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CAN TURKEY BREATHE NEW LIFE INTO THE G20?

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Earlier this month in Istanbul, Turkey hosted the first major event of the G20 year, the annual kick-off meeting of finance ministers. The gathering ended with a bland seven-page communiqué in which ministers agreed to "continue to assess major risk scenarios in the global economy and remain vigilant," yet had little concrete to offer on brewing problems, from widespread deflation to euro-zone fissures to prospective currency wars. This is not all Turkey's fault, but Ankara will have to do better if it hopes to demonstrate the continued relevance of the G20 as the self-described "premier forum for our international economic cooperation" and to show that Turkey punches above its weight in global affairs.

Upcoming Events

- March 5: National People's Congress (China)
- March 17–18: APEC Finance Deputies Meeting (Philippines)
- March 26–27: G20 Sherpa Meeting (Turkey)
- March 31: China's Economic Decision-making at a Time of Transition (CSIS)

Turkey is the fourth of the five so-called MIKTA countries to chair the G20, following Korea (2010), Mexico (2012), and Australia (2014). (Indonesia rounds out this informal grouping of middle powers but has yet to play G20 host.) Previous MIKTA chairs have done a creditable job of managing a sometime fractious forum, whose members also include the advanced industrialized democracies and large emerging economies such as China and India. Ankara has thrown substantial resources and political capital behind its G20 host year in an effort to show that it, too, deserves to be taken seriously as a middle power.

Like all G20 hosts, Turkey faces the challenge of balancing its role as steward of the forum's core agenda with an understandable desire to put its own stamp on the process. Since the G20's creation as a leader-level forum in 2008, it has consistently focused on three main streams of work: promoting strong, sustainable, and balanced growth; strengthening financial regulation; and reforming the international financial architecture. A number of other topics have been added at subsequent summits, including international tax cooperation, anticorruption, energy, and development. Australia last year organized all of these agenda items under two broad headings, "growth and resilience."

In presenting its priorities for the year, Turkey has done its own reshuffling of the G20 agenda but preserved all of the key elements. Ankara has added its own accent by laying out three broad themes, which it calls "the three 'I's": inclusiveness, investment, and implementation. All are worthwhile objectives, but it will be important for Turkey to seek achievable outcomes under each, so the three "I"s do not simply become empty slogans that further undermine G20 credibility.

The Turks have defined inclusiveness to mean ensuring that the benefits of growth are shared more widely within G20 economies and, internationally, by low-income developing countries. These are legitimate objectives, since globalization and technological progress have left many behind and fueled widening inequality. The Turks have emphasized assistance to small and medium-sized enterprises, improving gender equality (building on a G20 leaders commitment at Brisbane last year to narrow the workforce participation gap between men and women by 25 percent by 2025), and tackling youth unemployment. These are all worthwhile targets, though it is less clear how specifically the G20 can promote them.

The second "I," investment, also makes sense. This is not a new G20 topic: Russia put it on the agenda in its 2013 host year, and infrastructure investment was identified as a core pillar of the new G20 development agenda advanced by Korea in 2010. **In a 2014 report, the IMF stressed** the demand-and-supply-side benefits of expanded infrastructure investment across G20 economies, and Australia last year won G20 agreement to a new Global Infrastructure Initiative that, among other things, will promote knowledge sharing between the public and private sectors on infrastructure projects and financing. Turkey apparently wants to build on the Brisbane initiative by encouraging G20 countries to develop individual investment strategies.

But this highlights an underlying problem with Turkey's third "I": implementation. To be sure, following through on commitments is critical to G20 credibility. But in many cases, implementation depends on the willingness and ability of

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individual members to align their domestic policies with the group's commitments — conditions that are often lacking. The most talked-about example is the failure of the U.S. Congress to ratify a package of International Monetary Fund governance reforms approved by G20 leaders in 2010 (which is enormously damaging not only to the G20 but to U.S. global leadership).

The misalignment between G20 commitments and domestic implementation also weighs down the forum's core growth agenda. In renewing their overall commitment to strong, sustainable, and balanced growth, G20 members have agreed at virtually every summit since the first in 2008 to a series of domestic policy actions designed to facilitate the global objective. Australia raised the bar last year by winning agreement to a target of raising global GDP by 2 percent above trend in 2018 and by adding another 1,000 policy commitments designed to achieve that target in the individual growth strategies approved at Brisbane. Yet as made clear by German unwillingness to countenance further fiscal stimulus, or by the difficulty that all members have implementing needed structural reforms, the G20 can lead the proverbial horse to water but can't make it drink.

With U.S. demand as the one major engine of global growth at present, and the economies of Europe, China, and Japan either flat or slowing, the G20 must keep its rhetorical focus on strong, sustainable, and balanced growth. But Turkey should then put the weight of its third "I" — implementation — on areas where the G20 can more realistically collaborate (i.e., in their international economic policies). This includes trade, where the G20 played a useful role in 2013 in nudging forward a multilateral trade facilitation agreement at Bali; Ankara should look for other areas of the global trade agenda — say, services or information technology negotiations — where concrete progress can be achieved this year. International tax cooperation and financial regulation — where the emphasis this year should be on reasserting political direction over the work of regulators in the Financial Stability Board, which has been productive but may have created gaps or unintended consequences — are other promising areas for tangible G20 cooperation in 2015.

Delivering on even this more focused agenda would be hard for any host. But Turkey faces a number of unique challenges in its domestic politics and foreign policy this year. Parliamentary elections in June could tighten President Recep Tayyip Erdogan's grip on power and embolden him to reverse some of modern Turkey's secular traditions. The elections could also mean the departure of the official who has effectively been the country's G20 face to the world, Deputy Prime Minister Ali Babacan. Meanwhile, Ankara will have to cope with a number of distractions around its periphery, from turmoil on its southern borders with Syria and Iraq to this year's 100th anniversary of the Armenian genocide.

But the world should wish Turkey well on its G20 host year. For all its flaws and loss of momentum, the G20 remains an essential pillar of the global architecture, bringing together leaders representing 85 percent of the world economy to solve problems, set a policy agenda for the global economy, build habits of cooperation — and prepare for the next crisis that will inevitably come sooner or later.

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Simon Says…

Turkey has long benefitted from its position at the crossroads of Asia and Europe. Many modern Turkish cities were once important stops on the original Silk Road trading route, and this privileged geography helped make Istanbul (then-Constantinople) for a time the wealthiest city in Europe; with a population of 14.4 million, it remains the largest today. As China starts to put real money behind its vision of a modern Silk Road, Turkey could be one of the main beneficiaries of increased Eurasian trade and finance.

But for Turkey, current events may make its blessed geography feel more like a curse. The country is surrounded by trouble: clockwise from the east, it is bordered by Armenia, Iran, Iraq, Syria, Greece, Bulgaria, and Georgia—and Ukraine is just a boat ride across the Black Sea. As one friend put it to Simon during a recent visit to Istanbul, "You know you've got problems when your most reliable neighbor is Bulgaria."

But don't raise a glass of raki and toast a new era of cooperation between Istanbul and Sofia just yet—a long-planned visit from Turkish prime minister Davutoglu has been held up for more than a year. ■