempe, the Council is now harnessing that history of transatlantic leadership and applying its founders' vision to a broad spectrum of modern global challenges ranging from violent extremism to financial instability and from NATO's future to energy security. As we face an inflection point in history, the Council provides an essential forum for leaders to navigate dramatic shifts in economic and political influence.

The Council is home to nine programs and centers that work together to influence policy decisions and the public debate through programs, research, publications, Congressional testimony, and media outreach. In recent years, the Council has significantly expanded its Global Business and Economics Program, which convenes private and public sector leaders to exchange ideas and design solutions to pressing global economic and financial challenges.

For more information, or to get involved, please contact us at 202.463.7226.

*"At no other time has the Atlantic community faced such critical and complex global challenges. Whether the matter is Afghanistan and Pakistan, energy security and climate, or dealing with a rising China and resurgent Russia, transatlantic cooperation has never been more essential."*

**-Senator Chuck Hagel  
Atlantic Council Chairman**



[www.twitter.com/AtlanticCouncil](http://www.twitter.com/AtlanticCouncil)



[www.facebook.com/atlanticcouncil](http://www.facebook.com/atlanticcouncil)

# The State of Baja California Sur welcomes the G20 and the world



## Marcos Covarrubias Villaseñor, governor of Baja California Sur, invites G20 delegates to explore the area's cultural heritage and natural beauty

**T**he State Government of Baja California Sur is pleased to extend to you a cordial and warm welcome. I thank you, on behalf of the people of Baja Sur, for providing us with the opportunity to show you and share with you the greatness and beauty of our state through the pages of this excellent book.

Baja California Sur is one of the youngest states in Mexico. Yet it has a millenary and cultural heritage visible through impressive cave paintings and historical remnants and monuments, not to mention

the infinite natural richness that manifests itself in spectacular coastal sceneries, deserts, mountain ranges, islands and oases that make Baja California Sur a true paradise between two seas.

The magnificent natural gifts bestowed on Baja California Sur are enhanced by an extensive and modern world-class quality tourist service infrastructure, which is enjoyed in an environment of tranquillity, peacefulness and safety. However, our main tourist strength lies in the natural hospitality that is inherent in the people of Baja California Sur and this hospitality we gladly share with all our visitors.

My government is strongly committed to promoting and encouraging, together with investors and service providers, an adequate use and development of our tourist resources, having as a fundamental premise full harmony with and respect towards our natural, historical and cultural environment. This constitutes the heritage not only of the families of Baja Sur and future generations, but of all Mexican people.

I invite you to immerse yourself in Baja California Sur. I am certain that your visit will be not only enjoyable, but also one that is unforgettable. Looking forward to your next visit, I reiterate this cordial and warm welcome to our state. ■

# Gaining access to medium-level skills is key to global jobs growth



**Göran Hultin, Chairman and CEO, Caden Corporation SA**

Everyone agrees with the importance of creating jobs, but in the meantime, what do we do with the millions of unfilled jobs? Despite the fact that the world is still emerging from a global economic downturn and high levels of unemployment persist in many of the G20 member countries, employers are still reporting that they cannot find the right talent, at the right time, in the right place.

Unfilled jobs continue to reside in their millions across the G20 member countries, estimated at a minimum of 20 million vacancies. While comparing labour-market data internationally is often difficult, even with a margin for error, the conclusion remains the same: the G20 countries miss out on major employment opportunities because of significant mobility and skill mismatch problems. And it is not just about an unfilled job – it is also a forfeited economic opportunity.

Even in these economic times, globally one in three employers report difficulties in filling positions due to a lack of available talent or the right skills. The annual skills-shortage survey conducted by ManpowerGroup, a leading employment solutions provider, sheds further light on the challenge and the type of skills that are in short supply (see box). What is revealing is that although skills shortages continue to remain significant for high-level talent, the prominent shortage is in mid-level skills such as technicians, sales representatives and skilled manual trades.

At first glance, this skills gap does not seem to be very much in line with the ambitions of the G20. Yet while successful economies are shaped by high-level talent, for every highly qualified job that is created, three or four other jobs elsewhere in the economy are created, too. In this light, the output of the knowledge-based jobs may be at the forefront of the G20 countries' future, but it is carpenters, plumbers, drivers, administrative assistants that enable those jobs to be effective.

## Top five jobs that employers are having difficulties filling – global results

- 1 Technicians
- 2 Sales representatives
- 3 Skilled trades workers
- 4 Engineers
- 5 Labourers

*ManpowerGroup, Talent Shortage Survey, May 2011*

As medium-skill level jobs remain unfilled, negative repercussions for high-level talent workers are inevitable. With world-class talent essential for shaping the future of economies, for creating new opportunities, innovating and turning ideas into actions, they need the support, infrastructure and services to be productive. The extent to which the talent and skill challenges are addressed, and the way in which they are deployed, will be crucial to the creation or loss of jobs.

The difficulties that employers have in finding the right skills point to two structural problems – that education and training policies are wrongly aligned with the needs of the G20 economies, and that labour markets are lacking in geographical and professional mobility, both national and international.

First and foremost, the skills of the workforce in the G20 countries need to be developed and aligned with labour-market needs. A much closer link between employers and education systems can help reliably signal which skills employers need allowing individuals and schools to home in on these skills, guiding the career choices of young talents to the emerging needs in future growth sectors.

## Countries must promote a positive attitude towards careers in skilled trades, and towards aligning technical training with the needs of business

To grow the number of individuals moving into medium-skill jobs, countries must promote a positive attitude towards careers in skilled trades and towards aligning technical training with the needs of business.

Employees and individuals in the G20 countries also have a responsibility for taking the initiative and developing their employability, along with companies making better use of current skills and recognising improved skills.

Intertwined in this approach is the G20 member states' role to encourage a proactive and demand-based training and lifelong-learning culture, with labour authorities promoting public-private partnership best practice for training and upgrading skills.

In addition to meeting the talent and skill needs, the demographic reality for the industrialised world presents increasing challenges for an adequate supply of desired skills.

By 2025, an ageing Europe will have lost 24 million workers from its indigenous workforce as high educational and technical skill levels exit the market place. The demographic reality is not confined to the industrialised world. China's population and workforce is also ageing rapidly.

Talent mobility will become an increasingly important means to ensure that talent is able to access jobs, and jobs access talent. Professional and geographical mobility will foster and develop these interactions.

It is often cited that people change careers up to five times during their lifetime. It is hard to verify the accuracy of this



claim, but most people can expect to make several changes during their working lives. How successfully this happens hinges on the quality of core education skill sets, soft skills and career counselling on which people build their future options.

Education and training systems in the G20 must therefore increasingly take into account the importance of soft skills and career counselling, in preparing trainees not only to land their first jobs, but also to stay in work throughout their working lives.

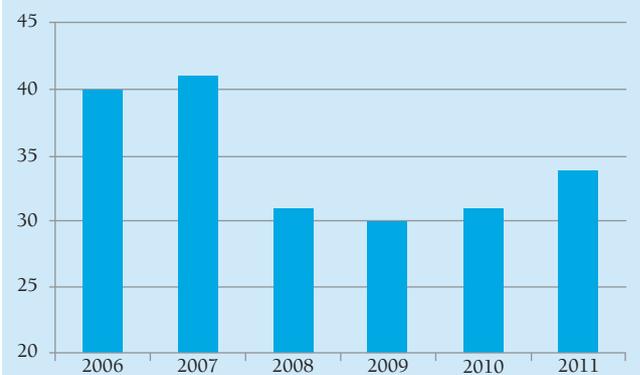
With career advancement and lifestyle experiences driving white-collar workers to take up foreign assignments, circularity, returning home or moving on to new opportunities are already inherent in the high-skilled sector. This trend is not determined by the length of a visa or work permit, but is rather driven by competing global opportunities and the career decisions that the sought-after people with the right skills choose to make. Circular migration of the highly skilled, therefore, is inherent in the nature of talent mobility.

Managing the circular migration of workers with mid-level skills raises quite different challenges from those relating to high-level skills: they pursue opportunity abroad because of the lack of it in their home countries; they address themselves to labour markets, not to specific employers; the barriers to their entry are higher and consequently they are more likely to stay on; and there are more of them than those with high skills.

The mechanisms for circular labour migration still require much strengthening, particularly in relation to how it responds to actual skills needs; how the recruitment process in the sending country is aligned with the employment process in the receiving country; the upgrading of migrant workers' skills; recognition of migrant workers' enhanced skills profiles; and facilitating re-entry into the labour market for returning migrant workers.

Leading private employment agencies with presence in both sending and receiving countries can bring their tools and global

Percentage of employers experiencing difficulty in filling job vacancies due to a shortage of available talent



ManpowerGroup, Talent Shortage Survey, May 2011

practices to bear in addressing these challenges, but they cannot do this alone. For the process to succeed, governments need to play their part in changing attitudes towards labour migration, lowering the barriers to entry and ensuring that internationally recognised recruitment standards and principles are respected at both ends – in the sending as well as in the receiving countries.



[www.cadencorp.com](http://www.cadencorp.com)  
[www.futureworkforum.com](http://www.futureworkforum.com)