GOVERNANCE

The importance of improving G20 accountability

Many great decisions could be made at the G20 summit, but who will ensure those ideas are translated into action? It may be time to implement targets, timetables and regulatory reform

By Ella Kokotsis, G20 Research Group

The G20 will assemble in Los Cabos, Mexico, on 18-19 June 2012 for their seventh summit gathering since first convening in November 2008. During this two-day meeting, politicians, academics, civil society and media from around the world will pay very close attention to what the G20 can realistically deliver. The leaders are expected to cover a broad and diverse range of international issues spanning growth and employment, structural reform, the international financial architecture, food security, energy efficiency, green growth and the fight against climate change.

Strengthening transparency

To maintain their credibility and legitimacy as the centre of global economic governance, the G20 must seize this key opportunity to demonstrate to the world its continued value, leadership and effectiveness. Los Cabos thus offers a key venue for the G20 to showcase its capacity, not only to reach consensus on the most complex and pressing global challenges, but also to be accountable for the broad spectrum of commitments the leaders will produce in their Los Cabos declaration.

The question of accountability is by no means a new concept for the G20. Its first summit in Washington in November 2008 yielded a stand-alone section in the final declaration devoted exclusively to "Strengthening Transparency and Accountability". Here the G20 emphasised the importance of implementing its commitments through detailed targets and timetables, and established an action plan to implement principles for financial and regulatory reform. To guide the process, the G20 leaders tasked their finance ministers to work to ensure that the commitments established in their action plan were "fully and vigorously implemented". Indeed, the issue of accountability became the defining feature of both the G8 and G20 summits in Canada in 2010. The G8's *Muskoka Accountability Report* was the product of the first-ever comprehensive accountability mechanism created by the G8. It was supported by a senior-level working group, with a consistent methodology for reporting on key commitments. In delivering their report, the leaders expressed their commitment to implement their decisions and strengthen the effectiveness of their actions.

Yet, despite Canadian prime minister Stephen Harper's March 2010 letter to his colleagues in the United States, United Kingdom, Korea and France asserting that "we are all accountable" and that "now is the time for the Leaders of the G20 both to recommit themselves and deliver on the ambitious reform objectives and agenda", all three subsequent G20 summits at Toronto, Seoul and Cannes failed to produce a rigorous accountability mechanism comparable to that established by the G8 at Muskoka.

How well have the approaches worked?

Much of the criticism levied against the G20's perceived accountability deficit comes primarily on two grounds.

The first is its lack of formal authority, as the G20 is not a legal entity, lacks a standing secretariat and is not governed by a formal set of rules, doctrines or principles.

The second criticism flows from the G20's lack of a rigorous accountability mechanism, including a baseline set of standards, accurate and consistent shared information, and an agreed-to set of sanctions (or at least consequences) for violations of non-compliance. Equally importantly, the G20s lack of normative values is often blamed for

The G20 leaders who met in 2011 made a commitment to work together for financial stability, but have been accused of failing to follow up on promises

European Commission President Jose Manuel Barroso (first left) and European Council President Herman Van Rompuy (second left) meet with Japanese prime minister Yoshihiko Noda (right) at the G20 2011 Cannes Summit

Contrary to the G8, viewed as a global nexus of like-minded leaders, the G20's inability to follow up on its promises is often attributed to its lack of a common set of universal values

its accountability shortfalls. Contrary to the G8, traditionally viewed as a global nexus of like-minded leaders, the G20's inability to consistently follow up on its promises is often attributed to its lack of a common set of universal values including the pursuit of democracy, support for human rights and a belief in free-market economies.

Sceptics thus question the ability and, indeed, willingness of the G20 to forge consensus, reach and honour agreements, and build an effective global governance regime with a membership as politically, economically, religiously and culturally diverse as the G20's is. Although its history is still relatively young, and the quantity and robustness of its compliance are still developing, an interesting trend is emerging in G20 accountability. Leaders of the G20 are submitting to the value and importance of an accountability mechanism insofar as they continue to mandate experts and working groups to report back on the progress made regarding decisions rendered. They do so by requesting a number of key international organisations, non-governmental organisations (NGOs) and academic institutions to monitor and report publicly on compliance with G20 commitments. In turn, these actors are holding the G20 to account on how the summit's decisions are affecting the global economy, development, sustainability and environmental concerns. A review by the National Research University Higher School of Economics (HSE) in Moscow identified 53 such public G20 accountability reports, including those mandated by the G20, as well as those initiated by other actors seeking to hold the G20 to account.

Individual performance

Within these reports, four pillars of accountability are addressed, including transparency, consultation, evaluation and correction. Of the 29 reports produced by various international organisations, 18 provided evidence based on individual G20 members' performance, with the other 11 offering data in an aggregated format. None of these reports offered any sort of scoring methodology, and only five presented recommendations for future action.

How can the G20 advance accountability?

Several steps are required for the G20 to advance its accountability at the 2012 Los Cabos Summit. First, the G20 needs to recognise that effective leadership involves making commitments that stick.

Doing so means going beyond the rhetoric of 'needing' more accountability in G20 governance to actually building and developing a regular, clear and transparent accountability review and reporting mechanism. A report of this nature would need to acknowledge that on numerous global initiatives, the G20 simply cannot act alone; it requires partner organisations, including NGOs, private foundations, civil society, academia and the private sector to contribute to the successful outcome of its goals. G20 interventions are therefore clearly influenced by how all these partnerships work together to ultimately deliver results.

Common benchmarks

Second, an enduring accountability working group, similar to that of the G8, would play an integral role in ensuring the G20's work stays on track. Such a group would be tasked with monitoring the G20's commitments to ensure that standard and quantifiable terms are employed, that consistent methodologies and rigorous assessments are used, that common benchmarks and baselines exist, and that adequate monitoring systems on the ground provide for timely and reliable information.

Reliable results

All of these aspects are critical in ensuring effective and reliable results-oriented reporting. Thus, to maintain its credibility and legitimacy as the centre of global economic governance, the G20 has an important opportunity at Los Cabos not only to provide an inventory of its collective accomplishments, but also to engage the broader international community and report on its accomplishments in a clear, transparent and measurable way. ■

Keeping promises: how big a difference has G20 summitry made?

Research has been carried out to measure how well G20 members have implemented commitments made at previous summits, and how this compares with compliance made by their G8 counterparts

By Caroline Bracht, G20 Research Group, University of Toronto, and Mark Rakhmangulov, Global Governance Research Centre, National Research University Higher School of Economics

In its role as the premier global economic forum, the G20 places economic coherence and collaboration for strong, sustainable and balanced growth at the top of its priorities. Since the Cannes Summit in November 2011, this priority has evolved into ensuring that future growth includes all people and adheres to principles of sustainability – in other words, 'green growth'.

Such inclusiveness and sustainability have traditionally been defined as development and climate change. While the priorities, agenda and commitments of the G20 have evolved, a performance evaluation is essential before further advances should be made.

An analysis of the level of implementation highlights areas that are satisfactory and those that require improvement, and points to the possibility that other international organisations may be better suited to ensure full implementation.

Members of the G20 group of countries have agreed to commitments relating to adoption of clean energy technologies

Measuring policy implementation

The G20 Research Group based at the University of Toronto and the National Research University Higher School of Economics in Moscow have collaborated on compliance reports to measure how well G20 members have implemented a selection of priority commitments made at each summit.

These reports use a scientific scale from -1 to +1 (with -1 representing no action or actions taken against the commitment, 0 representing partial compliance or a work in progress, and +1 representing full compliance because all required actions have been taken).

In response to the 2008 financial crisis and in an attempt to restore growth and prosperity, the G20 commitments from the Washington Summit in November 2008, the London Summit in April 2009 and the Pittsburgh Summit in September 2009 were disproportionately weighted in the areas of macroeconomics, finance and trade.

These summits focused on addressing global instability by taking common action on fiscal measures, overseeing financial markets and keeping the global economy open for trade. A sign that policy coordination was successful was indicated by a compliance score of +0.65 with economic commitments, which far exceeds the overall G20 average of +0.44. There was little difference between G8 and non-G8 members. The average compliance with finance commitments was slightly lower at +0.42, followed by trade at +0.24, one of the lowest of all the issue areas monitored.

Compliance in key areas: development

After the 2009 Pittsburgh Summit development issues grew on the G20 agenda. This translated into an increase in discrete, timely and action-oriented commitments. The G20 Development Working Group, created at the Toronto Summit in June 2010, was tasked with monitoring the implementation of the development commitments, specifically those in the Multi-Year Action Plan produced at the Seoul Summit in November 2010. According to the G20 Research Group's assessments, the overall compliance average with development commitments was +0.17. There was a noticeable difference between G8 and non-G8 countries: the G8 countries' average was +0.64, while the non-G8 average was -0.21.

A study conducted by the University of Toronto team increased the number of development commitments monitored with an emphasis on those from the Seoul Summit. This study raised the overall G20 average to +0.44, mostly due to the increase in the compliance of non-G8 countries to an average of +0.26. The G8 members' average also increased to +0.67.

Climate change and energy

The climate change commitments made by the G20 leaders most often reinforce the United Nations Framework Convention on Climate Change, and reiterate support for the Conference of the Parties.

Findings from the University of Toronto team indicate that the overall average was +0.37, with the G8 members' average at +0.44 and the non-G8 members at +0.30. These results indicate a reduced gap in performance between the G20's advanced economies and the emerging economy members.

The compliance reports on energy include commitments on clean energy technologies, energy efficiency and the reduction of fossil fuel subsidies, the latter a key achievement of the Pittsburgh Summit.

The average compliance on energy was +0.56, with the G8 average at +0.69 and the non-G8 average at +0.48. When the results of a special study completed by the G20 Research Group and Mexico's Instituto Tecnológico de Monterrey are included, the averages decrease to +0.46, +0.55 and +0.42, respectively.

One compliance report assessed a commitment that synergistically brought together climate change and development to achieve green growth. The compliance average was -0.10, where the G8 members had a higher score of 0.00 and the non-G8 members a lower than average score of -0.18.

Comparing G20, G8 and BRICS

The members of the G8 and the BRICS countries of Brazil, Russia, India, China and South Africa are also members of the G20. Compared with the G8, which was established in 1975, the G20 and BRICS are relatively new. The scale of the difference in compliance between G8 and non-G8 members varies by issue area. It is the most pronounced on development and least pronounced on climate change. It is also apparent that the BRICS members perform on a par with the non-G8 members.

The G20's compliance scores show clear trends. Commitments made in the traditionally defined areas of climate change and energy have been implemented to a high degree among all G20 members. The G20 Research Group's study on development has indicated that, increasingly, commitments concerning development – as well as macroeconomic commitments – have been complied with, especially by non-G8 members. All members of the G20 have historically complied with their macroeconomic, climate change and energy commitments.

The gap in the performance in these areas between G8 and non-G8 countries has been relatively small. On an optimistic note, the gap between G8 and non-G8 countries in performance on development commitments is decreasing, as non-G8 members increasingly comply with their commitments. Indeed, perhaps the future success of the G20 will depend on the ability of its members to implement commitments that synthesise the traditionally defined areas of macroeconomics, development and climate change. ■

The G20's compliance scores show clear trends. Commitments made in the traditionally defined areas of climate change and energy have been implemented to a high degree

Measures to combat climate change are also among the commitments made by G20 members

THE WORLD FROM A LESBIAN

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PERSECUTION

DEATH PENALTY

5 countries and parts of Nigeria and Somalia

IMPRISONMENT

*78 countries and 6 entities**

- Death penalty
- imprisonment up to 14 years
- Imprisonment from 14 years to a life-long sentence
- imprisonment, no precise indication of the length/ banishment
- unclear = legislation not specifically homophobic but which can be used as such
- uncertain = law awaiting court ruling or persecution by organised non-state agents

RECOGNITION

RECOGNITION OF SAME-SEX UNIONS

*30 countries and 28 entities**

- Marriage
- Equal (almost equal) substitute to marriage
- Clearly inferior substitute to marriage

PROTECTION

ANTI-DISCRIMINATION LAWS

*57 countries and 82 entities**

- Countries which introduced laws prohibiting discrimination on the grounds of sexual orientation

NO SPECIFIC LEGISLATION

AND GAY HUMAN RIGHTS PERSPECTIVE

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May 2012
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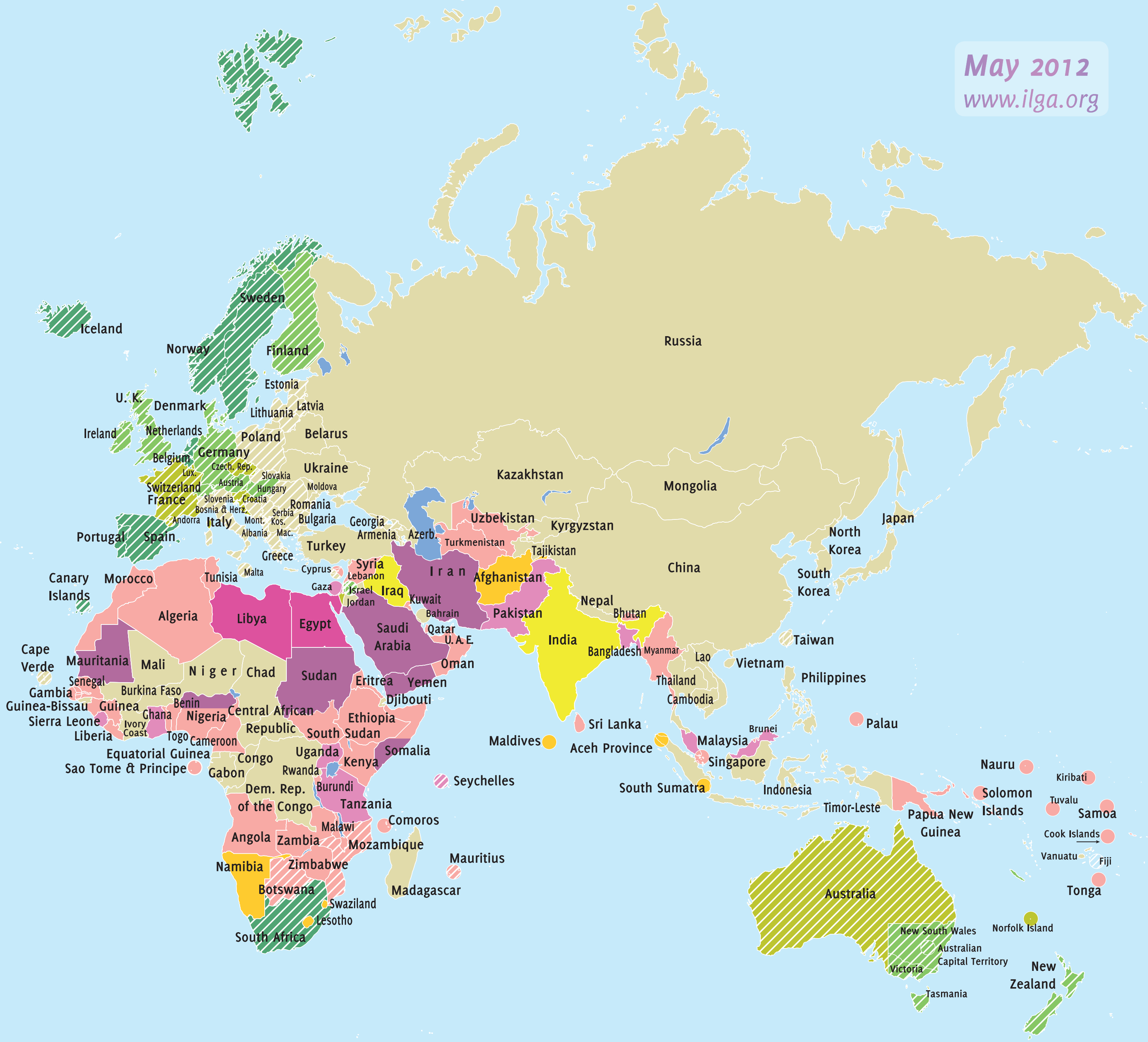

*Include part of a federation, state, province, federal district, any other administrative and/or territorial unit. These laws are aimed at lesbians, gay men and bisexuals and at same-sex activities and relationships. At times, they also apply to trans and intersex people. This edition of the world map (May 2012) was coordinated by Stephen Barris (ILGA). Design: Renné Ramos & Eduardo Enoki. Data represented in this map is based on "State-Sponsored Homophobia: a world survey of laws criminalising same-sex sexual acts between consenting adults - 2012", an ILGA report by Eddie Bruce-Jones & Lucas Paoli Itaborahy (available on www.ilga.org in English, Spanish, Portuguese and French). ILGA thanks groups which contributed to the annual update.

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At the heart of global governance: achievements and future challenges

The G20 process has expanded from its origins as a financial forum to encompass a much broader range of issues and participants, with Mexico pushing the barriers even further as host of this year's summit

By Andrew F Cooper, Balsillie School of International Affairs at the University of Waterloo, and distinguished fellow, Centre for International Governance Innovation

Through its institutionalisation as "the premier forum for international economic cooperation", the G20 has carved out a key position as an apex or direction-setting forum for global governance – a position traditionally held solely by the established countries within the G8.

The G20 has become thicker institutionally from its initial format in 1999 at the level of finance ministers and central-bank governors to its elevation to the leaders' level in 2008. The process has also been extended through the intergovernmental nexus of ministers of agriculture and labour/employment (who first met under the French presidency) and foreign ministers (who first met under the Mexican presidency). On the civil-society dimension, the G20 has embedded the involvement of a wide array of business representatives through the B20 forum and the Civil G20 dialogue (initiated during the Korean presidency, but extended and refined during the Mexican presidency).

Thickening with regard to an interactive network of multilateral organisations has also occurred – privileging the International Monetary Fund and the World Bank, as well as expanding the global economic governance architecture to include the expanded Financial Stability Board. Beyond these international institutions, however, there is a growing demand for the G20 to build up other inter-institutional linkages, particularly those that lie outside of the international financial architecture and, specifically, those that lie within the United Nations system (the World Health Organization, the Food and Agriculture Organization and the World Food Programme, and the United Nations Development Programme).

The effectiveness of the G20 has been a key point of contention. The G20 has proven resilient in its crisis committee role with regard to the 2008 global financial crisis and the ensuing spillover problems in the eurozone. Increasing levels of compliance among members indicate that the G20 is working towards a more effective role in global governance. Yet the momentum has slowed down with regard to the G20's transition from crisis-management committee to a steering group for a wider agenda in global affairs. The major challenge facing the G20's long-term governance role is in creating an effective relationship with existing international institutions to ensure that the growing demand for global governance is satisfied, and that issue-specific regime complexes are governed efficiently, with as little inter-institutional competition as possible. Messy multilateralism need not be equated with counterproductive multilateralism.

The major challenge facing the G20 is in creating an effective relationship with existing international institutions to ensure that the demand for global governance is satisfied

Since 2008, the relationship between the G20 and the G8 has evolved according to a broadly defined, if somewhat awkwardly operationalised, division of labour. In its new role, primarily associated with its Muskoka Summit, the G8 has made a marked turn towards the political and security and development dimensions of global governance, as well as African development (with initiatives on Africa and child and maternal health).

The G8 has focused much of its attention on the diffusion of democracy in the course and aftermath of the Arab Spring, as well as on the role of the North Atlantic Treaty Organization (NATO) within the international security architecture (notably on Afghanistan). This division of labour, nonetheless, does not preclude convergence on key areas of agenda overlap, particularly on the issues of commodity-price volatility and food security, where the G8 and G20 have both included these items on their agendas, and should have an interest in collaborating on problem-solving.

Potential for fragmentation

Still, the risk of competitive approaches to governance looms, as does the promise of complementary approaches. One such risk to the G20's institutional coherence is a more exaggerated split between a caucus of G8 members and a caucus of the BRICS countries – Brazil, Russia, India, China and South Africa – within the G20. Although such fragmentation is far from dysfunctional under current conditions, it opens up a scenario of a structural divide if the G20 loses momentum in terms of output legitimacy.

The complementary side of the G20 is reinforced further by the rapprochement between selective and universalistic forms of multilateralism. The G20 has sought to work more closely within the parameters of the United Nations (UN) system. The Millennium Development Goals have been positioned as a benchmark for the G20's core mandate of attaining strong, sustainable and balanced growth. As 2012 G20 summit host, Mexico can build on the theme of financial inclusion to create sharper linkages between the G20 and the UN in global trade and development.

The summit serves as an important benchmark in the progress of the wider G20 process. To begin with, it marks a transition and expansion of ownership of the G20 process to hosting the summit by a middle power, the second after Korea's successful

2010 hosting. This showcases an important functional development in the bridging role of countries in the G20 that are neither G7/8 nor BRICS members – a bridging role likely to be embraced by Australia and Turkey as they take on the hosting functions in 2014 and 2015 respectively. It also marks Mexico's own transition to a G20 insider from its earlier role as key player in the G8's formative, albeit limited, Heiligendamm/Outreach Five process.

Widening summit participation

Mexico's willingness to push the institutional boundaries is highlighted by its extension of the summit process to include foreign ministers at the state level and an upgraded form of engagement with business and key civil society groups at the non-state level. It has also built on innovations from previous hosts, especially with respect to consultations with and inclusion of the participation of non-members, with a particular focus on regional organisations and the Global Governance Group (3G) encompassing a wide composition of small states. Chile's economy minister was invited to a pre-summit meeting of G20 finance and trade ministers. Chile – a key member of the 3G – and Colombia – host of the 2012 Summit of the Americas – will attend the Los Cabos Summit. Such mechanisms also do much to reinforce Mexico's position in the regional dynamics of the Americas.

Los Cabos will provide Mexico with an opportunity for branding its ownership of the G20 process similar to that achieved by Korea during the 2010 Seoul Summit, where the development agenda became central to the work of the G20 through the creation of the Seoul Development Consensus. Mexico's emphasis on financial inclusion can serve as the basis for a more integrative approach to global economic governance and participation by smaller, more vulnerable states.

In addition to the branding of particular agenda items, on green growth as well as financial inclusion, Mexico has displayed enormous diplomatic skills in institutionalising the G20 through the sherpa process and the troika process of the outgoing, current and incoming hosts. Such championing allows Mexico to have credibility with future hosts, in particular those other members of what can be termed the rising middle in the G20, with which its shares some salient identity formation and tangible interests. ■

Building on the theme of financial inclusion, summit host Mexico can help to establish greater links between the G20 and the United Nations on global trade and development

Time for a new version of globalisation? A view from China

Unless members ensure that collective agreements are implemented domestically, the G20 risks losing its effectiveness. A new, sustainable global economic model may be the key to easing the ongoing turmoil

By Su Changhe, School of International Relations and Public Affairs, Fudan University, Shanghai

The G20 has become one of the most important informal multilateral platforms for the world's major economies to address serious economic and development issues since the 2008 financial crisis. The frequent consultations and summits among the 20 members at least reflect the common willingness of international society to take collective actions to deal with tough issues, although differences and divisions exist. The G20 is not a meaningless talking shop. But if the agreements cannot be implemented effectively by the members in their domestic politics, G20 fatigue may gradually emerge and its effectiveness will be discounted.

As the second largest economy in the world, China has been widely seen to have more capacity and policy instruments to rebalance the world economy. But this expectation is overestimated. In the current world, no particular country has the capacity to save the world, not even the largest economic entity – the United States. The most compelling case is that each country should stand together to address critical issues. This is a really a living wisdom for all the peoples in an interdependent world.

Consensus created

Compared to the G8, the G20 is broadly seen to have a more legitimate and representative character for global economic governance. No one doubts that the G20 is an effective platform for creating consensus and achieving agreements among its members. The United Nations is too big to create consensus on economic issues, while the G8 is too small to reach a consensus that represents the views of emerging countries. The G20 was born at the right moment, during a period of sensitive power transition. Much consensus has been achieved at the last rounds of summits and ministerial dialogues, such as that on preventing protectionism, increasing jobs, balancing the economy and reforming the International Monetary Fund. These frequent dialogues are useful for reducing misperception and misunderstanding among countries during a crisis. As a platform, the G20 plays a key role in building trust and confidence around the world.

The 2008 financial crisis may mean that the old version of globalisation is dead. That version of globalisation, which has been advanced mostly since the end of the 1970s, was accompanied by the spread of finance around the world. The crazy financial market, or "casino capitalism" in the words of Susan Strange, was out of sovereign control and regulation, while international society was short of sufficient institutional tools to restrict the flows.

Globalisation in itself is not wrong – what is wrong is this version of it. To maintain the sound operation of globalisation for the rest of this century, the world needs to redesign its international institutions, including the international monetary system, to create a sustainable economic model. Basically, finance should return to its core value, which is to serve the real economy rather than experience an overexpansion into a virtual economy.

Inclusive growth

With a high degree of economic interdependence, all countries for the first time are in the same boat. The emerging economies together have contributed more than 50 per cent to global economic growth in recent years. Without the inclusive

spillover effect of emerging economies, the industrialised economies could perform rather worse. Only China will import around $10 trillion and invest $500 billion overseas over the next five years. This is a very positive signal for the world. Therefore, the world needs to change its perspective to recognise the reality of the unbalanced growth between emerged and emerging economies. The sustained growth of the emerging economies will ultimately be useful for the rest of the world economy in hard times. It will be a disaster for the world if both emerged and emerging economies fall into crisis.

In the absence of a global authority, some responsible public policies, including financial

China's recent expansion has propelled it to the position of the world's second largest economy, but no single country can be expected to bear the sole responsibility for energising global recovery

policy, that are made especially by countries that play a stabilising role in the international system are key to good global governance. The ideal policy is one that is mutually beneficial to many countries, which could produce public goods. The second best public policy benefits only the country without damaging other countries. The third best benefits only the country and causes damage to others.

The worst public policy not only damages the country but also harms others. It is not a public good, but a public bad. In order to update the old version of globalisation, both external review and internal self-restriction are required to make more responsible public policies for global governance.

This is definitely necessary. As the anchor country in terms of monetary policies, the first and second quantitative easing policies implemented by the United States have been criticised by other countries for transferring adjustment costs to the outside world.

Opposing protectionism

The unforgettable lesson of the 1929 economic crisis is that if the world closes the door to international cooperation and major countries' policies move inward rather than outward, the world economy will be damaged further. However, the disturbing message is that there is an increasing trend that some countries are inclined to take 'beggar-my-neighbour' policies. The G20 should oppose such policies, to maintain a free trade system. At the same time, international society must act to improve the conditions of the victims and the losers in the wave of globalisation. With the increasing number of losers and the eclipse of global middle-incomes, they may become the decisive factor in leading a country to withdraw from international institutions.

If the current international institutions do not matter, or do not adjust to the new international environment, more and more countries may be inclined to get out of the current institutions, which were mostly created at the end of the Second World War. ■

Russia's vision for G20 summitry

The G20 has demonstrated its importance in addressing problems on a global scale. However, change is necessary if it is to remain an effective forum for coordinating policy and tackling crises

By Marina Larionova, director, International Organisations Research Institute, National Research University Higher School of Economics

The G20 has proven that it can respond to crises. It now has to live up to the expectations that it can prevent global risks and break the deadlocks that other institutions responsible for resolving critical issues have been unable to break. Challenging a plethora of sceptics, the G20 is now a long-term process in motion.

The G20 leaders' decisions based on the 2012 Mexican presidency's five priorities are broadly shared among the G20 members and beyond. Those decisions are expected to advance global financial and economic stability, promote growth and job creation through structural reforms, make progress towards reforming the international financial institutions, strengthen financial regulation, enhance food security and mitigate commodity price volatility. The summit commitments and their implementation by the G20 and relevant international institutions will show how many of the expectations have been met.

Principles for agenda-setting

Russia, which takes over the G20 presidency from Mexico for 2013, will build its agenda on several principles. First, Russia will focus on the complete and timely implementation of the G20's key commitments in priority areas. Assessment of the progress of that implementation will help identify which pledges of the G20's core agenda have been delivered and which remain fully relevant, and what should be done to provide impetus for further action, collectively and individually.

Second, Russia will concentrate on a limited number of priorities that should balance continuity and innovation, as well as leaving space on the agenda to accommodate emergency issues arising on the eve of the summit (as was the case in Cannes, where the leaders had to work on both the planned agenda and an emergency agenda).

Third, Russia will build on G20's comparative advantages. Bringing together the world's major advanced and emerging market economies, the G20 is an indispensible forum for economic policy coordination. Macroeconomic rebalancing, economic growth, reform of the international financial and monetary architecture, and improving financial regulation should remain at the heart of the G20 agenda.

G20 decisions on economic and financial issues require political leadership, vision and responsibility. The leaders should have more time for strategic discussions

Fourth, Russia will consolidate inclusive strategies, inviting leaders from non-G20 countries and engaging with international and regional institutions. The Eurasian Economic Community may be represented by its general secretary. This will bring Russia's eight regional partners into the G20 process. As surmounting global risks and implementing G20 decisions both on G20 members and on global institutions, the G20 should continue to collaborate in strengthening of the necessary institutions: the United Nations and its International Monetary Fund and World Bank. To complete the work on consolidating the evolution of the Financial Stability Board in 2012, the G20 will reinforce its decisions on strengthening financial regulation.

Fifth, Russia will send a clear message about why the G20 process matters and what its decisions mean to the people. Effective consultation mechanisms with G20 civil society may help upgrade the social dialogue and promote awareness of the forum's contribution to people's well-being and to the global public good.

To make its relevance comprehensible to the global community, the G20 should set up an accountability process, along with the highly technical reviewing process mandated to be done by specialised international institutions. An ongoing official G20 website would help to sustain G20 engagement with citizens, academia and business.

Managing global economic risks

The G20 should focus on managing and mitigating global economic risks arising from chronic fiscal imbalances – the centre of gravity as defined by the World Economic Forum's *2012 Global Risks* report. This risk is exacerbated by the others within the cluster: unmanageable inflation and deflation, recurring liquidity crisis, chronic labour market imbalances and prolonged infrastructure neglect. Four critical connectors, which join the five centres of gravity (economic, geopolitical, environmental, societal and technological) into one system, are also economic: increasing income disparity, major systemic financial failure, the unforeseen negative consequences of regulation, and the extreme volatility in energy and agricultural prices. Most of these issues constitute the G20's legitimate mandate.

Russia's presidency should consolidate the incremental progress made by the G20 on macroeconomic imbalances and financial safety nets, sustain progress on international financial and monetary system reform, and re-energise the impetus for structural reforms. Progress on financial regulation should be coupled with due assessment of unforeseen negative consequences of regulation. G20 members should continue to collaborate to

Canadian prime minister Stephen Harper talks with then Russian president (now prime minister) Dmitry Medvedev at the 2011 G20 Cannes Summit. Russia takes over the G20 presidency in 2013

mitigate volatility in agricultural prices and engage more effectively in managing energy prices volatility. Making restoring growth and employment levels a priority, Russia should boost attention to policies aimed at overcoming income disparities. This will prove G20 leaders' commitment to ensuring a fair and sustainable recovery.

The G20 should consider making employment a formal indicator in the Mutual Assessment Process for strong, sustainable and balanced growth, as proposed by the International Trade Union Confederation and the Trade Union Advisory Committee of the Organisation for Economic Co-operation and Development. Russia's presidency can contribute to overcoming income disparities by promoting the adoption of the G20 action plan to support the implementation of social protection floors at the national level. The G20 should deliver on the commitments to generate investment for infrastructure development as a condition for strong, sustainable and resilient economic growth in developing countries.

Refining the summit structure

With a large number of issues, multilevel coordination, diverse perceptions among the G20 members as well as non-members (including states, international organisations, civil society, trade unions and other actors), the G20 process has become increasingly challenging to manage. The G20 would benefit from a structured dialogue with civil society and academic institutions. Improved coordination within the troika of the outgoing, current and incoming presidencies at different levels may prove an asset to the forthcoming and subsequent presidencies and to the G20's performance and credibility as a hub of global governance.

G20 decisions on economic and financial issues require political leadership, vision and responsibility. The leaders should have more time for strategic discussions. The presidency programme should be planned so that it leaves the details to the meetings of ministers, working groups and experts, and culminates in a summit with fewer seats at the table, thus creating space for the leaders' face-to-face engagement on big issues in a spirit of political vision and solidarity.

This is the way forward for attaining the G20 priorities of responding to crises, protecting against them and making globalisation work for all. ■

The B20's role in G20 governance

The B20 summit, which takes place just prior to the G20 event, gathers together more than 400 chief executives from major corporations to recommend action on tackling global challenges

By Alejandro Ramirez Magaña, chair, B20 Organizing Committee

On 17 and 18 June 2012, just prior to the G20 summit at Los Cabos, Mexico will also host the Business 20 Summit (B20). This event will gather more than 400 chief executives from the most important global corporations to discuss how the private sector can contribute to solving some of the world's most pressing problems.

With this goal in mind, business leaders have engaged in B20 task forces, working closely with other stakeholders to address global challenges such as food security, green growth, employment, transparency and anti-corruption, trade and investment, information and communication technologies (ICTs) and innovation, and financing for growth and development. Participating chief executives have developed plans that begin by asking what business should do before looking at the role of government.

This will be the fourth meeting of the B20, which began in Toronto in 2010 and has been held subsequently in Seoul in 2011 and Cannes in 2012. Each one has played an increasingly constructive and meaningful role in the G20 process. In preparation for the Los Cabos Summit, at the Mexican Organising Committee, the B20 has implemented a number of important innovations:

- Broader multistakeholder perspectives: the B20 included global experts and key members of civil society as full members in its task forces.
- Close links with the G20: the B20 briefed the G20 sherpas regularly and invited government liaisons with each task force.
- Timeliness: the B20 developed detailed recommendations two months before the G20 Los Cabos Summit.
- Optimal focus: the B20 reviewed its draft recommendations with Mexican president and G20 chair Felipe Calderón, in Puerto Vallarta in April 2012, and also participated at the G20 meetings of trade, agriculture and labour ministers, the G20's Development Working Group, and other workshops and forums.
- Continuity and impact: the B20 developed a breakthrough Advocacy and Impact Task Force, in addition to its seven core thematic task forces, to ensure that the recommendations resonate across countries and are carried forward from one year to the next.

The Advocacy and Impact Task Force led the way for the rest of the thematic task forces to prioritise the B20's recommendations and make them actionable by adding the activities required for their implementation. The concrete recommendations proposed for Los Cabos are as follows.

Food security

- Enhance public- and private-sector investment significantly to achieve a 50 per cent increase in agricultural production and productivity by 2030.
- Strengthen national-level food security programmes, supported by public-private partnerships.

Green growth

- At the time of the Los Cabos summit, the B20 will announce the creation of a new set of international financial institutions, development banks (international development finance clubs), companies, banks and private investor groups designed to make practical progress on the green growth agenda within the next 36 months with an initial focus on financing. Initial activities include:
  - Identify and share best practices on risk mitigation and co-investment funding structures for green investment.
  - Support efforts to move away from a project-by-project basis to a portfolio investment approach.
  - Work with G20 leaders to incorporate 'leveraging private finance' as a key performance strategy for international financial institutions and national development banks.

Employment

- Facilitate growth of small and medium-size enterprises (SMEs) and innovative business models: business leaders and associations, with the support of local governments, should commit specific resources to supporting growth and innovation potential along value chains, including identifying and strengthening high-potential SMEs, cooperatives and social enterprises.
- Scale internships and apprenticeships: business leaders and associations, with the support of national and local governments and academic institutions, should commit to a major campaign to scale and improve the image and quality of apprenticeships and internships.

Transparency and anti-corruption

- For government: streamline public procurement processes to address the demand side of bribery and to encourage and further incentivise business action against corruption.
- For the business community: increase participation in collective action and sectorial initiatives to encourage cross-fertilisation through sharing best practices and training materials and engage SMEs through supply chains.
- For joint government and business action: develop a platform of dialogue to promote participation in integrity pacts, support

Mexican president Felipe Calderón addresses the B20 business leaders' meeting that preceded last year's G20 summit in Cannes

efforts to raise SME business integrity standards and identify good practices to facilitate the active cooperation between companies and enforcement authorities.

Trade and investment

- Push for more rapid progress on specific items on the negotiating agenda of the World Trade Organization on a priority basis, to promote the long-term interests of developing and developed economies alike.
- Lead by example in rejecting measures that restrict trade and investment and in promoting measures that enhance them.
- Reiterate support for open cross-border investment as an essential contributor to growth, development and job creation and take concrete steps to advance an international investment agenda.

ICTs and innovation

- Enable broadband for all, which involves an understanding of the unique environment of each country, cost-efficient construction of physical infrastructure and spectrum management, development of new business models for services, and availability of affordable devices and services for consumers to use.
- Develop content and applications for the public good, providing social inclusion through ICTs.
- Provide access to government services, education, banking and real-time information such as flight information, traffic and waiting times for certain services to improve and enable society as a whole.

Financing growth and development

- Recognise the low-risk nature of trade finance and the value it provides for emerging economies, and take action to reverse the unintended consequences of the capital and liquidity treatment of trade finance.
- Support efforts by all countries to increase SME finance through better provision of data on SME credit risk guarantee programmes and a unified national agency that promotes this segment in order to ensure financial inclusion.

True global collaboration

The B20 task force recommendations are the result of true global collaboration. More than 150 leaders and experts from more than 25 countries have worked closely together over the past four months to develop practical solutions to critical global challenges. Distinguished chief executives of global corporations acted as co-chairs of the task forces, providing leadership and focus. Their committed staff provided essential and equally collaborative support in weaving these ideas into actionable recommendations.

The World Economic Forum, the International Chamber of Commerce, and McKinsey & Company have been involved in the B20 for a third year, providing complementary skills and perspectives. The process was additionally enriched this year by the active engagement of the Organisation for Economic Co-operation and Development, which provided invaluable insight and participated actively in all the task forces, and the Fundación IDEA from Mexico, which provided vital support as the secretariat of the B20. Also, Mexico has made an unparalleled commitment to this year's B20 process. The Mexican business associations COMCE and Coparmex played important leadership roles in the Mexico B20 Organising Committee. The Mexican government has shown an impressive commitment, starting with the in-depth involvement of President Calderón in the summit and its activities.

Through the recommendations by the B20 task forces, and in the actions in the months to come, our hope is that the B20 will have made a concrete contribution to rebuilding trust in the global economy and improving the state of the world at this critical juncture. ■

To see the full report of the B20 Task Force Recommendations, visit www.b20.org

Young entrepreneurs are crucial to economic recovery and prosperity

While many of the G20 countries struggle to find ways to stimulate their economies, they should look no further than the young entrepreneurs of today to generate jobs and much-needed growth

By Vivian Prokop, founding chair, G20 Young Entrepreneurs' Alliance, and CEO, Canadian Youth Business Foundation; Francisco Ruiz, president, 2012 G20 YES Mexico, and president, Young Entrepreneurs of Coparmex; and Victor Sedov, president, 2013 G20 YES Russia, and president, Center for Entrepreneurship Russia

Around the world, governments are wrestling with deepening debt levels and stubbornly high unemployment, and desperately looking for ways to stimulate growth and foster further economic activity to stave off another recession.

As the world faces the real possibility of a double-dip recession, the negative affect on young people is staggering. Research by the International Labour Organization (ILO) indicates that young people are three times more likely to be unemployed than adults, with more than 75 million youth around the world seeking employment. Among members of the Organisation for Economic Co-operation and Development (OECD), youth unemployment in 2010 was almost 17 per cent, with Spain reporting rates as high as 42 per cent.

The G20 Young Entrepreneurs' Alliance (G20 YEA), a chartered alliance of leading entrepreneurship organisations representing each of the G20 countries, advocates that long-term economic recovery is possible if a greater emphasis is placed on youth entrepreneurship in the political agenda. While job creation is at the front of the G20 leaders' minds, there is no standing agenda item that puts a focus on the group with the highest potential to do so. Young entrepreneurs (those under 40 years old) not only bring vibrancy and innovation to world economies, but also typically hire youth.

According to *The Power of Many: Realizing the Socioeconomic Power of Entrepreneurs in the 21st Century*, a 2011 report by McKinsey & Company, small and medium-sized enterprises (SMEs) account for 52 per cent of gross domestic product (GDP) and 64 per cent of employment. Start-ups are a significant driver of economic growth, accounting for 36 per cent of variation in economic growth rates.

Entrepreneurship, particularly among young people, is critical for innovation, employment and growth. Ernst & Young's 2011 report *Entrepreneurs Speak Out: a Call to Action for G20 Governments* indicates that, overwhelmingly, what young entrepreneurs around the world require to develop successful businesses are favourable government policies, including access to funding at various stages of the business and encouraging a culture of entrepreneurship. This finding came from a survey of 1,000 young entrepreneurs worldwide.

> ***The G20 Young Entrepreneurs' Alliance aims to provide a voice for young entrepreneurs and to highlight to governments the vital role that they play in the world economy***

When the leaders of the G20 countries gather in Mexico in June, discussions will centre on stabilising economies, strengthening financial systems, improving financial architecture and promoting sustainable development. Through these talks, leaders must consider policies that create the conditions to better support the next generation of entrepreneurs. Now is the time for entrepreneurship to be positioned on the political agenda as a path providing hope for young people. It is the time for G20 leaders to put a stake in the ground with the creation of an entrepreneurship declaration – a long-term G20 action plan that commits to the creation of favourable conditions for fostering more young entrepreneurs to create more jobs, thereby enabling human activism and initiative.

Promoting entrepreneurship

The G20 YEA aims to provide a voice for young entrepreneurs and to highlight to governments the vital role that they play in the world economy. Its main focus is the G20 Young Entrepreneur Summit (G20 YES) series. In June 2010, Canadian prime minister Stephen Harper made history by providing official summit status to the inaugural G20 YES hosted by the Canadian Youth Business Foundation (CYBF). The event welcomed more than 200 young entrepreneurs to Toronto.

Its resounding success quickly led to the formulation of the 'Incheon Charter' only three months later in Korea. In 2011, French president Nicolas Sarkozy provided official summit status to the G20 YES hosted by Les Journées de l'Entrepreneur in Nice, France. Over 500 global entrepreneurs attended, attracting Nobel Peace Prize laureate Muhammad Yunus and OECD secretary-general Angel Gurría.

The 2011 G20 YES called on governments to commit to a process of dialogue and ongoing research with organisations supporting young entrepreneurs to map out a path for collaboration and joint research strategies within and across borders. It also encouraged governments to implement best practices that focus on building fertile 'ecosystems' for entrepreneurs, providing access to financing at multiple stages of the business life cycle and ensuring a supportive entrepreneurial culture is in place.

Mexico's President Felipe Calderón has provided the third official summit status to the 2012 G20 YES hosted by the Young Entrepreneurs of Coparmex. It will once again represent the true voice of youth entrepreneurship, with 500 maverick

Delegates at the 2011 G20 Young Entrepreneur Summit in Nice, France. Their calls for increased support for new business will be echoed at the 2012 summit in Mexico City

entrepreneurs expected to arrive in Mexico City on 2-5 June 2012. It will provide another great opportunity for cross-border business and international networking. It is poised to build on the action items from previous G20 Young Entrepreneur Summits by producing valuable policy recommendations gathered directly from grass-roots young entrepreneurs. These recommendations will be presented in an official communiqué to the G20 leaders.

The Center for Entrepreneurship, Russia's G20 YEA member, will host the 2013 G20 YES. It will focus on creating the entrepreneurial ecosystem and education necessary to increase the number of start-up companies by young entrepreneurs in G20 countries.

Vital component for global recovery

The members of the G20 YEA who make these summits a reality are committed to one core belief – that entrepreneurship be considered a cornerstone of global economic recovery, stability and prosperity.

The G20 leaders should look no further than the young entrepreneurs of today for inspiration. Helping young entrepreneurs to launch their businesses will provide jobs and prosperity to many and will generate revenue to governments to protect vital services and help stabilise national economies. This is a golden opportunity for the G20 leaders to provide a strong coordinated global plan that enables entrepreneurship as a primary path to growth.

We can think of no better legacy for today's G20 governments to leave behind. ■

For more information about the G20 Young Entrepreneurs' Alliance, visit www.g20yea.com

The G20 in retrospect and prospect

The G20 has become a highly effective international forum for collective decisions over global issues from trade to fiscal regulation. The challenge will be to maintain the momentum in the future

By Lawrence H Summers, John F Kennedy School of Government, Harvard University and Matthew J Schoenfeld, Harvard Law School

The G20 was created in the wake of the 1997–99 Asian financial crisis as it became clear that global financial issues could no longer be managed by the traditional G7, made up of rich countries. The scale of emerging economies and their growth was such that they would no longer only be shaped by global economic developments, but would have a powerful role in shaping them. Indeed, today, emerging markets account for well over half the growth in global trade and global financial reserves, as well as global wealth and income.

It is said that one should visit one's doctor before one has a serious medical problem. It is in this way that the first decade of meetings of the G20 finance ministers and central bank governors will be remembered. While important discussions about the policies of the international financial institutions and about issues ranging from money laundering to debt relief for highly indebted poor countries took place, it remained the case going into 2008 that the annual meetings held much the same message.

All this changed in the autumn of 2008 and the spring of 2009. With the world on the brink of financial Armageddon, the G20 met for the first time at the leaders' level in Washington, in November 2008, and then were committed to meet again in London in April 2009. With 90 per cent of global gross domestic product represented, the twin summits were highly productive – perhaps the most successful piece of economic summitry of the past generation.

Four main outcomes emerged: a commitment to avoid protectionism and maintain international integration, a major increase in the support for the international financial institutions, a commitment to macroeconomic policies and a shared commitment to a serious upgrading of global approaches to financial regulation.

While every policy area is different and has its own complexities, there was an element common to all of the successful outcomes. In each case, the G20 enabled countries to pursue strategies that made the world better off when pursued commonly, but that might well not be in the interest of any one country acting unilaterally. The G20 provided a kind of collective reassurance that permitted countries to act in internationally responsible ways, and provided peer pressure that helped leaders surmount domestic political pressures.

The value of a common commitment

Today, it is clear that the world trading system, even under the strain of the Great Recession, has not imploded, despite the evident temptations of protection when faced with rising unemployment. True, the Doha Round has not moved forward in the way many would have hoped. But the more important point is that despite by far the worst downturn since the Second World War, and despite substantial trade imbalances, there has been very little resort to protection, and 'beggar-thy-neighbour' policies have largely been avoided. This reflects, in part, the reduced viability of protectionism as an economic strategy in a world of global supply chains. But it also reflects the common commitment made by the G20 leaders.

The G20 also agreed on measures to ensure the availability of finance for emerging markets. An agreement was reached to triple the financial resources available to the International Monetary Fund (IMF), along with the provision of flexible credit lines to emerging markets with sound policies.

A framework was established in which the World Bank was able to substantially increase its lending, and special support was provided for trade finance. Once again, collective action problems were averted due to the inclusive structure of the G20. The fact that members pledging aid knew that their peers were doing likewise helped facilitate a quick and meaningful commitment. Additionally, countries outside the G7 played a substantial role in buttressing the credit lines – without their involvement and support, the resulting funding measures would have been smaller and probably ineffective. While strong fundamentals played a role, the availability of support on a substantial scale is surely part of the reason why the recent crisis was the first in history where major problems in industrialised countries did not do devastating damage to emerging economies.

A third major outcome of the 2008-09 summits was a common commitment to expansionary policies directed at maintaining

Growth in the emerging markets, such as India, is such that they now have a powerful role in shaping the global economy

global aggregate demand. In the words of the Washington communiqué, the members of the G20 agreed to "use fiscal measures to stimulate domestic demand to rapid effect, as appropriate, while maintaining a policy framework conducive to fiscal sustainability".

A clear mandate

The efficacy of this commitment is supported by the observation that the countries that pursued fiscal policy most aggressively enjoyed the best economic performance subsequent to the summit. Here, too, the collective element was essential. Any country unilaterally increasing demand ran the risk of incurring excessive debts and, in the case of small economies, having much of the demand effect fall outside the country. Hence the case for collective action.

Finally, the 2008-09 summits provided a clear mandate for strengthening financial regulatory cooperation. This is essential, if the unacceptably poor performance of financial regulation is to be addressed. National efforts, no matter how determined, confront the problem of how to deal with supranational institutions that are literally too big for their home countries to save.

There is also the ever-present risk of races to the bottom, and the perennial conundrum of how to resolve cross-border institutions. While none of these issues has been resolved in the past three years, considerably more progress has been made than would have been made in the absence of the G20.

The G20 enabled countries to pursue strategies that made the world better off when pursued commonly, but that might well not be in the interest of any one country

The good news since the London G20 is that the sense of crisis that pervaded the global economy has lifted to an important extent. Growth is established almost everywhere in the world with the exception of Europe. And Europe's problems, while posing global risks, are understood as having their roots in local policy failures.

Unfortunately, with the removal of a sense of crisis, the G20 has become less effective in driving global policy. Recent meetings have emphasised that national policies must respond to national conditions. While a truism, this principle also points towards mutual satisfaction with uncoordinated steps. Worse, the emphasis on demand that was present in 2009 has given way to traditional clichés about sound fundamentals and the like. As a result, it is hard to point to anything since London that would not have happened if the G20 had never been created.

All of this makes the G20 summit in Mexico especially important. The European situation is once again at a critical juncture. The US economy has again not achieved escape velocity. Japan appears to be struggling, and there are worrying signs in both China and India.

Governments throughout the industrialised world are on an unsustainable financial trajectory. And, increasingly, the rewards of what economic success has achieved are going disproportionately to a small minority of the population. There is a hunger for a demonstration that the complex global economy can be managed, amid increasing scepticism.

A successful G20 summit, like those in Washington and London, would take concrete steps that point towards more growth. It would engender confidence that would make growth more likely. A G20 communiqué that read like a cliché would be highly dispiriting. The world will be watching. ■

BRICS RESEARCH GROUP

The BRICS Research Group

The concept of the "BRICS" was first created by Jim O'Neill to refer to the investment opportunities in the large emerging economies. Today, the annual meetings of the leaders of Brazil, Russia, India, China, and now South Africa, which started in 2008, transcend that economic context to embrace a broad range of high-level issues requiring global governance, such as trade and investment, health, food and agriculture, development, energy, environment, climate change, social progress, peace, security and international institutional reform.

Led by Marina Larionova of Russia's National Research University Higher School of Economics and John Kirton of Canada's University of Toronto, the BRICS Research Group aims to serve as a leading independent source of information and analysis on the BRICS institutions and underlying interactions. Documentation from the BRICS and relevant research and reports are published on the BRICS Information Centre website at **<www.brics.utoronto.ca>** and the International Organisations Research Institute at **<www.hse.ru/en/org/hse/iori/bric>**. Together with international partners from the BRICS countries, the BRICS Research Group focuses on the work of the BRICS and diplomacy within the group as a plurilateral international institution operating at the summit level. Particular attention is paid to the relationship and reciprocal influence of the BRICS with other leading global governance institutions such as the G8, the G20 and those of the United Nations galaxy. The BRICS Research Group also conducts analyses of the compliance of the BRICS members with their summit commitments.

The BRICS Research Group is proud to announce its first publication – BRICS: The 2012 New Delhi Summit, published by Newsdesk Media and available online at <www.brics.utoronto.ca/newsdesk> – with guest editor Dr. Yoginder K. Alagh, chair of the Institute of Rural Management Anand and vice-chair of the Sardar Patel Institute of Economics and Social Research and a former minister of Power, Planning, Science and Technology in the Government of India.