

G20 UPDATE

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A Wedding of the G20 and the B20?



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Implications for Democracy and Civil Society

Geopolitics	B20	Jobs	Mexico	Must Read & Knowledge Box
Geopolitical Perspectives on the G20 Carlos Heredia, Director of International Studies at CIDE (Mexico), provides a sweeping history of the evolution of the power blocs within the G20, the challenges facing global governance, and the performance of the Mexican government in addressing these challenges at the upcoming Summit.	Selected Highlights of B20 Draft Recommendations to the G20 Aldo Caliarì of Center of Concern (USA) and Nancy Alexander of HBF-No. America describe the close relationship between the Business 20 and G20 and present the B20's recommendations for policies related to food security, green growth, climate finance, employment, and trade and investment.	The G20 and the Problem of Unemployment Alberto Arroyo Picard of the Autonomous Metropolitan University and the network RMALC (Mexico) describes the problems with Mexico's economic model, including high unemployment, and compares the diagnoses and prescriptions for these problems provided by the Business 20 and the Labor 20.	Mexico's Track Record: A Cautionary Example for the G20 Manuel Perez-Rocha of the Institute for Policy Studies (USA) describes the performance of the Mexican government in each of the priority areas addressed by the G20: economic growth and job creation; financial stability; financial exclusion and food security; and sustainable development.	Knowledge Box: Which Countries Are More Addicted to G20? By Sarp Kalkan (TEPAV) Page 18 Must Read: Inclusive Green Growth, Page 19 Must Reads: Infrastructure & Financial Regulation, Page 20
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Introduction

Implications of the Alliance between the G20 and the Business-20 (B20)

By Nancy Alexander, Director, Economic Governance Program, Heinrich Boell Foundation-North America

The eurozone crisis hijacked the French G20 Summit and shows every sign of doing the same at the Mexican Summit, as fear of a Greek exit ("Grexit") from the eurozone morphs into panic over Spain ("Spanic"). (See [analysis](#)).

Ever since the US-triggered global financial crisis, the G20 has taken a zig-zag policy path between stimulus (2008-2009) and austerity (2010-2012) with governments cowering in fear of the bond markets and their electorates. The body, including eurozone leaders, has been unable to find a middle ground that would salvage or create desperately needed jobs and social protection programs in fiscally responsible ways. Instead, they are perceived as perpetuating a cycle of privatizing gains and socializing losses of corporations, particularly financial institutions.¹ This dynamic creates inequality and impoverishment, while fueling the myth that taxpayers cannot afford to stop the desecration of the planet. In the spirit of the Occupy and Indignados movements, these will be among the themes of civil society events in the run-up to the Mexican Summit. (see Box 1 below)

In fact, G20 actions have profound implications for human and earth rights. In the "Must Read" section, "A Bottom-Up Approach to Righting Financial Regulation: The Group of 20, [Financial Regulation and Human Rights](#)" argues that, while it is proper to not confuse the G20 with a formal institution, let alone one with human rights mandates, its member countries should not evade their responsibility to uphold human rights obligations. (see p. 20) Another "Must Read," which assesses the World Bank's new publication "[Inclusive Green Growth](#)" and, despite the word "inclusive" in the title, the publication short-changes the role of equality, human rights, and poverty reduction in achieving sustainable development. (see p. 19)

In his article, **Geopolitical Perspectives on the G20**, Carlos Heredia, Director, Division of International Studies of the Center for Research and teaching in Economics (CIDE) contrasts the proponents of extreme austerity, which risks choking off growth and production, with proponents of stimulus and investment. The former approach creates "double jeopardy" in that it sacrifices the masses to

preserve privileges for the elites, while distracting Leaders from seeking lasting solutions to global crises.

Ever since the US-triggered global financial crisis, the G20 has taken a zig-zag policy path between stimulus and austerity

In addition to providing a sweeping history of the evolution of the G20 and the power blocs within it, Heredia compares Mexico's leadership at the December 2010 climate negotiations (The Conference of Parties (COP-16)) in Cancun with its leadership at the upcoming Summit. At the climate talks, the Government of Mexico had the power that comes with being a host country with its own proposal and the political will to promote it. But, in hosting the G20, Heredia says that the government lacks a national strategy to reform the status quo on global issues. (See Box 2: Priorities for the Mexican G20 Agenda.)

CSO Events in Mexico City & La Paz

From June 13-19, 2012. Click [here](#) for the agendas of these meetings.

June, 13 | Mexico City

- The G20 From a Feminist Perspective
- Forum on the Universal Right to Energy

June, 13-15 | Mexico City

- New Paradigms & Public Policies in Global Agriculture & Food Systems

June, 14-15 | Mexico City

- International Seminar – Alternatives to the G20

June, 16-19 | La Paz, Baja California Sur

- Summit of the People



Priorities of the Mexican G20 Summit Agenda

1. Economic stability and structural reform for growth and employment.
2. Strengthening of financial systems and procurement of financial inclusion for economic growth.
3. Improve international financial architecture in an interconnected global economy.
4. Mitigate negative effects on price level and volatility of commodities, in particular those affecting food security.
5. Promote sustainable development with focus on infrastructure, energy efficiency, green growth and financing the fight against climate change.

Heredia's views on the consultation process between the Mexican Government and CSOs are featured, below. (see Box 3: "The G20 and Civil Society: Outreach without Impact")

Why has the G20 – the "premier forum for international economic cooperation" – failed to stop the financial crises? Is it getting the right advice? Is it captive to key interests? In their article, **Selected Highlights of B20 Draft Recommendations to the G20**, **Aldo Caliaari of Center of Concern (USA)** and **Nancy Alexander of HBF-North America** examine the intimacy between the G20 and the Business 20. While not necessarily wedded, the B20 and G20 are close allies that hold their Summits back-to-back in the same location, so that world Leaders can mingle with Chief Executive Officers of the largest transnational corporations.

This month, the B20 and G20 Summits and the Rio+20 Conference will be held back-to-back:

- the Business-20 (B20); June 17-18, Los Cabos, Mexico
- the Group of 20 (G20); June 18-19, Los Cabos, Mexico
- the UN 2012 Earth Summit (Rio +20); June 20-22, Rio de Janeiro, Brazil



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This article presents the B20's draft recommendations in seven areas. In the areas of food security, green growth, infrastructure and climate finance, the G20 and B20 may launch a "Dialogue Platform on Inclusive Green Investment" to dramatically increase pools of public funding to leverage private investment. In the food security area, corporations have collaborated to prepare a model "public-private partnership" for replication around the world.

The priorities of the B20 are reinforced by the new [reports](#) to the G20, including one by the World Trade Organization, that chastises countries for taking trade-related measures (e.g., industrial planning, local content requirements, domestic preferences in government procurement) that, used properly, have often boosted domestic employment and production.

According to **Sarp Kalkan of the Economic Policy Research Foundation of Turkey (TEPAV)**, Mexico is the country most dependent on trade with other G20 countries, while India, China, and Indonesia are the least dependent. Kalkan's graphic: "Which countries are more addicted to G20?" is so stunning because it illustrates that some of the fastest growing countries are the least dependent on external trade. (See Knowledge Box, p. 18)

In his article, **The G20 and the Problem of Unemployment**, **Alberto Arroyo Picard of the Metropolitan Autonomous University and a civil society network (RMALC)** in Mexico describes the problems with Mexico's economic model, including high unemployment, and compares the diagnoses and prescriptions for these

problems provided by the Business 20 and the Labor 20. Arroyo describes Mexico's low rates of growth and job creation, the vast numbers of the "invisible" unemployed, and the rise in precarious jobs.

He cites the L20 statement to Labor and Employment Ministers in May 2012, claiming that the G20 had "failed to

deliver" on its commitments and promises from previous Summits to boost employment. Arroyo commends the trade unions for challenging the austerity ethic which – taken to an extreme – leads to a collapse in growth, violations in worker rights, and declining job quality. He points out that, ironically, the B20 understands that job creation is needed to increase aggregate demand, promote growth, and address social discontent. Therefore, logically, it should embrace the L20 agenda. If the B20 does not, it may fail to achieve its goal of saving the private sector.

New to the G20?

To find out more about the G20's history, the power dynamics and the issues the group addresses, click on the link below.

[INTRODUCTION TO THE G20](#)

In his article, **Mexico's Track Record: A Cautionary Example for the G20**, **Manuel Perez-Rocha of the Institute for Policy Studies (USA)** says that, since the summitters will be cocooned in the luxurious and secluded resort of Los Cabos, it is important to provide a "reality check" with regard to the performance of the Mexican government in each of the priority areas addressed by the G20: economic growth and job creation; financial stability; financial exclusion and food security; and sustainable development.

In this sobering account, Perez-Rocha describes the trends in illicit transfers, foreign ownership of the financial

system, speculative flows, rising indebtedness, declining rates of food production, increases in the incidence of hunger, and ways that mining and tourism are impacting the environment and the rights of local communities. He outlines the features

of a new economic model which, among other things, strengthens production for the internal markets, applies capital controls to stem capital volatility, increases support for small farmers and local companies, and transitions to renewable energies.

References

1. The IMF's former Managing Director Strauss-Kahn warned that "ultimately, we must extricate ourselves from the ruinous cycle of privatized gains and socialized losses." (click [here](#) to read the speech).

The G20 and Civil Society: Outreach without Impact

Principles for engagement

During its Presidency of the G20, the Mexican government has set out the principles for "[Dialogue with civil society](#)," including openness, transparency, access to information, and respect." At the February 2012 annual meeting of the G8/G20 civil society working group, CSOs also presented their [principles for participation](#) including their desire "to influence the final position of the Government, through the exchange of ideas and proposals through a true dialogue informed public and to society. We do not want to talk to talk."

CSO role

Policy formulation or catharsis? The Mexican government's active [calendar of engagement](#) with CSOs, particularly on the role of the G20 in the global development agenda. However, as Heredia states in his article, "although the Mexican government emphasized the importance of listening to different voices, it did not submit any framework document or policy options to the discussion. Nor did it reveal its assessment of proposals from CSOs. In other words, it was not a real exercise in public policy formulation, but a kind of catharsis for the CSOs."

Timing

Moreover, the timing of consultations sometimes doomed CSO input to irrelevancy. An international G20 seminar in Mexico City on May 7 was scheduled to follow rather than precede a meeting of the G20 Development Working Group (DWG). Therefore, civil society missed an opportunity to provide input to the DWG before its meeting and, instead, learned about the [decisions](#) of the DWG after the fact.

Leadership from Host Country CSOs

In the aforementioned international seminar, the Mexican government put Northern CSOs in many more leadership positions than CSOs headquartered in Mexico or Latin America. This was awkward for Northern CSOs who consider themselves guests of Mexican civil society when working with the Mexican government.

G20 Mexico Compared to the G8 U.S.?

If one compares the outreach and dialogue with non-state actors by the Mexican and U.S. governments, Mexico comes out "smelling like a rose." The U.S. engaged in a few, last minute dialogues with CSOs prior to the G8 Summit in Camp David and lacked any process for CSOs to obtain media accreditation.

Geopolitical Perspectives on the G20

By Carlos Heredia, Director, Division of International Studies of the Center for Research and Teaching in Economics (CIDE) in Mexico City and member of Citizens' Initiative for the Promotion of a Culture of Dialogue, A.C.

The primary world challenge is that of democratizing global governance. The unipolar world no longer exists, and the center of gravity of the global economy is moving from the North Atlantic to the Asian-Pacific region, while new centers of power arise in other regions as well.

The economic and financial crisis unleashed in 2008 came on top of other challenges, such as transnational organized crime, climate change, human migration and mobility, as well as failing states. The Bretton Woods institutions are lagging behind in dealing with these major challenges. In the industrialized countries, economic and political polarization leads to the fatalistic attitude that "poverty and inequality have always been with us." This attitude becomes an excuse to preserve privileges for the elites.

Therefore, the emergence of movements such as Occupy Wall Street and Indignados (Indignant Ones) is not an accident. These movements identify the root cause of these crises as the growing concentration of economic power and the gap between the 1% of the population which accumulates wealth and the 99% which lacks the means to shape their own destiny.

Due to the magnitude of the challenges, it is essential to move away from unilateral solutions and to identify multilateral approaches to resolving crises through cooperative

The emergence of movements such as Occupy Wall Street and Indignados is not an accident

mechanisms. Countries are "on trial" because the economic interdependence among them is more profound than ever. The issue is: do nations have the political will and capacity to agree on critical global policies?

With regard to the G20, this essay asks whether this question can be answered affirmatively. It is based on a geopolitical perspective and on an assessment of current issues and actors.

global economic stability and sustainable growth.

The G20 was born in 1999, when Finance Ministers and Central Bank Governors began meeting annually. In 2008, the severity of the global financial crisis turned the G20 into a meeting of Presidents and Heads of State. Its work is structured in two areas: senior financial and monetary authorities are in charge of one area, while the sherpas, who are usually officials from Ministries of Foreign Affairs, are in charge of the other.

The Group of Seven (G7), created in 1976, included only Western and Northern industrialized countries. The inclusion of Russia in 1997,

turned the G7 into the Group of Eight. Russia's inclusion was justified primarily by its 'conversion' into a market economy and its military power, not by the G7's desire to diversify its membership.

The nature of global economic governance shifted to include some of the most populous countries with the emergence of:



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A bit of history

The G20 includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States, and the European Union. It aims at promoting the coordination of policies among these governments, in order to achieve

- the G8+5 (Brazil, China, India, Mexico and South Africa) in 2003. The emerging market countries acted as a consulting body to the G20.
- the BRIC (Brazil, Russia, India and China) in 2001 – which became the BRICS when South Africa joined in 2011. During this century, some of these will

overtake the U.S. to become the largest economies.

- The TIMBIs (Turkey, India, Mexico, Brazil and Indonesia). In 2011, ten years after the introduction of the acronym BRIC, the TIMBIs – which are all G20 members – emerged. The nations in this group are characterized by having a market economy, a democratic political regime, and a more favorable demographic profile than many countries in Europe and Asia, where populations are rapidly aging.¹

The G8, plus the BRICS and TIMBIs (with Brazil as a common member), plus the inclusion of some emerging economies with influence at regional level and the European Union, resulted in the G20. This group has already held six summit meetings (Washington, DC in November 2008, London in April 2009, Pittsburgh in September 2009, Toronto in June 2010, Seoul in November 2010 and Cannes in November 2011).



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How representative, influential and efficient can the G20 be in terms of mobilizing our societies to address the great challenges facing mankind?

How representative, influential and efficient can the G20 be in terms of mobilizing our societies to address the great challenges facing humanity? Today, this group represents 90% of global output, 80% of world trade, and 66% of the global population. However, it remains to be seen what functions the G20 will perform. Will it be a body for consultation and non-binding decisions? Or, will it become an essential tool of global governance – a forum, in which major tensions are resolved and global decisions are made?

The G20 can be seen as a maxi-G8, or a mini-UN General Assembly

Regional geopolitical dynamic of the G20 member countries

The G20 can be seen as a maxi-G8, or a mini-UN General Assembly. All of its members are nations with a major influence in global issues, both at regional and global level. Some say that its composition lacks representativeness and legitimacy. This essay reviews the geopolitical role of member states from each continent:

a) Asia-Pacific:

China and India are the most populous countries in the world in the most economically dynamic region. According to the historian Angus Maddison, one or the other of these countries was the world's most powerful during the first 17 centuries of our era, before being displaced by Great Britain in the 18th and 19th centuries, and the United States in the 20th and 21st. The third major world economy is **Japan** and, in May 2012, it agreed to begin a dialogue with China and **South Korea** as the basis for a three-nation trade pact and, ultimately, the more controversial goal of reaching a Free Trade Agreement. This treaty will compete with the Strategic Trans-Pacific Partnership Agreement (TPP), a trade liberalization initiative spearheaded by the United States with about nine countries, possibly including Japan. To date, neither China nor South Korea are taking part in the TPP negotiations. The three neighbors from Northeastern Asia are divided by political distrust, trade barriers and disagreements on investment matters, as well as by regional concerns about the military and economic expansion of China.²

Australia functions like a bridge between West and East, while there are three Muslim countries that play a key role:

- **Indonesia**, the country with the biggest Muslim population in the world, leads the Association of Southeast Asian Nations (ASEAN).

- **Saudi Arabia** remains being the bellweather of the global oil market while
- **Turkey**, half way between Asia and Europe, functions as a hinge between continents, cultures and religions.

b) The Americas:

Canada, Mexico and the **United States** are partners in the North American Free Trade Agreement (NAFTA). However, Canada and the United States have favored their bilateral relationship rather than the trilateral agreement. The question of whether President Obama will be re-elected is a key determinant of the future economic prospects of the global superpower.

At the Southern region of the hemisphere, **Argentina** and **Brazil** are partners in MERCOSUR and both countries are engaged in commercial disputes with Mexico about the automotive trade.

The trade blocks in both North and South America seem to have primarily regional implications; they may not constitute platforms for forging a common global future for their members.

For its part, Brazil seeks a permanent seat in the UN Security Council, at almost any cost, but neither Argentina nor Mexico support its candidacy.

c) European Union (EU):

Nowadays, **Europe** is the most problematic region in the global economy. The EU is increasingly divided into Northern countries (Austria, Germany, Netherlands and the Scandinavian states) on the one hand, and Southern and Eastern Europe, on the other. The collapse of Greece poses a major challenge to the future of the eurozone and jeopardizes fragile economies, particularly Italy, Portugal and Spain.

b) Africa:

Africa has only one representative in the G20, **South Africa**. Neither Nigeria nor Egypt are members of the G20 club – although Nigeria is the most populous country on the

continent and Egypt is the country with a greatest political weight into the Arab world, which, together with its neighbors, is experiencing a process of democratization with an uncertain outcome.

The G-2?

Since the 15th Conference of the Parties (COP) of the UN Framework Convention on Climate Change, held in Copenhagen, Denmark, in December 2009, many observers from the international scene warn that, on global issues, we are seeing the gradual rise of the so-called G2, which includes only the two major global economies: the People's Republic of China and the United States. These are absolutely key players in order to address any major global issue.

The role of the G20: bringing global solutions

Since 2008, schools of thought regarding the solutions for the global economic crisis are deeply divided. On the one hand, the orthodoxy of international financial institutions promotes the dogma of 'austerity': ending the over-indebtedness of governments and cutting public spending. While there is little money to fund public services or invest in growth, vast public funds are being spent to bail out private banks. The German Chancellor Angela Merkel represents this "austerity" view of public policies and ideology.

On the other hand, Keynesian, social-democratic schools of thought argue that the fiscal rigor imposed by Merkel is not sufficiently effective to address the crisis. Instead, they preach a formula to beat stagnation consisting of the expansion of public spending, the investment in infrastructure, a financial transactions tax, and stricter regulation on financial markets. This line of thinking is represented by the newly-elected President of France François Hollande, who suggests a more flexible approach to budget cuts, arguing that, otherwise, countries are at risk of choking off growth and production. This approach has been echoed by unexpected allies, such as the President of the European Central

Bank, Mario Draghi, and the President of the European Council, Herman van Rompuy.³



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A recent report by the International Labor Organization asks how to get out of the 'austerity trap'?, which fosters job loss, instability, and social protest. The truth is that the austerity measures imposed by governments are being criticized by citizens, who are fed up with tightening belt, paying more taxes, and seeing their salaries reduced, while the privileges of the economic and political elites remain untouched.

Nobel-prize winning economist Paul Krugman, a Professor at Princeton University, argues that the underlying problem is the weakness of global demand, therefore austerity is counterproductive and what is necessary is increased public spending.⁴

Professor Krugman also points out that neither American corporations nor American consumers are spending enough. Therefore, the U.S. government should spend more, for example, providing debt relief to homeowners who cannot afford their mortgages, investing in infrastructure projects (e.g. roads and bridges), extending aid to states and municipalities, and strengthening social safety nets and programs for the poorest.

Krugman: American economy will remain weak for a long time unless policy makers respond to pressure from citizens and take action to stimulate the economy and end the depression

Krugman's diagnosis and recommendations go against Washington's conventional wisdom, which dictates that 'austerity' – government spending cuts and dramatic deficit reduction – is the way to get the economy back on track. Krugman argues that austerity is the wrong prescription, which will not only fail to achieve its intended goal, but also accelerate economic decline. The economist argues that people are starting to see the highly destructive effects of the policies orchestrated in Europe, where austerity has not achieved its professed goal of creating economic growth. Krugman points out that the American economy will remain weak for a long time unless policy makers respond to pressure from citizens and take action to stimulate the economy and end the depression.⁵

The G20 Mexican Presidency

Mexico took over the Presidency of the G20 in December 2011. On 18 and 19 June 2012 the seventh Summit of the G20 Heads of State will take place in Los Cabos, Baja California Sur, Mexico. The Mexican Presidency has defined five priorities: economic stability; international trade; financial regulation; food security; and climate change and sustainable development.

The G20 Development Working Group focuses on three priorities: infrastructure, food security, and green growth. The Foreign Affairs Ministry has conducted vigorous outreach to Mexican and international civil society organizations (CSOs), particularly on the role of the G20 in the global development agenda. However, although the Mexican government emphasized the importance of listening to different voices, it did not submit any framework document or policy options to the discussion. Nor did it reveal its assessment of proposals from CSOs. In other words, it was not a real exercise in public policy formulation, but a kind of catharsis for the CSOs. Additionally, the Mexican Presidency – and more specifically the Ministry of Treasury and Public Credit – has chosen to give prominence to agreement on financial issues – over and above agreements on other global issues.

Prospects for Mexican leadership

One could compare Mexico's leadership at the December 2010 climate negotiations (The Conference of Parties (COP-16)) in Cancun with its leadership at the upcoming Summit. At the climate talks, the Government of Mexico had the power that comes with being a host country with its own proposal and the political will to promote it. But, in hosting the G20, the government lacks a national strategy to reform the status quo on global issues.

Regarding the issues that are excluded from the Los Cabos agenda, it is important to mention the fight against organized transnational crime and financial intelligence and the link between such intelligence and the integrity of the financial system. There are two reasons for excluding these issues:

- a) the reluctance by the US government to change the 'war on drugs' paradigm, which insists on coercive policies that lead neither to a reduction in the demand for drugs nor an end to arming organized crime and the resulting spiral of violence, and
- b) the lack of an alternative to the Mexican government strategy for fighting drugs and drug dealers in order to emphasize the prevention of the violence arising from drug dealing – particularly crimes such as murders, kidnappings and extortion, which are the most common threats to the daily lives of Mexican citizens.

Beyond Los Cabos

In November 2011, in response to the request of the French presidency of the G20, the British Prime Minister, David Cameron, submitted a document on global governance issues with the following central themes:

- a) Maintaining the power of 'informality' and the role of the Leaders in directing G20 activities; increasing the contact with non-member countries, international institutions and other actors;



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formalizing the 'troika' (former, current and future presidency) in order to prepare summits;

- b) Prioritizing those areas in which enhancing governance would have the biggest impact, for example, strengthening the capacities of the Financial Stability Board, reinforcing the role of the World Trade Organization, and improving coordination of economic policies by enhancing the IMF's response capacity and surveillance.

- c) Adopting shared principles to guide the development of standards or rules that govern the world economy (e.g., incorporating tax transparency, anti-corruption mechanisms and programs for sustainable development), as well as the need for joint work in areas such as energy and environment. Cameron underlined his preference for a clear definition of the mandate of the current institutions, rather than the option of creating new ones.

The next G20 Summits will be held in Russia (2013), Australia (2014) and Turkey (2015). In all probability, the global crisis will persist over these three years. The Cameron governance agenda is inadequate in relation to global challenges. In my opinion, it is necessary to go beyond the conventional agenda of the Leaders to pose three essential questions:

1. Will Northern and Southern countries, as well as Western and Eastern ones be able to find a way to

share power and responsibilities within the G20? In other words, how will new forms of power-sharing and burden-sharing transform the Group into an effective global governance instrument?

2. Will the G20 be given a formal mandate, either from the UN or from the International Financial Institutions, with clear principles relating to representativeness? This is necessary in order for the G20 to acquire the political authority to enforce its resolutions while still respecting the framework of international law.

3. Beyond agreements about the financial crisis, will the G20 become a forum in which the concerns of ordinary people about the real economy and jobs can be addressed? Or, will the G20 avoid global solutions to the dynamics that primarily extend privileges to economic and political elites?

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Selected Highlights of Business-20 (B20) Draft Recommendations to the G20¹

By Aldo Caliari, [Center of Concern](#) (USA), and Nancy Alexander, Heinrich Böll Foundation-North America

The [calendar](#) of B20 and G20 meetings shows an intense relationship between the two groups and back-to-back Summits in Los Cabos – with the B20 meeting on June 17-18 and the Leaders meeting on June 18-19. G20 Leaders have already accepted some B20 recommendations, which have been vetted in G20 ministerial and Sherpa meetings and at the April meeting of the World Economic Forum (WEF)-Latin America in Puerto Vallarta, Mexico.

In preparing its [draft recommendations](#), the B20 facilitated task forces focused on: "Green Growth," "Food Security," "Trade and Investment," "Employment," "Transparency and Anti-Corruption," "ICT and Innovation," and "Financing for Growth and Development." Guidance was provided by McKinsey and Company, International Chamber of Commerce and the WEF, among others.

If accepted by the G20, many of these recommendations would have far-reaching implications. For instance, the B20 Trade and Investment Task Force is asking the G20 to place trade and investment on the G20's permanent agenda (including through "periodic meetings of [G20] trade ministers" who would be in "ongoing dialogue" with the B20).²

Such meetings and dialogues would exclude the 173 countries which are not members of the G20. Therefore, if Leaders accept this

recommendation, it would institutionalize exclusionary trade negotiation practices. In the WTO context, such practices are symbolized by the "green room" where the big players make deals and present them as "faits accomplis" to the rest of the membership.



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Moreover, formal engagement by the B20 in the assessment of trade and investment policies, as proposed, would also give the transnational business sector an unprecedented degree of access to decision-making, while excluding countervailing views from non-governmental actors -- communities, workers, and small- and medium-sized enterprises.

Exclusionary processes would dramatically change trade and investment policies. For instance, a review of the trade and investment reports presented to the French G20 Summit (see footnote 1) shows that many G20 governments are taking measures (e.g., implementing capital controls; giving procurement preferences to local manufactures; employing industrial policies) that could become illegal, depending on interpretations of existing trade and investment agreements and outcomes of future negotiations.

Additional selected highlights of the B20 draft recommendations follow:

Food Security

With support from McKinsey and Company and the World Economic Forum, 17 corporations (Archer Daniels Midland, BASF, Bunge, Cargill, The Coca-Cola Company, DuPont, General Mills, Kraft Foods, Metro, Monsanto Company, Nestlé, PepsiCo, SABMiller, Syngenta, Unilever, Wal-Mart Stores and Yara International) developed a public-private partnership (PPP) [model](#). The B20 recommends that this model –

currently being piloted in 11 countries – be widely replicated. The B20 also recommends the continuation of the the High-Level Public-Private Dialogue on the G20 Food Security Agenda.

Citizens should question the top-down process for designing and implementing the PPP model. They should ask whether the largest transnational agricultural corporations in the world are likely to champion an agroecology revolution, which abandons business-as-usual practices.

Citizens should question the top-down process for designing and implementing the PPP model

Green Growth

The B20 announces that the G20 Summit will launch a new partnership among companies, banks, international financial institutions, private investors, and the International Development Finance Club (IDFC). Its purpose is to dramatically increase pools of public funding to leverage private investment to address green growth and the priorities of the UN Sustainable Energy for All initiative. The B20 recommends that the performance of national and multilateral banks be judged by the success of their strategies to leverage private financing. The International Development Finance Club would map support (and the extent of leveraging) from development finance institutions for green infrastructure.

Citizens should question whether precious taxpayer dollars will be shoveled into corporate welfare or whether they will achieve a “triple bottom line”

Citizens should question whether precious taxpayer dollars will be shoveled into corporate welfare or whether they will achieve a “triple bottom line” – including environmental and social as well as economic benefits – that can be verified by third parties. (See next paragraph for a more complete description of the risks of leverage).

Climate Finance

The B20 has the same approach to climate finance and “green growth” – namely, using public money to achieve a “multiplier effect” by leveraging private investment. Specifically, the B20 recommends expanding the “existing successful funds,”³ such as the Climate Investment Funds (CIFs), to leverage private sector investment through PPP ventures and “fund of fund” investments that support cost recovery, reduce private sector risk, and guarantee a specified level of profitability.⁴

The B20 also supports the Green Climate Fund, particularly the creation of a dedicated private sector facility with separate management structures and operational guidelines.⁵



Civil society groups want the GCF (which is under the auspices of the UN Framework on Climate Change) to be the primary international financial institution for climate finance – not the CIFs.⁶ Therefore, they see continued financial support to the CIFs as a threat to this goal.⁷

In addition, certain forms of leverage do not support sustainable development because, among other things, they are top-down (potentially undercutting national/local development plans) and lack transparency. The B20 seeks high levels of leverage (where \$1 in public money could leverage at least \$4 in private money).⁸ High leverage diminishes the potential for a healthy “triple bottom line” with social and environmental returns that are commensurate with economic returns. In this regard, it is critical to go beyond a narrow definition of “climate finance” (solely focused on emissions reductions) to include equity and (non-climate related) ecological concerns.

Employment

The G20 recommends pilots of a) fast-track infrastructure investments with long-term employment benefits; b) structural labor market reforms that provide incentives to workers to find employment without undermining social protection. Such

reforms would support “employment security” rather than “job security;” and c) scaling-up of financing and partnerships for qualifying small- and medium-sized enterprises.

Financing for Growth and Development

To rapidly expand access to financial services, the B20 would create a favorable legal environment for provision of financial services by promoting property rights and foreclosure laws and considering the elimination of interest rate and profit caps while, at the same time, attempting to limit the over-indebtedness of customers through risk analysis.

Information Communication Technology (ICT) and Innovation

The B20 would facilitate the development of data bases that would enable rapid progress toward universal access to broadband, while also ensuring market liberalization and competition to promote investment in telecommunications networks.

Trade and Investment

Ironically, the Task Force calls for strengthening the WTO and the multilateral trading system at the same time that it promotes plurilateral agreements (by “coalitions of the willing”), particularly in trade in services. Liberalization of services (e.g., environmental, industrial, health, education, financial) is highly problematic. For instance, country commitments to liberalize financial services already pose a barrier to implementation of regulatory measures needed for international and domestic financial stability.

The B20 Trade and Investment Task Force is only one source of proposals on these topics. The proposals of three other Task Forces follow:

a) Transparency in Government Procurement

The B20 Anti-Corruption Task Force calls for the G20 to “Signal their clear support for re-initiating negotiations within the World Trade Organization (WTO) for a multilateral agreement on worldwide standards for procedures and transparency in government procurement, based on the WTO Government Procurement Agreement.” Developing countries rejected proposals to negotiate this agreement in 2003 because, among other things, they saw transparency as an initial step toward liberalization of government procurement, which is the largest single market for goods and services in the world.

b) Trade Finance

The B20 Task Force on Financing for Growth and Development welcomes a study by International Organizations on ways that financial regulatory reform (e.g., capital and liquidity requirements) can have unintended consequences on developing and emerging economies, such as constraining the availability of trade finance. It suggests ways to adapt regulations to relieve these constraints.

c) Sustainable Energy Trade Agreement

The B20 Green Growth Task Force proposes a Sustainable Energy Trade Agreement (SETA) – another plurilateral agreement for like-minded countries to work “within existing World Trade Organization (WTO) arrangements” to expand trade in environmental goods and services (e.g., by eliminating tariffs, local content requirements, and other non-tariff barriers and coordinate industrial and technical standards).

The SETA could have adverse impacts, especially on poor countries. For instance, historically, countries promote employment and development by providing “local content” in production processes. Rules that permit Least Developed Countries to provide “local content”

are one of many ways of recognizing that these countries should bear “differentiated responsibilities” in comparison with advanced economies. However, for any economy, local manufacturing of energy-related technologies (e.g., solar or wind) is a source of technology development and green jobs. SETA could preclude countries from pursuing such strategies. In addition, SETA could define “sustainable energy” in to include water- and other hydropower-related sectors. Were this the case, countries might experience heavier pressure to liberalize this sector than they do in the context of other WTO negotiations (e.g., the General Agreement on Trade in Services (GATS)).⁹

Promising Recommendations?

The B20 could have positive impacts if it chooses to put its weight behind recommendations, such as the following:

- Remove fossil fuel subsidies and channel saved resources into public goods
- Eliminate agriculture export subsidies and phase out cotton subsidies
- Increase access to financing options for SMEs targeted as high priorities, such as loan guarantee schemes, seed investment capital pools and tax incentives for investors in young and small enterprises
- Remove subsidies for first generation biofuels; Conduct impact assessments of biofuel policies
- Reinforce land rights, including for informal or customary rights of smallholder farmers; Empower women farmers to secure access to land, water and other rights; Follow the Voluntary Guidelines for the Tenure of Land, Fisheries, and Forests agreed by the UN Committee for World Food Security (CFS).

The Risk to Democratization of Global Governance

One cause of the global financial crisis was the “capture” of governments by financial institutions,

which paralyzed the processes of oversight and regulation of the financial sector. The B20 recommendations for systematic collaboration with the G20, which are much more extensive than could be recounted in this short article, are a recipe for advancing the “capture” of G20 governments, thus excluding the voices and interests of non-G20 member governments and constituencies worldwide.

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1. The Final Report: “B20 Task Force Recommendations” (102 pages) is embargoed until June 17, 2012. Except for eliminating the language on agriculture subsidies, the points in the draft report are maintained in the final report.
2. The B20 proposes: a) periodic meetings of trade ministers between the summits at head-of-state level, b) involvement by the B20 in the WTO’s “trade policy reviews” of country performance, and c) involvement by the B20 in the reviews of investment measures conducted by the Organization for Economic Cooperation and Development (OECD) and the UN Conference on Trade and Development (UNCTAD). See [recent reports](#) by WTO, OECD, and UNCTAD.
3. According to the B20, these include the Climate Investment Funds managed by the World Bank and the regional development banks; the Global Climate Partnership Fund sponsored by European and international institutions as well as a new Climate Public-Private Partnership (CP3) of the Asian Development Bank.
4. In 2011, the G20 asked the World Bank to be the lead author of a report on provision of long-term climate financing (see: [G20 Climate Finance report](#)). This report highlighted the role of multilateral development banks in using public funds to crowd in, or leverage, private investments.
5. This model would be analogous to the International Finance Corporation (IFC), which operates as the private sector arm of the World Bank.
6. For a critique of the CIFs, see [here](#).
7. Read [article](#).
8. For an explanation and critique of the concept of leverage, see [here](#).
9. For instance, under the negotiations of the WTO’s General Agreement on Trade in Services (GATS).

The G20 and the Problem of Unemployment

By Alberto Arroyo Picard, Metropolitan Autonomous University and member of the Executive Board of the Mexican Network of Action against Free Trade ([RMALC](#))

This article analyzes the documents, including views and proposals on the issue of unemployment, of two groups in dialogue with the G20:

- the Business 20 (B20),¹ which is comprised of big companies from the G20 countries, working with support from McKinsey & Company, the International Chamber of Commerce and the World Economic Forum, and submitted to the pro-tempore presidency of the G20;
- the Labor 20 (L20), which had a document drafted by the international trade union groups.

Both sets of documents were prepared for the G20 Summit to be held in Los Cabos, Baja California Sur, Mexico, on 18-19 June 2012. We will see that there are not only deep differences between the perspectives of the business and labor organizations, but also a disparity in the way that the pro-tempore Mexican presidency of the G20 treats them.

The B20 proposals to address unemployment fail to question or modify the dogma of the Washington Consensus: in other words, the free trade framework. For these reasons, we will use the case of Mexico as a good example of the consequences of such policies. In spite of the conclusive data about the failure of this model in Mexico, Felipe Calderón, as pro-tempore President of the G20, dares to strongly criticize

The B20 document proposals to address unemployment fail to question or modify the dogma of the Washington Consensus: the free trade framework

Latin American countries for distancing themselves from this model.

Before addressing the aforementioned differences in perspective between the B20 and L20 (as referenced above), we will briefly address two issues:

1) the magnitude of unemployment and the problems of the official measurement, and

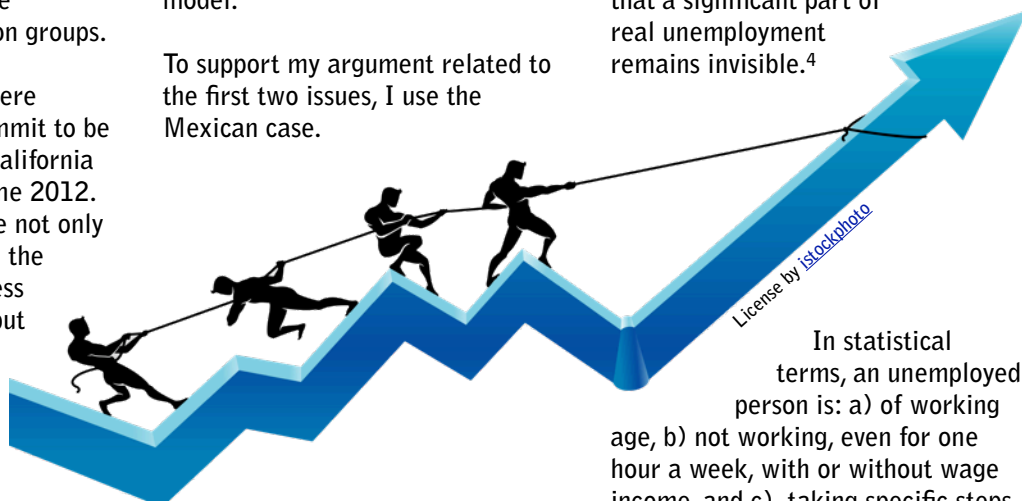
2) the need to change the economic model.

To support my argument related to the first two issues, I use the Mexican case.

1. The magnitude of unemployment and the problems of the official measurement: the case of Mexico

In many of his speeches, President Calderón boasts that Mexico's situation is superior to that of Europe and the United States, thanks to his free market policies and fiscal discipline. Nothing could be further from the truth as some official data show. In the last 28 years (1982-2010) the mean per capita growth rate was 0.5%; throughout Calderón administration (2006-2010) it has been -0.57%² and, if we include the year 2011, it show a slight positive uptick. Compared to the rest of Latin American countries, Mexico ranks 25th among 34 for which there is comparable information.³

Calderón's promises to be the employment president are unfulfilled. It is true that, according to the official data, Mexico does not have the double digit unemployment rate that we see in most developed countries. But, this is because, in Mexico and other countries lacking unemployment insurance, people are forced to accept precarious jobs in order to survive. Moreover, at the international level, there are counter-productive definitions of "unemployment" and methodologies used to measure it, which ensure that a significant part of real unemployment remains invisible.⁴



In statistical terms, an unemployed person is: a) of working age, b) not working, even for one hour a week, with or without wage income, and c) taking specific steps to seek paid employment.

The problem is that, in Mexico and in many other countries, many workers want to work and have spent time seeking a job, but lost hope of finding one. As soon as they stop taking specific steps to find a job, they are no longer considered "unemployed." In statistical terms, all of them are the "invisible unemployed." In terms of unemployment statistics, there is another group of unemployed people, mainly women, who are more invisible. In response to the National Survey on Occupation and Jobs they state that they are not available to work; even though they express a desire to work, they lack the necessary social support (e.g., day-care for children or the elderly or help for the sick).

Below, the data reveal the extent of invisible unemployment. In December 2011, there were 2,437,409 recognized as “unemployed” (4.8% of the EAP), but the invisible unemployed (mostly women) numbered 8,779,037. Hence, the real number of unemployed was 11,216,446 – almost five times the official number.

I think that this overly simple and direct link between growth and employment permeates both the B20 and L20 documents. The Mexican model of growth based on the external sector (export-orientation and deregulated foreign investment) and on the extraction of natural resources, has a poor record of job creation (particularly creation of

markets) has also caused a decline in salaries. Workers are no longer strategic consumers and their purchasing power is less important to the economy; the key is to sell abroad, to people with high purchasing power. In Mexico, between 1976 and 2011, the minimum wage lost 76.5 per cent of its purchasing power.

Important data on unemployment and invisible unemployment (last quarter 2011)

	Total	Women	Men
Economically active population	50,273,465	19,321,698	30,951,767
Employed	47,836,056	18,406,757	29,429,299
Unemployed	2,437,409	914,941	1,522,468
Inactive available (those who have lost hope of finding a job)	6,272,699	4,326,352	1,946,347
Inactive not available (those who lack the social support to work outside the home)	2,506,338	2,246,207	265,099
Total invisible unemployment	8,779,037	6,572,559	2,211,446
Total real unemployment	11,216,446	7,487,500	3,733,914

To see the entire picture of unemployment, one must also consider the massive number of precarious jobs.

decent jobs). Moreover, as we have seen, growth has been flat.

Mining creates very few jobs and makes only modest contributions to growth, but its costs are high; it damages the natural environment and communities which lose their land become dispossessed. As a consequence of tax incentives, mining companies do not even pay significant taxes while they are extracting national wealth.

Some indicators on employment precariousness (last quarter 2011)

Condition	Total
Employed without health care access	30,827,169
Wage-earners without other benefits	12,437,894
Employed in critical conditions of occupancy	5,261,966
Incomes up to 1 minimum wage	6,368,797
Informal employment	13,988,128

2. To generate jobs it is necessary to change the economic model: the case of Mexico

It may be an inconvenient moment to address the concept of development and the idea of growth without limits, yet it is obvious that the G20 does not consider it. In addition, it is necessary to highlight that growth is not sufficient to create jobs: “jobless growth” is a plague of modern times.

In Mexico, reliance upon the export sector as an engine of growth has undermined salaries and working conditions; its record of job creation is poor. But, the pattern of reliance is maintained in order to reduce prices of goods, enhance competitiveness in international markets, and attract foreign capital.

The pattern of production for exports (rather than production for local

The economic dynamic is left to market logic and the rules of free trade agreements, but in practice, national production and supply chains are often fragmented. The level of local content in Mexican exports has dramatically fallen. For example, in the manufacturing sector (about 83% of the average annual level of Mexican exports), local content has decreased from 83% in 1983 to about 30% today.⁵ Under these conditions, the growth in the export sector (the main growth driver in Mexico) tends to export more jobs abroad than are created in Mexico.⁶

In summary, the impoverishment of populations due scant and precarious jobs explains, in part, the lack of growth. Most of the companies in Mexico (which are small- and medium-sized) cannot grow because they do not have clients. The big export companies (the only ones that are growing) purchase their supplies abroad. The purchasing power of the domestic population is not increasing.

Of course, growth is necessary, but not sufficient, to create jobs. What matters the most is whether or how the growth strategy achieves employment and sustainable development.

In order to ensure job creation, the Trade Unions must diagnose the national problems and advance proposals for a change in the economic model.

What matters the most is whether and how the growth strategy achieves employment and sustainable development

3. A comparison between the B20 and L20 approaches

a) The G20 favors the B20 over the L20 views

While the G20 formally recognizes the L20 as a privileged actor, the B20 is its closest partner – the one which it listens to and heeds. This group submits its proposals directly to President Calderon, the sherpas, and ministerial groups. It also participates in the preparatory meetings for the Summit. In May 2012, the L20 submitted its statement to Labor and Employment Ministers, claiming that the G20 had “failed to deliver” on its commitments and promises from previous Summits. It describes how, although the G20 recognizes the problem of unemployment as a crucial one, its actions have sometimes made things worse.

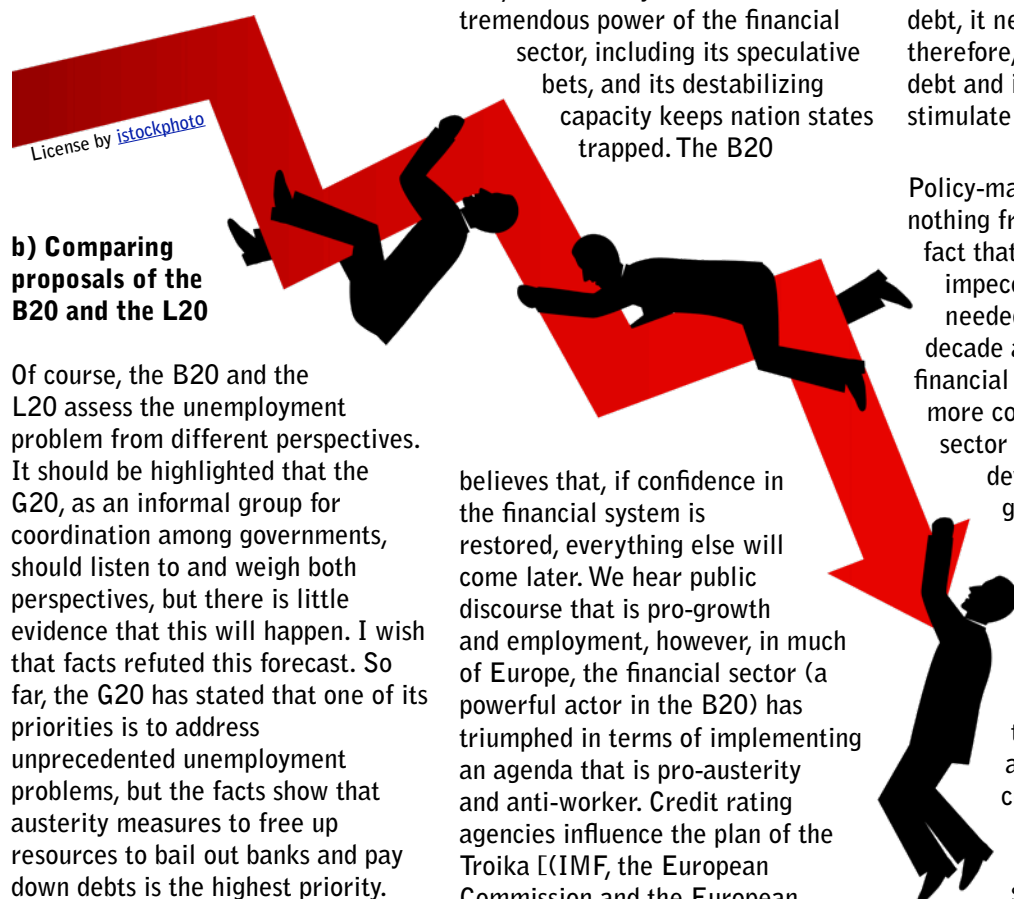
the importance of employment, even acknowledging that job creation is in the best interests of employers.

In fact, the group points out that, in addition to being the main source of social unrest, unemployment undermines growth by diminishing the level of aggregate demand for goods and services. The B20 also recognizes that governments have a narrow scope for action to address unemployment due to the huge public deficits and debts that plague many developed countries and the need to restore confidence in the financial system, by ensuring its solvency. In general, it is not a current priority to utilize counter-cyclical policies in order to promote growth and job creation (as is noted by many economists as well as the L20).

The B20 states that governments are limited by this financial reality. In fact, it should say that the tremendous power of the financial sector, including its speculative bets, and its destabilizing capacity keeps nation states trapped. The B20

This same sector prevails in Portugal and Spain. It is a matter of paying to save banks and, to do so, using public resources.

When some claim that “there is no alternative” to austerity, they mean that public debts must be serviced through higher taxes on ordinary people, job cuts in the public sector, pension reductions, and cuts in spending (e.g., health and education). In the 1980s, this “structural adjustment” or “austerity” path was taken in Latin America, leading to disastrous outcomes. The region also witnessed the plight of the IMF’s star “student,” Argentina (from 1999 to 2002), when the country became over-indebted, despite closely following the IMF’s advice. Ultimately, the government took the dramatic step of defaulting on its debt. The government of Argentina claimed that, in order to service its debt, it needed to grow and, therefore, it would renegotiate its debt and implement a strategy to stimulate economic expansion.



b) Comparing proposals of the B20 and the L20

Of course, the B20 and the L20 assess the unemployment problem from different perspectives. It should be highlighted that the G20, as an informal group for coordination among governments, should listen to and weigh both perspectives, but there is little evidence that this will happen. I wish that facts refuted this forecast. So far, the G20 has stated that one of its priorities is to address unprecedented unemployment problems, but the facts show that austerity measures to free up resources to bail out banks and pay down debts is the highest priority. The measures taken in the Eurozone are recessionary and people – particularly workers – are shouldering the costs of the crisis, through mass dismissal in the public sector, cuts in pensions and wages, increased taxes, reductions in health and education spending, etc. In its diagnosis, the B20 recognizes

believes that, if confidence in the financial system is restored, everything else will come later. We hear public discourse that is pro-growth and employment, however, in much of Europe, the financial sector (a powerful actor in the B20) has triumphed in terms of implementing an agenda that is pro-austerity and anti-worker. Credit rating agencies influence the plan of the Troika [(IMF, the European Commission and the European Central Bank (ECB))] when they downgrade the credit rating of Greece, since this increases interest rates. By so doing, they exacerbate financial problems. Financial institutions are pressuring the new socialist French president to accept the German plan for the eurozone.

Policy-makers seem to have learned nothing from this story, despite the fact that the logic of Argentina was impeccable. To pay its debt, it needed to grow. In the last decade and since the global financial crisis, power has become more concentrated in the financial sector and the volume of debt in developed countries has grown so large that the international financial system is increasingly vulnerable to destabilization.

Trade unions should call on the G20 to adhere to the analysis that in order to create jobs it is necessary to grow, and not only focus on bailing out the financial system. The nationalization of losses and privatization of gains exacerbates inequality.

The B20 suggests five steps to create jobs:

1. Commitment to investment in strategic infrastructure, but within the framework of the financial limitations imposed by austerity, there should be public-private partnerships (PPPs); in other words, privatizations.
2. Structural reforms in the labor market, in other words, "flexibility". This approach emphasizes reducing working hours instead of dismissing workers and anti-worker measures that are common in Europe.
3. Growth of small- and medium-sized enterprises (SMEs) and innovative business models.
4. Enhanced collaboration between business and education institutions to retrain workers.
5. Increasing the number of internships and trainees.

The L20 recommends a different approach:

The L20 challenges the logic of postponing growth, ostensibly to save the financial system at the expense of workers. The L20 recognizes that investment in infrastructure is a good way to grow and generate

employment, but not within the logic of "austerity," which minimizes the role of the public sector.

The L20 also suggests measures ensure decent jobs, or high quality employment, as a condition for maintaining and creating jobs. Rather than pursuing "flexibility" in the labor market, the L20 recommends strengthening the capacity of labor ministries and unions in order to end precarious and irregular jobs and income disparity, paying special attention to the gender dimension. In any case, the reforms should be implemented jointly, by government and labor unions working together.

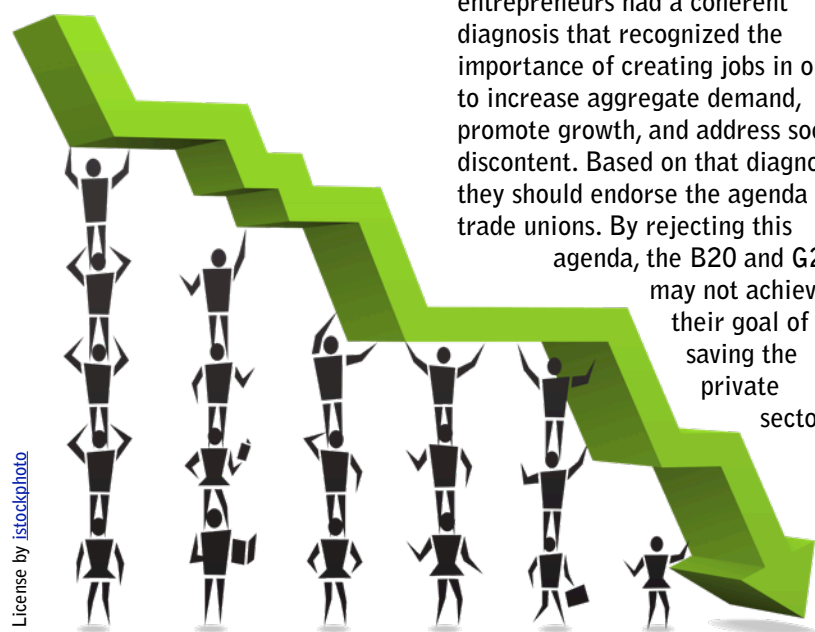
The L20 recommends the retraining of workers and the increased use of interns and trainees (at entry level jobs) and maintaining job quality by respecting the ILO's "Fundamental Principles and Rights at Work," including collective bargaining arrangements with labor unions.

It also suggests a pact on youth employment and demands that the G20 follow through on its endorsement of the creation of a social protection floor in each country.

In short, trade unions are challenging the austerity ethic, which has been taken to an extreme in many countries leading to a collapse in growth, violations in worker rights, and declining job quality. B20 entrepreneurs had a coherent diagnosis that recognized the importance of creating jobs in order to increase aggregate demand, promote growth, and address social discontent. Based on that diagnosis, they should endorse the agenda of trade unions. By rejecting this agenda, the B20 and G20 may not achieve their goal of saving the private sector.

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Mexico's Track Record

A Cautionary Example for the G20

By Manuel Pérez Rocha, Associate Fellow, Institute for Policy Studies ([IPS](#)) in Washington, D.C.¹

The key [priorities of Felipe Calderon's government for Mexico's presidency of the G20](#) include the important issues of economic growth and job creation, financial stability and inclusion, food security, and sustainable development. However, in each of these areas, Mexico itself has a very poor track record. Calderon has continued to champion a neoliberal agenda of deregulation and privatization, despite dismal results for the majority of Mexicans. Since the summiteers will be cocooned in the luxurious and secluded resort of Los Cabos, a reality check is in order.

Since the summiteers will be cocooned in the luxurious and secluded resort of Los Cabos, a reality check is in order

1. Low levels of economic growth and creation of precarious jobs

Calderon has stated that "notwithstanding the bad economic management choices in the past, today it [Mexico] is a different country than in the past, more responsible, as it is reflected by its growing economy, with low inflation and employment generation." In fact, Calderon's term (2006-2012) is characterized by the slowest growth since 1954, a mere 1.58% in average from 2007 to 2011 and, [according to World Bank indicators](#), between 2007 and 2010, GDP per capita in Mexico decreased by 3.71%, which is among the [worst performance in Latin America](#).

If we compare Mexico with Brazil and Argentina (the other Latin American countries in the G20) the results of different economic strategies are evident. In the same five year period, real annual growth in Brazil and Argentina averaged 4.38% and 6.64%, respectively (the

Latin America's average being 3.56%). These countries rely heavily on domestic market growth, as well as on sub-regional integration, while Mexico relies on exports to the United States. Consequently, Mexico suffered more from the 2007 - 2008 economic crises than any other country in the hemisphere. After several decades of export - oriented policies promoted by the World Bank, the IMF and the North American Free Trade Agreement (NAFTA), Mexico lacks a strong internal market that could compensate for the decline of demand from the United States.

According to the OECD, since 2008, [informal employment in Mexico](#) has grown steadily while the creation of formal jobs has dropped sharply, particularly among young people. In fact, during the 12-year tenure of the National Action Party (PAN) under Presidents Vicente Fox and Felipe Calderon, 10.8 million new jobs have been created. [Three out of every 4 of these new jobs are in the informal sector, where workers](#) lack the benefits and pensions to which they have a right. Also, under Calderon, [salaries in Mexico have lost 42% of their purchasing power](#). As a result, during Calderon's term, more than 10 million people have [joined the ranks of the poor](#). According to official statistics [51.3% of Mexicans now live under the poverty](#) line (and 18.8% suffer from hunger).

2. Financial instability and exclusion

Mexico's financial performance is characterized by increasing levels of illicit transfers, high concentration of foreign ownership in the

sector, an increase in speculative flows, and rising indebtedness.

Illicit transfers

During Calderon's term, the illicit transfer of funds increased by 150% compared to the previous term. According to [the Bank of Mexico](#), some 47.3 billion USD have [flowed out of Mexico through "non-identified channels"](#). A [recent study by the Global Financial Integrity](#) finds that illicit financial flows from Mexico have more than doubled since 1994, reaching a yearly average of 12.7% of GDP, given that "NAFTA removed many barriers to trade and investment between Mexico, Canada, and the United States; it also freed up the market for legal and illegal transactions."

Foreign ownership

Another risk to Mexico's financial stability is the high concentration of foreign ownership of its financial system. [According to the IMF](#) "concentrated loan portfolios increase credit and contagion risks, which are not sufficiently monitored and addressed by current regulations and supervisory practices." Two of the four major banks in Mexico are Spanish and the [deterioration of Spain's economy has affected their ability to provide credit to Mexican clients](#).



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This situation makes it more difficult for Calderon's to achieve his aim of increasing "financial inclusion." Far [fewer Mexicans have bank accounts compared to the Latin American average](#). The percentage of Brazilians with such accounts is twice as high as in Mexico.

Speculative flows

The share of foreign investors holding Mexico's internal debt has quadrupled since Calderon took office (to 28% in 2010), which in part reflects the entry of massive amounts of speculative money. Several institutions such as the World Bank and the United Nations express concern that these flows could suddenly reverse course. Mexico would need to draw down its foreign reserves and resort to greater reliance on debt. In [2010, the level of portfolio investment \(stocks and government bonds\) surpassed the level of foreign direct investment for the first time](#). In [2011 FDI and portfolio investment reached 19.4 billion USD and 41.1 billion USD respectively](#).

Rising indebtedness

In contrast to Europe and its financial crisis, Calderon presents Mexico as a [haven of financial stability](#). However, Mexico's stable image rests on [growing indebtedness](#). During Calderon's term the total debt (internal and external) of the public sector has more than doubled from \$1,985 billion pesos to 4,848 billion pesos (or 346.5 billion USD) in 2011, which equals 34.2% of the GDP. Moreover, the Bank of Mexico is increasingly in need of [using foreign reserves](#) to keep the peso afloat from heavy devaluation pressures.

3. Food insecurity and the jump in food prices

Calderon's pretense of leading food security and tackling the volatility of commodity prices is preposterous given the exclusion of farmers from the credit system, the lagging agricultural GDP, the rise in food imports, and the steep rise in food prices during his Presidency. Moreover, the governments of the

National Action Party (2000 to date) have vigorously continued the process of dismantling Mexico's food security system. This process was started by policies imposed by the IMF and the World Bank in the 1980s and by NAFTA since 1994.

Financial Exclusion

Financial exclusion can doom Mexico's small farmers because their lack of access to credit puts them at a disadvantage vis à vis large subsidized agroindustrial giants. In 2007, the percentage of farms with access to credit and insurance was only 2.6% and 0.2% respectively, compared to 16.9% and 4.3%, in 1991.² Also, when Mexican farmers borrow, they are charged exorbitant interest rates ranging from 8 to 20% compared to the rates for producers in the U.S. (0.5% to 2.5%) and Brazil (0.5 to 3.0%). Also, [only 10% of persons older than 15 in rural Mexico have a bank account](#) (compared to 33.6% in rural Latin America, 44.4% in Argentina, and 51.9% in Brazil).

Lagging agricultural GDP

Since 2000, Mexico's agricultural GDP has grown at a paltry yearly rate of 1.3% on average, which is half of the annual 2.6% rate that prevailed during the previous decade. From 1940 to 1982, before the adoption of the neoliberal model (when state support mechanisms were in place), the sector grew at rates ranging between 3%-8% annually. In fact, since 2000, Mexico has had one of the worst agricultural growth rates in Latin America and the Caribbean, only superior to Cuba and Haiti.

Food Imports

While some Mexican agro-exports have grown under NAFTA, food imports have grown more rapidly, resulting in an increasingly negative agricultural trade balance. Mexico's accumulated deficit under NAFTA amounts to 31.9 billion USD (agriculture and livestock) and 45.5 billion USD (food industry). These trends have grown under the PAN presidencies.³

Since 2000, Mexico has had one of the worst agricultural growth rates in Latin America and the Caribbean

Since 1994, food import dependency has continuously increased in Mexico. The percentage of grain and oil imports jumped from 23.1% to 37.8% between that 1994 and 2010. In the last five years of Calderon's presidency, [Mexico has spent 53.18 billion USD to import food](#). The price of tortillas, the basic Mexican food staple, has tripled since 2005, largely because of the [increased use of maize to produce ethanol](#).

The outcome has been an [unprecedented increase in hunger in Mexico](#). In 2011, the U.N. Special Rapporteur on the [Right to Food Olivier De Schutter noted](#) that Mexico's public agricultural budget is "highly regressive" because "most agricultural programs fail to target the poor." He further points out that although "the right to food is recognized as a constitutional right in Mexico," the country lacks "a comprehensive national strategy for the realization of the right to food." He recommends, among other things, that Mexico "ensure that its agricultural policies make a more effective contribution to combating rural poverty."

4. Environmental deficits and violation of indigenous rights

Calderón strives to present himself as an environmental president. But, in reality, his government has a [disastrous environmental record](#). For example, it has granted mining concessions to hundreds of foreign companies that extract gold, silver, copper and other metals. These companies pay few or no royalties and leave behind a highly toxic legacy. As of 2010, [724 mining projects were recorded across the country](#). Mining concessions dominate almost a [third of Mexico's land area](#) (56 million hectares) and the government emphasizes [the "potential" for mining in the remainder of the country](#).

Mining companies have extracted more gold and silver under the Fox and Calderon regimes than they did during the three centuries of Spanish colonial period

Mining companies have extracted more gold and silver under the Fox and Calderon regimes than they did during the three centuries of Spanish colonial period. This has occurred without respect for the indigenous rights established under the ILO Convention 169, including the right to consultation and associated property rights. The Calderon government has given rights to [Spanish wind energy companies to operate in the region of the Tehuantepec Isthmus](#). This has violated the property rights of indigenous communities which have not been consulted and do not benefit from these projects. The struggle of communities to protect their environment from mining and energy projects has resulted in persecution, imprisonment, exile and the assassination of community leaders.

During the Climate Change Summit in Cancun (COP16), Calderon said that the world [needed "a new paradigm"](#) and promised that Mexico would take steps to increase the use of renewable energy. Yet, despite the fact that Mexico's oil reserves will last only 10 more years, the government has done very little to establish a [transition to renewable energy](#).

Tourism also plays a role in Mexico's environmental degradation. All along Mexican coasts tourist projects are threatening or destroying the natural environment, including [Cabo Pulmo](#), which is close to the G20 Summit site of Los Cabos. Seventy five percent of the country's [mangroves have already been destroyed](#) as well as several coral reefs.

Rather than promoting agroecology approaches that would provide greater self-sufficiency in food production, Calderón has continued to support export oriented, agroindustrial, monocrop farming based on pesticides, fertilizers and the overuse of water and energy. The use of genetically-modified organisms is also an important issue. The use of genetically-modified organizations is also an issue. UN Special Rapporteur De Schutter states, "the cultivation of transgenic maize in Mexico poses acute risks to the diversity of native maize landraces⁴, given the unknown effects of genetically modified maize coexisting with non-genetically modified maize in the country's complex environmental conditions."

[Mexico's environmental deficit](#) (officially accounted for with the Total Costs for Exhaustion and Environmental Degradation indicator) reached roughly 70 billion USD in 2010 (7.2% of the entire GDP). This means that the reports of Mexico's paltry economic growth in the last years are over-optimistic; its economy has actually contracted.

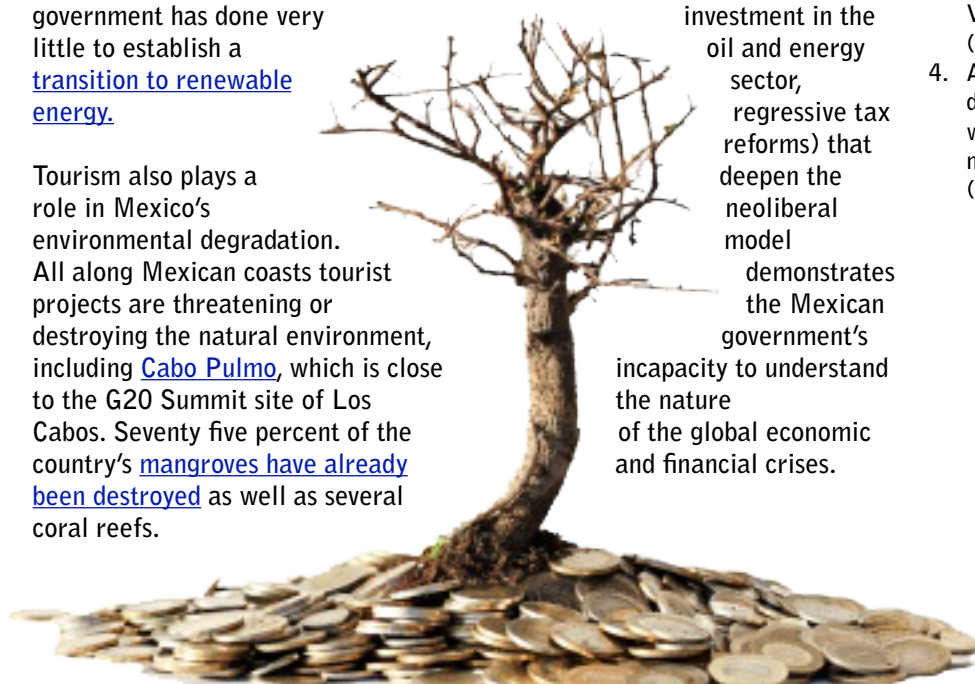
Conclusion

In leading the G20, Calderon has a major challenge because, according to many indicators, Mexico is clearly lagging. The obstinate pursuit of "structural reforms" (labor flexibility, private investment in the oil and energy sector, regressive tax reforms) that deepen the neoliberal model demonstrates the Mexican government's incapacity to understand the nature of the global economic and financial crises.

Calderon has been blatant in his defense of the failed system. For instance, in reference to the sovereign policies of countries, including Brazil and Argentina, [he declared that](#) "the big mistake of Latin America is to think that the way out is to protect national markets from trade and to protect national interests from foreign investment". On the contrary, while trade and investment can be engines for growth, the G20 leaders should seek to address the causes of the present global crises by strengthening production for the internal markets, applying capital controls to stem capital volatility, increasing support to small farmers and local companies, and transitioning to renewable energies with the full consent and participation of indigenous and local communities.

References

1. With thanks to Nancy Alexander, Sarah Anderson, Enrique Pérez and Victor Suarez at ANEC, Alberto Arroyo and Alejandro Villamar at RMALC.
2. Mexico's national agricultural and livestock census.
3. The information on financial exclusion, lagging agricultural GDP and food imports, unless otherwise cited, was taken from the document "La agricultura mexicana en la primera década del siglo XXI: El fracaso de la alternancia de derecha y de la continuidad neoliberal" by Víctor Suárez Carrera (www.anec.org).
4. A "landrace" is a local variety of a domesticated animal or plant species which has developed largely by natural processes, by adaptation (read article on [Wikipedia](http://en.wikipedia.org)).



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Knowledge Box

Which countries are more addicted to G20?

By Sarp Kalkan, Economic Policy Analyst, Economic Policy Research Foundation of Turkey ([TEPAV](#))

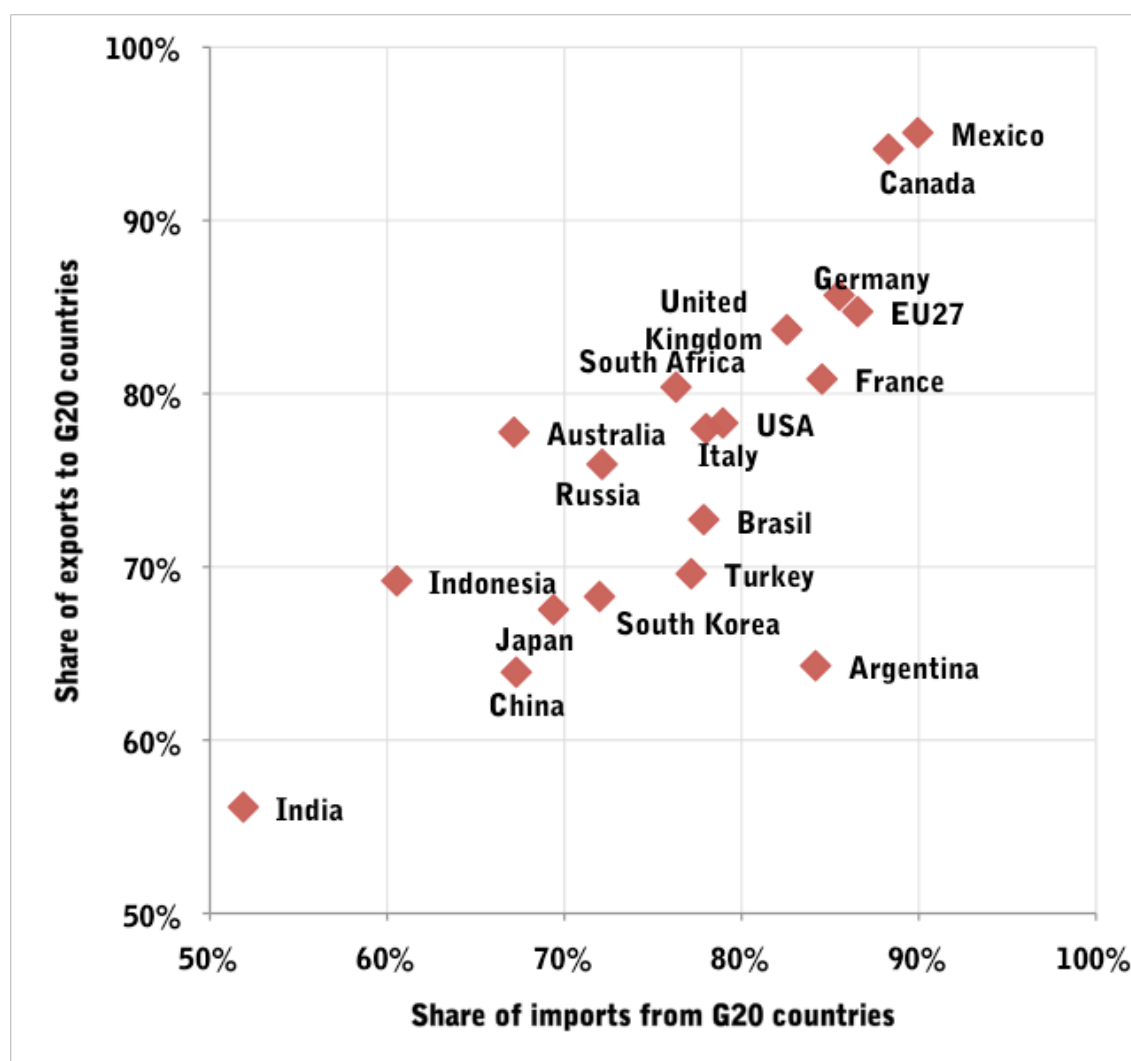
For policy makers in both the developed and emerging worlds, globalization requires more global policy coordination than ever. The G20 can contribute to maximizing coordination, stabilizing the global economy, and minimizing the spill-over effects of the ongoing crises.

The success of G20 depends on the dedication of its member countries to these goals. The figure below is "food for thought" about the

reliance of each G20 member government on the other G20 members.

The vertical and horizontal axes show the share of exports to and imports from G20 countries, respectively. Those G20 member countries which are **most dependent** on other members are in the upper right quadrant of the graph. Conversely, those in the lower left quadrant are the **least dependent**.

Canada and Mexico are the most dependent on the G20 – at least in terms of merchandise trade, whereas India and China – the engines of global growth – are least dependent. Then, today's issue should be to find an incentive compatible framework for these least dependent countries to be more dedicated to the G20 and for global policy governance.



Source: TEPAV and COMTRADE

MUST READ

Inclusive Green Growth

[Inclusive Green Growth: The Pathway to Sustainable Development](#), World Bank, May 2012

The Heinrich Boell Foundation-North America has written a ["brief assessment"](#) of this report. The Foundation stresses that the report is a "lost opportunity" in the sense that it gives more ammunition to critics of "green growth" who assert that:

1) green growth will not lead to the desired goal of "sustainable development" unless there is priority placed on poverty reduction, equality and human rights.

➔ The World Bank report could have refuted this argument. But, although its "analytical framework" has three pillars of IGG (economic, social and environmental sustainability), the report gives little attention to the "inclusive" and "social" dimensions of IGG with the exception of a chapter on jobs that promotes labor flexibility (fewer labor rights) and training to remedy shortages in critical skills. As a result, the Bank gives more ammunition to critics of these concepts. The Bank does not question the links between growth, poverty reduction, and inequality. It claims that, in most cases, these goals are complementary – that economic and social goals are mutually reinforcing – as a justification for superficial treatment of them.

2) Property rights (privatizing nature), utilization of market mechanisms to govern asset markets (e.g., water), and placing prices/values on ecosystems and ecosystem services can create a "slippery slope" toward enhanced resource exploitation and violation of human rights. ➔ However, the report does not address the risks of these approaches.

3) Infrastructure is not a "magic bullet" or the "heart of green growth" (as asserted on p. 134). ➔ The report

fails to identify the preconditions for infrastructure to contribute to sustainable development, including the scale and type of infrastructure, cost recovery schemes, risk sharing between public and private sector, and the need for "free prior and informed consent" (FPIC) from affected communities. It focuses on urbanization, particularly transportation; urban redevelopment; integrating land policy with urban mobility and transportation; and integrating urban planning with natural risk management. Equity is a theme in the discussion of "energy for all."

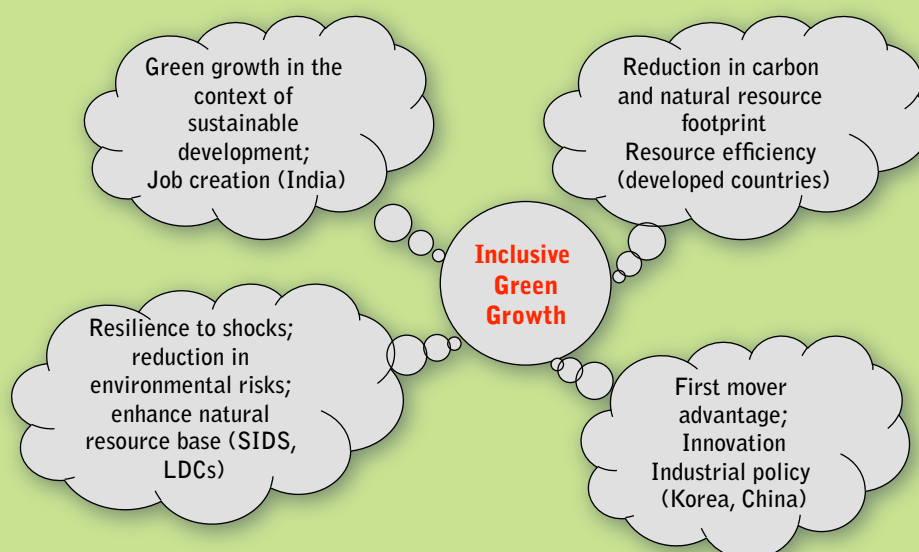
4) Trade and investment rules could diminish any gains from "green growth" and "green economy" approaches by strengthening investor rights at the expense of human and earth rights. ➔ Trade and investment agreements can "tie the hands" of governments by paralyzing their capacity to implement environmental and social regulations or green technological approaches. They can also provide a "smoke screen" for green protectionism. The report largely side-steps these issues.

Rather than seriously addressing these concerns, the report focuses on repudiating the "myth" that green development paths will diminish the potential for growth. Chapter 5, which focuses on natural capital, suggests that improved management can transcend the ultimate management problem: finite planetary limits.

Despite these fundamental criticisms of the volume, it offers some convincing and well-reasoned perspectives on some of the changes required to protect the planet from the ravages of carbon-intensive growth.

Country Perspectives on IGG

Graphic by Dr. Dirk Willem te Velde, Overseas Development Institute ([ODI](#))



MUST READ

Financial Regulation

[A Bottom-Up Approach to Righting Financial Regulation: The Group of 20, Financial Regulation and Human Rights](#), by Center of Concern with AWID, Civicus, DAWN, Social Watch, ESCR-Net, IBASE30, Center for Economic and Social Rights, May 2012

This publication argues that the G20 is not a formal institution – for instance, it lacks a charter or constitution that spells out the responsibilities and obligations of members. Nevertheless, at its third Summit, held in Pittsburgh in September 2009, the G20 declared itself as the “premier forum for international economic cooperation.” The body has sufficient power that, if its members acted in concert, it could probably set the policy direction of any multilateral organization in which it operates. When the G20 gives mandates to multilateral organizations, it displaces or pre-empts formal channels for decision-making, thus, marginalizing all countries which are not G20 members. Such countries can become by-standers in organizations in which they hold membership.

With the power of the G20 comes responsibility. Although the G20 has no remit to address human rights, the body should not ignore the fact that its actions have significant impacts on the realization and enjoyment of human rights. For instance, financial regulations and economic policies have significant human rights consequences that must be taken into account.

“A bottom-up approach to righting financial regulation” is an initiative that seeks to build the capacity of human rights organizations, grassroots and social movements to engage in the financial regulation debate, assess the human rights merits of alternative approaches and their trade-offs, and determine priorities, always taking as a starting point the interests of the constituencies they serve. It starts with encouraging human rights organizations, including ourselves, to reflect, individually and collectively, on some basic questions such as:

- Where and how do the interests of the constituencies whose rights we advocate get affected by financial regulations or the lack thereof?
- What does it mean, in practical terms, to bring human rights standards to bear in the financial regulatory decisions? Are there alternative regulatory choices that, if pursued, are likely to go farther in meeting human rights commitments?
- How are financial regulations designed, implemented and monitored? Who participates and who does not? Why?

This publication is the fourth in a series, including:

[Why a Human Rights Approach to Financial Regulation is Needed](#)

[Central Banks: Do They Have Human Rights Obligations?](#)

[Financial Transaction Tax: A Human Rights Imperative](#)

Infrastructure

[Infrastructure for Whom? A Critique of the Infrastructure Strategies of the Group of 20 and the World Bank](#), by International Rivers, May 2012

The report, “[Infrastructure for Whom](#)” by International Rivers contrasts the traditional top-down approach to infrastructure development with bottom-up solutions that address the needs of the poor directly. The report focuses on Sub-Saharan Africa and the power sector. Sub-Saharan Africa and other regions of the world have huge needs for infrastructure services. For instance, more than 1 billion people have no access to clean water, electricity, and improved sanitation.

However, the report asserts that these people will not be well-served by the plans of the Group of 20, the World Bank and other multilateral development banks (MDBs). In preparation for the French G20 Summit in November 2011, these banks prepared an [MDB Infrastructure Action Plan](#) with the assistance of members of a G20-appointed High-Level Panel on Infrastructure (see: [The High-Level Panel report on Infrastructure](#)).

The approach taken by the G20, its High-Level Panel and the MDBs is top-down, highly centralized and, in some instances, carbon-intensive. They claim that their approach, which focuses on using public resources to mobilize private investment for large, regional infrastructure, could boost economic growth in whole regions. This is a shaky claim since such “public-private partnerships” (PPPs) have a poor record, particularly in the power and water sectors in low-income countries.

The G20’s High-Level Panel and the MDBs identify the [Inga hydropower scheme](#) on the Congo River as an example of their approach. The report by International Rivers finds that large dams – and particularly the complex multi-purpose schemes promoted by the World Bank – have a history of big cost overruns and questionable economics. Typically, they have been built without public participation and have increased societies’ vulnerability to corruption and climate change. Centralized projects have often had massive adverse social impacts on rural communities, while benefits have largely bypassed them.

For instance, in the Democratic Republic of Congo, donors have spent billions of dollars on dams and transmission lines at the [Inga site](#). The projects serve energy-hungry mining companies, while 94% of the population has no access to electricity.

The report asserts that, in 2012, infrastructure development is at a crossroads. It offers concrete recommendations for bottom-up solutions that can expand access to water and energy for the poor, strengthen resilience to climate change, reduce the social and environmental impacts of projects, and strengthen democratic control over essential public services. It also provides warnings, borne of experience, of the extent to which ecosystems and community livelihoods can be damaged when affected parties are not properly consulted or when global warming is not taken into account.

G20 Database & E-mail Group

Stay informed

Database

If you would like to read more on the G20, recent changes in Global Governance and what it means for specific regions or issues, the G20 Database of the Heinrich Böll Foundation is the right place to go.

It is subdivided into the following folders, so you can easily access the analysis and information that is of interest to you

In addition, every folder contains

G20 Database Structure

- 1 - Background
 - 1.1 - G20 Info & History
 - 1.2 - Global Governance
 - 1.3 - G7 & G8
- 2 - Summits
 - 2.1 - G20
 - 2.2 - Finance Ministers
- 3 - Issues
 - 3.1 - Finance
 - 3.2 - Climate Change
 - 3.3 - Development
 - 3.4 - Energy
 - 3.5 - Trade
 - 3.6 - Food Security
- 4 - Country Specific
 - 4.1 - Africa
 - 4.2 - Canada & US
 - 4.3 - South America
 - 4.4 - Asia
 - 4.5 - Middle East
 - 4.6 - Europe
- 5 - Power Dynamics
 - 5.1 - Within the G20
 - 5.2 - G20 to non-members
- 6 - Civil Society

both a Word and PDF document with annotations of the documents included in the folder. The database is designed in a way that every member can add documents himself, which are then instantly synchronized so that everyone can access it. This is a great way to share information and build up institutional capacity.

Currently, the box is not updated. Volunteers are very welcome!

If you would like to know more about the Database or sign up for access please send an email to g20-newsletter@boell.de. To get started right away, here are the 3 easy steps to install the Database on your computer:

1. Install the Programm "Dropbox" from <https://www.dropbox.com/install>
2. Write to g20-newsletter@boell.de, you will then receive an email invite to share the G20 Database folder.
3. Accept the invite and you should be able to access the database through a Dropbox icon on your Desktop.

E-mail Group

In addition, the Heinrich Böll Foundation is part of an international network of NGOs and policy-analysts, which have set up a G20-related E-mail Group.

To subscribe, send email to: alternative-g20+subscribe@googlegroups.com

To unsubscribe, send an email to: alternative-g20+unsubscribe@googlegroups.com

To customize your subscription, go to <http://groups.google.com/group/alternative-g20> (but you need to create a Google account, if you do not have one)

Replies automatically go to the whole group. To minimize email traffic, please do only reply to the whole group if necessary.

There is no moderation.

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