

## CAN THE G20 DELIVER?

MATTHEW P. GOODMAN AND DANIEL REMLER

As leaders of the world's major economies prepare to gather this month for their tenth Group of 20 (G20) Summit, the question arises again as to whether a forum that proved so useful in crisis can remain relevant in more normal times. This year's meeting in Antalya, Turkey, is unlikely to provide a satisfying answer. G20 leaders will not solve the most pressing problem in today's global economy—weak and unbalanced growth—but they will do enough useful things to hint at the group's promise. To back up the G20's claim to be the “premier forum for our international economic cooperation,” leaders should move away from grand action plans and refocus the group's work on tangible steps toward long-term growth and resilience of the global economy.

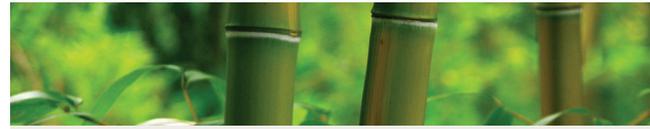
Despite Turkey's ambitions, the Antalya Summit will likely produce few noteworthy outcomes. Exceptions should include a base-erosion-and-profit-shifting (BEPS) action plan, aimed at curbing tax avoidance by multinational corporations, and a strong political push by G20 leaders to the UN climate talks beginning later in the month in Paris. But Turkey has been a distracted G20 host, facing turmoil on its borders with Syria and Iraq and in its own domestic politics, as President Recep Tayyip Erdogan has sought to consolidate power. Thus expectations for substantial summit outcomes should be kept suitably low.

Most important, the meeting is unlikely to do much to advance the G20's lodestar objective of “strong, sustainable, and balanced growth.” Global economic conditions today are about as far from those three adjectives as they could be. China's growth is decelerating worryingly and pulling many commodity-exporting emerging countries down with it; despite recent signs of life, eurozone economies are still under deflationary pressure; and Japan may be on the brink of yet another technical recession. Robust consumer demand in the United States is one of the few engines of global growth. With the Federal Reserve set to begin raising interest rates as soon as December, the risk of volatile global capital flows is high; a new crisis cannot be ruled out.

At least a crisis would underscore the value of the G20 and concentrate members' minds on growth-enhancing policies. But absent a crisis, making progress on the G20's growth agenda is extremely hard to pull off. Leaders can pledge to do more and even set numerical targets, as they did last year at Brisbane when they agreed to put in place policies that would collectively **raise global gross domestic product 2 percent** above trend in 2018. But the monetary, fiscal, and structural policies required to meet this target are decided in individual countries and subject to domestic political bargaining. Thus the growth strategies and action plans that have been announced at every G20 summit since the crisis abated in 2010 have had little more than hortatory effect.

The G20 cannot abandon its foremost objective of growth, but it should try a more realistic approach to getting there. Suppose leaders set out the ultimate destination of strong, sustainable, balanced growth—the city on the hill we are all trying to reach—but set aside action plans in favor of laying down a few “bricks in the road”—small but significant steps that do not reach the ultimate goal at one or even several summits but clearly and credibly point in that direction. Three examples follow.

The first literally involves bricks. Infrastructure investment has been on the G20 agenda for several years, since Korea made it a centerpiece of its development agenda as host in 2010. In advanced countries, the problem of underinvestment in infrastructure is largely a matter of political constraints on spending. But as **argued here earlier this year**, the main problem in less developed countries is not lack of money—there is plenty of liquidity in the public and private sectors ready to invest—but rather lack of bankable projects. This in turn is a function of poor underlying conditions for investment, including difficult geography, uncertain land rights, corruption, and extensive red tape.



### Upcoming Events

- November 15–16: G20 Leaders' Summit (Antalya)
- November 18–19: APEC Economic Leaders' Summit (Manila)
- November 21–22: East Asia Summit (Kuala Lumpur)

### Recent G20 Analysis

- Event: [Preparing for the G20 Summit](#)
- Analysis: [Can Turkey Breathe New Life into the G20?](#)

## CAN THE G20 DELIVER? *(continued)*

Against this backdrop, the G20 has done two useful things to date: endorsing the World Bank's Global Infrastructure Facility, a unit set up in Singapore in 2014 to facilitate the preparation and structuring of public-private partnerships in infrastructure; and, at Brisbane last year, **establishing a Global Infrastructure Hub** to coordinate efforts among governments, the private sector, and development banks. One idea would be for G20 leaders to upgrade the Hub to a more institutionalized forum under their auspices—analogue to the Financial Stability Board (FSB)—to tackle the underlying impediments to infrastructure investment and establish G20 standards for environmental, social, and other safeguards associated with lending in this area. All of this would be timely in light of the **debate about these issues** prompted by China's establishment of an Asian Infrastructure Investment Bank.

A second area where the G20 could do more to build “bricks in the road” is trade. Since their early summits, leaders have consistently made two commitments on trade: to maintain a standstill on new protectionist measures, and to work to conclude a multilateral round of trade liberalization. Frustrated by persistent failure to achieve a comprehensive deal under the Doha Development Agenda, leaders in 2013 focused on giving a strong political push to concluding a small but significant part of the multilateral agenda: a trade facilitation agreement. Their success in this regard could be a model for G20 efforts going forward; leaders could usefully nudge forward one of the many sectoral negotiations now underway—on information technology, services, or environmental goods.

A third area where the G20 has already done useful and tangible work is financial regulatory reform. The FSB has made significant progress in reducing the risks that emerged in the 2008 crisis, strengthening bank capital requirements and seeking to ensure that no bank is “too big to fail.” But this has largely been a conversation among U.S. and European regulators, leaving many other G20 participants on the sidelines. As China takes up the host role in 2016, it may be time to consider shifting the G20's financial agenda more toward addressing impediments to capital market development. Last summer's volatility in the Chinese stock markets, and the bungled policy response, highlighted the risks in this area. Deeper, more liquid capital markets are needed in most G20 emerging economies if long-term growth is to be sustained.

If the 2008 Olympics and last year's Asia-Pacific Economic Cooperation (APEC) meeting are any guide, China can be expected to take its G20 hosting responsibilities seriously. Beijing will want to be seen as an able steward of an organization it helped to found, while adding its own accent to the agenda. While pointing squarely at the G20's ultimate destination of strong, sustainable, balanced growth, Beijing could usefully seek to lay down a few more bricks in the road in 2016.

*Matthew P. Goodman is senior adviser for Asian economics and holds the William E. Simon Chair in Political Economy at CSIS. Daniel Remler is research assistant with the Simon Chair. Global Economics Monthly is published by the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author. © 2015 by the Center for Strategic and International Studies. All rights reserved.*

## Simon Says...

While they may not help build a road, an estimated 400 billion Lego bricks have been produced since 1958. But the Danish company refuses to let one creative mind play: Chinese dissident Ai Weiwei. Ai had **purchased a bulk order of Legos** for a new art project on freedom of speech, but the company refused to supply the bricks on the grounds that it could not “approve the use of Legos for political works.” Supporters from across the globe **have forcefully responded by donating Legos** en masse in solidarity with the artist. London's Royal Academy, which is currently hosting an exhibition of Ai's works, has encouraged visitors to dump Legos into a BMW parked in the gallery's courtyard that will then be shipped to Ai. Lego's decision is perhaps understandable given its bottom line: **China is the largest market for Legos** in the world, and the company will soon open a new Legoland theme park in Shanghai. ■

Given the proliferation of G20 outreach groups, from the B20 for business to the T20 for think tanks, it is perhaps no surprise that an F20 appears to be in the works. British celebrity chef Jamie Oliver, best known for his frequent appearances on television lecturing West Virginians and slaughtering live lambs, **has launched a global petition** urging the G20 leaders to provide children with food education in school. The charismatic restaurateur announced the petition in March at his Food Revolution LIVE event inside the Sydney Opera House, calling attention to the global obesity epidemic. He does have a point: **according to the World Health Organization**, 42 million children under the age of 5 were overweight or obese in 2013. Sadly, most of these are in G20 countries; the World Food Program estimates that roughly 100 million children in the developing world are underweight. ■