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# G20 UPDATE E-NEWSLETTER

**Issue #17 -** October 2013




## Reflections on the Summit

In **"Investment in the Future: Preliminary results of Russia's G20 Presidency," O. Buklemishev**, Associate professor at the Economics Department of Moscow State University and member of the Expert Council for the Russian G20 Presidency, provides an in-depth report of the G20's strengths, weaknesses, and tensions in promoting economic recovery.

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In **"Building on mixed success – from St Petersburg 2013 to Brisbane 2014," Nancy Waites**, Head of Policy Research & Government Relations, World Vision Australia, provides a view of the Russian G20 Summit and the transition to the Australian Presidency.

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In **"The G20 St. Petersburg Summit – Bubbles, Casinos and Inactivity," Sameer Dossani**, Advocacy Coordinator, Reshaping Global Power, Action Aid International describes Summit-related issues, such as the currency crises and tax reform.

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In **"Reflections from the 2013 Russian G20 Summit," Michael Switow**, Global Council of the Global Call to Action Against Poverty (GCAP), reviews highlights of the G20 Summit as they relate to: international development, remittances, infrastructure, gender, and tax avoidance.

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# Introduction

## Highlights of the Russian G20 Summit

Nancy Alexander, Heinrich Böll Foundation - North America

At the September 2013 G20 Summit in St. Petersburg, Leaders faced conflicts relating to the Syrian crisis and decelerating global growth and, particularly, the role of the monetary policies of advanced countries, especially the U.S., in destabilizing developing country´s economies.

Meanwhile, having reached its five year anniversary, the G20 Summit released a vision statement congratulating itself for its achievements as the "premier forum on international cooperation", but failing to acknowledge its deficits: a) the susceptibility of the global economy to another financial crisis; b) the interdependence of crises relating to finance, climate, and society; and c) the near-exclusion of non-member countries in designing policies that deeply affect their future. (See box, "St. Petersburg Accountability Report on G20 Development Commitments, p. 2.)

Ironically, while crafting the vision statement calling for deeper engagement with outside groups, including civil society, Leaders ignored the Russian government's repression of domestic civil society and shunned the civil society presence at the Summit. Only business and labor were invited to the Leaders' meeting with "social partners"; civil society was excluded.

It is no surprise that the Summit's "outcome documents" are more reflective of the recommendations of the transnational corporations (TNCs) in the Business 20 than those of the Civil 20 (C20) or even the Labor 20 (L20). On the eve of the Summit, civil society's Counter-Summit delivered a strong Final Declaration denouncing the capture of governments by TNCs which causes systematic violations of the rights of people and the sustainability of nature.

Arguably, the Summit's main breakthrough relates to its endorsement of an Action Plan to change tax rules in order to stop transnational corporations (TNCs) from shifting their profits to low- or no-tax jurisdictions and, instead, require them to pay taxes to the countries where they do business. Yet, pressure on the G20 is needed to strengthen and implement these and other actions, as the newly-elected Australian Prime Minister Tony Abbott takes over the G20 Presidency on December 1, 2013. Upon taking office, Abbott's opening salvos included throwing Indonesian refugees out of the country, cutting the foreign aid budget, moving the aid agency into the foreign office, and vowing to abolish the country's poorly functioning Emission Trading System.

**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 "Investment in the Future: Preliminary results of Russia's G20 Presidency," **O. Buklemishev** (Associate professor at the Economics Department of Moscow State University and member of the Expert Council for Russian G20 Presidency) provides an in-depth perspective not only of Summit outcomes, but also the economic challenges and tensions with which the G20 is wrestling.

He reminds us that, since the 2012 Mexican Summit, the economic seesaw has tipped in favor of many developed countries and against many developing countries – some of which are experiencing signs of the onset of recession. Moreover, according to Buklemishev, the U.S. and others are making monetary policy in a "go it alone" mode, flaunting the G20 pledges to work in a collaborative fashion. He underscores the breathtaking cost of recent monetary policies for developing countries where the value of national currencies relative to the U.S. dollar has been plunging.

Finally, Buklemishev describes the future G20 policy agenda and ways Russia will continue to provide leadership on this agenda as it assumes the G8 Presidency in January 2014.

In "Building on mixed success – from St Petersburg 2013 to Brisbane 2014," **Nancy Waites**, (Head of Policy Research & Government Relations, World Vision Australia) emphasizes some misfortunes of the Russian Summit relating to civil society representation and exclusion from dialogues with officials. Still, Waites emphasizes the G20's momentum on issues championed by civil society: combating tax avoidance; tackling inequality through inclusive growth; and creating jobs, particularly for the most vulnerable.

Waites comments on the St Petersburg Development Outlook, including its five core priorities: food security, financial inclusion and remittances, infrastructure, human resource development, and domestic resource mobilization.

Finally, she notes that Australian national elections on September 7th made it impossible for the Prime Minister to attend the Summit. The Australian Foreign Minister attended, as did the Chair of the new Civil 20 Steering Committee, Tim Costello, CEO of World Vision.

In "The G20 St. Petersburg Summit – Bubbles, Casinos and Inactivity,"

**Sameer Dossani**, Advocacy Coordinator of Action Aid International's Reshaping Global Power Program, highlights the fact that, while the G20 is fixated on growth, it is relatively ineffectual in dealing with root causes of the financial crisis (e.g., "too big to fail" institutions; monetary dilemmas; and corporate tax dodging). With regard to monetary dilemmas, Dossani notes that currency markets in South Africa, Brazil, India, Turkey and Indonesia seem to be stabilizing after losing as much as 25% of their value against the US dollar over the past year. In an integrated global market, falling currency values mean rising prices; in some countries, food, fuel and other essential items are becoming even more expensive.

On the bright side, Dossani says that the G20's tax reforms offer a "once-in-a-lifetime" opportunity to tackle tax havens and transfer pricing schemes that are kept in place by a complex network of treaties backed up by armies of lawyers.

In "Reflections from the 2013 Russian G20 Summit," **Michael Switow** of the Global Council of the Global Call to Action Against Poverty (GCAP) reviews highlights of the G20 Summit as they relate to: international development, remittances, infrastructure, gender, and tax avoidance. He also recounts how civil society got its messages across to a media fixated on Syria.

## St. Petersburg Accountability Report on G20 Development Commitments

This 2013 Accountability Report represents the first accountability exercise of the G20 Development Working Group (DWG) relative to the 67 commitments originating from the Seoul Development Action Plan (DAP) and Leaders' Declarations.

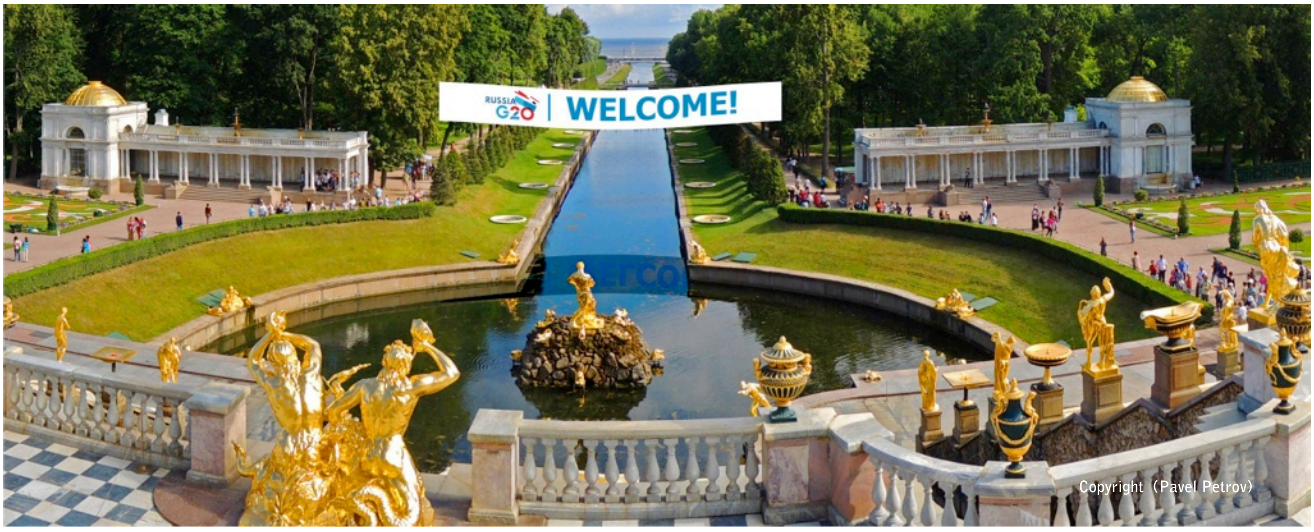
In terms of inclusion of the primary "beneficiaries" of the DAP -- low-income countries (LICs) -- the report states that only "Thirteen non-G20 countries have participated in DWG meetings since the DWG's inception in 2010" and only a few of the 13 were LICs. According to the report, the LICS want better communication with the G20 as well as collaboration with regard to new areas of importance to them, such as small state debt, climate change, financial and economic stability; global imbalances, natural resource management and financial regulation.


Source G20 Accountability Report

The report includes a color-coded chart "Snapshot of Implementation of G20 Development Commitments" that ranks the G20's performance. Of the 67 commitments, only one is "stalled"; it relates to assessing "how best to integrate environmental safeguards in a cost-efficient manner" in infrastructure development.
In some cases, the fact that commitments are either completed or on-track may be an indication of low ambition. For instance, work on inclusive green growth is "on track," but how meaningful is it? Support for social protection floors is on-track, but it's not clear whether any countries are adopting them. Work on reducing the cost of remittances is "on-track," but the cost has not been reduced. Moreover, little information is in the public domain about pilot projects or plans that are complete, such as the "action plan on water, food and agriculture."

# INVESTMENT IN THE FUTURE: Preliminary results of Russia's G20 Presidency

By Oleg Buklemishev, Associate professor at the Economics Department of Moscow State University, member of the Expert Council for the Russian G20 Presidency



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As we know, the first summit of G20 leaders took place on November 15, 2008 at a very dramatic moment -- the most critical point of the global financial crisis -- and actually paved the way for a new and efficient form of international cooperation. It is widely accepted that the measures coordinated and adopted by the G20 member states played a vital role in preventing the total collapse of the global financial system, as they tackled the most critical stage of the crisis and gradually took measures to restore the global economy to health. Keeping in mind past global economic downturns, the G20 states have combined their efforts to confront forms of national egotism by helping to prevent protectionist measures in the sphere of trade and "competitive devaluations".

However, as tension on global markets started to decline, many of the G20 member states lost interest in maintaining close cooperation; they focused on domestic issues, while putting their common interests on a "back burner." Thus, after the first and most fruitful summits, G20 activity declined. Moreover, the leading states gradually relapsed into a "go it alone" mode of formulating economic policies, notwithstanding the potential consequences for other states.
It should be noted that this situation is described by classic models of game theory, which vividly demonstrate that when different, but closely interdependent, players have contradictory interests, their determination to pursue their personal benefit may bring about negative consequences for all.

As an example, the unconventional monetary policies of "quantitative easing" pursued by the U.S. and a number of other developed states as anti-crisis measures, were, undoubtedly, highly effective in terms of combating recession and recovering economic growth. However, at the same time, such policies resulted in an influx of "hot money" to developing markets, strengthening of local currencies, and a rapid growth of financial asset prices, which could easily lead to "bubbles". The IMF estimated that, since 2009, the overall volume of capital that flowed over interstate boundaries due to central bank activity amounts to almost US$4 trillion. (To compare: this represents about a quarter of the total stock market capitalization of ALL developing countries and emerging economies).

When, in the spring of 2013, Ben S. Bernanke Chair of the U.S. Federal Reserve said that the monetary stimulus would be curtailed in the

**From the beginning of May to mid-August, stock markets in developing countries lost at least US$1.5 trillion, and the decline still continues.**

near future, financial flows moved promptly in the reverse direction. It was a really hard blow, especially for countries with a large current account deficit. Thus, from June to the end of August, Brazil's national currency lost 9.7% of its value against the dollar; Indonesia's dropped by 13.6%, and India's by 15.4%, despite the measures taken by the respective national monetary authorities to prevent the decline. From the beginning of May to mid-August, stock markets in developing countries lost at least US$1.5 trillion, and the decline still continues.

**U.S. Federal Reserve representatives declared that they were not obligated to provide greater transparency or to inform the rest of the world of the schedule and potential consequences of curtailing their "quantitative easing".**

To cap it off, in August 2013, at the annual monetary conference in

Jackson Hole, Wyoming, U.S. Federal Reserve representatives declared that they were not obligated to provide greater transparency or to inform the rest of the world of the schedule and potential consequences of curtailing their "quantitative easing" policy because of their mandate to protect national interests. This statement contradicted the G20 commitments to coordinate national policies with the partners and to adjust any measures to take the interests of other countries into account (as set forth in the Leaders' Declaration of the 2012 Mexican G20 Summit and the Communiqué of the July 2013 G20 Financial Ministers' and Central Bank Governors' Meeting in Moscow). Due to this departure from G20 commitments, the statement caused an uproar in developing countries, especially the ones hard hit by capital flight.

**So despite the long list of undeniable achievements of the G20, the Russian G20 Presidency was clouded by growing global frustration about the prospects of improving a collective approach to policy-making.**

So despite the long list of undeniable achievements of the G20, the Russian G20 Presidency was clouded by growing global frustration about the prospects of improving a collective approach to policy-making. Increasingly, political commentators are deploring the lack of efficient global leadership and the inability of multilateral institutions to work out and implement coordinated solutions to urgent issues.

The G20 is on the brink of a reputational crisis, since the global community had pinned its hopes on the body as a potentially strong tool for democratizing international relations, bridging the various interests of developed and developing states, and adopting legitimate solutions. This is why Russia's G20 Presidency was not easy; it could not ride on the G20's "coat tails." Rather it had to generate a new impetus that would help push the club forward. It was no coincidence that the set priorities (investment, confidence and transparency, effective regulation) reflected the most urgent needs of the time – the need to move from post-crisis stabilization towards economic growth and to secure an irreversible breakthrough in the struggle against unemployment.

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The central event of Russia's Presidency was the G20 Leaders' Summit held in St. Petersburg on September 5-6, which was characterized by both intense foreign policy debates (mainly on the Syrian issue), getting the biggest share of international mass media attention, and adoption of a number of high-profile documents on social and economic issues. The most important paper, the G20 Saint Petersburg Action Plan, stipulates specific obligations for single states aimed at reinforcing the foundation for the future economic growth on a global scale. (In particular, Russia committed to improve its investment climate, increase financial literacy, improve protection of consumer rights related to financial services, and finance infrastructure projects in order to significantly increase the investment share in GDP).

The G20 leaders also adopted documents, including those listed in the box below.

**Some outcome documents of the Russian G20 Summit:**

- a Leaders' declaration
- a statement concerning the fifth anniversary of G20,
- an Accountability Report on G20 development commitments
- the Saint Petersburg Development Outlook
- documents on fighting corruption and improving tax regulations, regional trade agreements, enhancing control of the shadow banking system, and financing of long-term investment.

One of the most significant decisions was the agreement to extend the G20's anti-protectionist pledge until 2016. Debate participants highlighted the efforts taken by the Russian Presidency for international cooperation in important areas such as food security, energy and climate as well as the new standards and recommendations pertaining to the public debt management. It is not by chance that, as Italian Prime Minister E. Letta put it, "there was as much agreement on economic and financial issues as there was disagreement on Syria".

Most of the papers endorsed by G20 in St. Petersburg focused on the key target: achievement of strong, sustainable and balanced economic growth spreading to one extent or another across the whole world. Since the 2012 Mexican Summit, the state of global economy has significantly changed: for most developed countries, the situation has improved; however, growth in many developing economies is slowing down and there are signs of the onset of recession. And now we are facing a fundamentally new challenge, with the period of ultra-low interest rates moving towards an imminent end. So the focus of discussions and the measures being worked out has slightly shifted, although we are still discussing the need to make progress on the following basic elements of international importance in the economic sphere:

- elimination of structural obstacles to growth (creating favorable conditions for domestic and foreign investors; improving transparency and building confidence in the state authorities; creating proper conditions for fair competition at the national and international levels including multilateral trade liberalization; making government stimulus programs a priority to create new jobs, including through the development of modern infrastructure);

- implementation of a balanced fiscal strategy (finding a "golden mean" between the needs to achieve a long-term fiscal balance and to stimulate economic growth; working out measures for budget deficit stabilization and reduction of excessive public debt; preventing tax base erosion, tax evasion and avoidance, etc.);

- elimination of the causes of crises and consolidation of the financial sector as a reliable foundation for global economic development (improving stability of separate financial institutions and national financial systems, which includes implementation of the Basel III New Capital and Liquidity Requirements and special control of systemically important institutions; extending the cross-border regulatory base on the shadow banking system; reforming the OTC derivatives market; adopting measures to increase transparency and competition in the credit ratings market; improving financial accountability standards, etc.);

- promotion of "development for all" (providing food security; making infrastructure development a priority; strengthening financial inclusion, in particular reducing the cost of money transfers to the developing countries; promoting inclusive green growth; etc.).

**The centripetal forces for international cooperation should eventually dominate over the centrifugal forces which drive countries apart in pursuit of their narrowly interpreted national interests.**

And of course the Summit did not overlook the most pressing issue on the global economic agenda – the extent of coordination among country authorities of domestic monetary policies and other stimulus measures. The Saint Petersburg Declaration reads, "We commit to cooperate to ensure that policies implemented to support domestic growth also support global growth and financial stability and to manage their spillovers on other countries".

Does this mean that this thorny issue has been resolved once and for all? Naturally, no. There always have been and always will be certain difficulties with sticking to mutual multilateral commitments at the international level, especially at times of intensified domestic political struggle, when a democratically elected government has to make the national agenda its top priority, often at the expense of pledges made to other countries. It's true. However the numerous problems the globalized world has to face are still there – e.g., development of the poorest states, environmental issues in many regions of the world or attempts of profit-making organizations to evade taxes and avoid financial control. Finding effective solutions to all these issues is beneficial for all states without exception and, therefore, it calls for immediate response and support at the highest levels of cooperation. The centripetal forces for international cooperation should eventually dominate over the centrifugal forces which drive countries apart in pursuit of their narrowly interpreted national interests. Ideologically, this dynamic was the invisible focus of the Russian G20 Presidency.


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**Due to Russia's "contiguous" presidencies, the voices of developing countries will be heard loudly in the G8 process, in a way which is unprecedented.**

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Quite soon Russia will hand the baton of G20 Presidency to Australia, but almost at the same time, it will assume the G8 Presidency. We deem this a positive development.

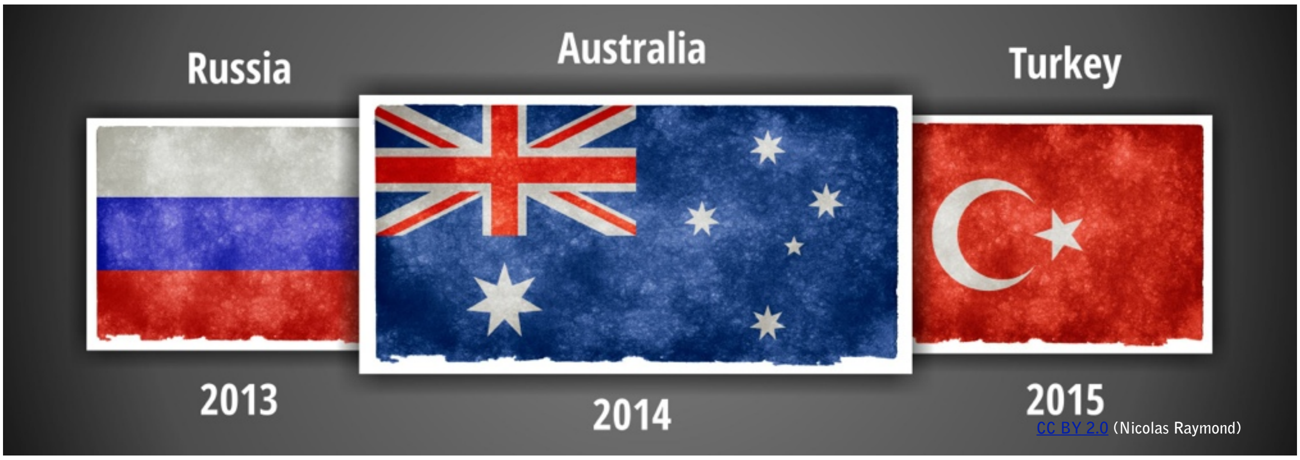
First, the topics and projects Russia has been working on as G20 President will be carried into the "elite" club of developed states. Programs that are currently no more than general drafts (in particular, those on promoting investment), will be turned into road maps and specific action plans to promote global economic growth.

Secondly, due to Russia's "contiguous" presidencies, the voices of developing countries will be heard loudly in the G8 process, in a way which is unprecedented and gives new impetus to mutually beneficial international cooperation based on principles of equal partnership.

And thirdly, it is highly probable that interaction and perhaps even rivalry between these two international processes – the G20 and the G8 -- can be enhanced, to the absolute advantage of the entire global community.

# Building on mixed success – from St Petersburg 2013 to Brisbane 2014

By Nancy Waites, Head of Policy Research & Government Relations, World Vision Australia




There's no doubt that the St Petersburg G20 Summit was run with an impressive level of efficiency and professionalism. From the regular shuttle buses and ferries that seamlessly conveyed journalists to the media centre to the G20 logo emblazoned plates in the free and lavish restaurant, every detail had been anticipated. Apart from a failure to break the deadlock on Syria, the Summit seems to have come off without a hitch even achieving some notable policy outcomes, especially in terms of tax transparency.

However, from a civil society perspective, the smooth event management had one significant flaw – lack of civil society participation. Civil society representatives were not invited to participate in the Friday morning meeting between Leaders and "social partners," which only included representatives from the B20 and L20. Indeed, no opportunities were provided for civil society representatives to meet with Leaders or even sherpas. In fact, civil society access to the Summit media centre had not even been originally envisaged by the Russian organizers and was only granted to selected Civil G20 representatives after lobbying by civil society representatives at the Civil G20 Summit in June. As no travel support was provided, many of the people who received media accreditation were unable to attend and this limited the NGO presence at the Summit to around 20 at most, with Southern representation particularly lacking.

**No opportunities were provided for civil society representatives to meet with Leaders or even sherpas.**

It was a shame that key participants in the Civil G20 policy process were unable to attend because the Summit generated some positive policy outcomes that reflected recommendations from some of the Civil G20 thematic groups.

Notably, there was progress on the issue of tax transparency, which was a particular focus of the Civil G20 thematic group on anti-corruption. The St. Petersburg Summit saw continued momentum on combatting tax avoidance with G20 Leaders agreeing to implement "automatic exchange of tax information" between their countries by the end of 2015. G20 Leaders also endorsed the OECD's action plan to stop profit-shifting by international companies, although as Oxfam notes, they did not designate a process for developing countries to engage in the negotiations of new tax rules.

Another significant breakthrough was Leaders' acknowledgement that strong, sustained, balanced growth is insufficient; it must be inclusive as well. This was the central theme of the Civil G20 Taskforce on Equity and was visible in the official G20 declaration where Leaders emphasized that "[t]he G20 must strive not only for strong, sustainable and balanced growth but also for a more inclusive pattern of growth that will better mobilize the talents of our entire populations."

**There was progress on the issue of tax transparency, which was a particular focus of the Civil G20 thematic group on anti-corruption.**

While the G20 could have taken more decisive action to tackle inequality, "inclusive growth continued to be a theme in Leaders' work on jobs and employment. Leaders' recognized that job creation should be a priority of stimulus programs, particularly for the vulnerable (e.g., disadvantaged groups, particularly women, youth, people with disabilities and the long-term unemployed).

The Summit also saw the release of the St Petersburg Development Outlook, the much-awaited successor to the G20 Development Working Group's (DWG) Multi-Year Action Plan from the 2010 Korea Summit. The Outlook attempts to sharpen the focus of the group's activity by identifying four long-term outcomes: quality jobs and investment, trust and transparency, sustainability and resilience, and social inclusiveness; and five core priorities: food security, financial inclusion and remittances, infrastructure, human resource development, and domestic resource mobilisation. However, the Outlook is not clear about the relationship between the "outcomes" and "priorities" or which will be used to monitor and evaluate the DWG's effectiveness. Without greater clarity about these questions, it may be difficult to hold the DWG to account.

**The Outlook recognizes the need to strengthen dialogue with civil society as key partners in development. Further, the commitment to promote policy coherence between G20 financial, economic and development policies is a welcome step forward.**

On the positive side, however, the Outlook recognizes the need to strengthen dialogue with civil society as key partners in development. Further, the commitment to promote policy coherence between G20 financial, economic and development policies is a welcome step forward.

In sum, given the relatively low expectations, it appears that the St. Petersburg Summit has delivered more than expected – Syria notwithstanding. Now the focus has started to shift to the Australian G20 Presidency, which commences on December 1, 2013.

With Australia set to take up the baton so soon, it was particularly unfortunate that Australia was not represented by its leader at St Petersburg. The former Prime Minister, Kevin Rudd, had chosen to call national elections for 7 September, the day after the Leaders' Summit concluded. This effectively made the Prime Minister's participation impossible and, instead, he sent his Foreign Minister, Senator Bob Carr as his proxy.

Another negative consequence of the timing conflict between the Australian election and the Summit was the low Australian media presence; only four Australian journalists attended the Summit while the majority stayed home to cover the election. It looked as if the Summit might be completely ignored by the Australian media until the announcement by one of the major Australian political parties on the first day of the Summit that, if elected, it would make deep cuts in overseas aid. Ironically, this announcement put the G20 Summit on the radar screen of the general Australian public because it drew a heated response from World Vision Australia CEO, Tim Costello, who was in attendance at the Leaders' Summit. Mr Costello's many interviews with Australian-based media back home helped to bring the Summit to the consciousness of the general Australian public.

**Earlier this year the Government appointed a C20 Steering Committee of Australian civil society representatives, chaired by Tim Costello, to develop a process to facilitate effective and productive engagement between civil society and the G20 throughout the Australian presidency.**

The lack of Australian high-level political participation or significant media presence in St. Petersburg does not indicate that the Government has not prepared to assume the G20 presidency. To the contrary, the Government's G20 Taskforce, which is headquartered in the Department of the Prime Minister and Cabinet, has worked for over a year to prepare for the Australian G20 Summit on November 15-16, 2014. It has also embarked on a highly collaborative approach to working with the official outreach partners (i.e., Civil 20, Business 20, Labor 20, Youth 20 and Think 20), including by appointing steering committees for each of these outreach groups. Most of the groups have shown strong interest in identifying issues for policy development with the G20. The Australian Think 20 (T20) convenor, the Lowy Institute's G20 Studies Centre, has already hosted two roundtables with representatives from government and outreach partner groups to begin the policy-related conversation. These policy roundtables will be a feature of the T20's program throughout the Australian presidency.

**Policy roundtables will be a feature of the T20's program throughout the Australian presidency.**

Building on the precedent set by the Russian Civil G20 process, the Australian presidency will further institutionalise the C20 in the G20 architecture. Earlier this year the Government appointed a C20 Steering Committee of Australian civil society representatives, chaired by Tim Costello, to develop a process to facilitate effective and productive engagement between civil society and the G20 throughout the Australian presidency.

**The Australian elections, held the day after the Russian G20 Summit, led to a change of government and the appointment of a new Prime Minister, Tony Abbott.**

The Committee met in July and mid-September this year to discuss the outcomes of the G20 Leaders Summit in St Petersburg and the key lessons learned from the Russian Civil G20 precedent. Two Committee members, Tim Costello and Cassandra Goldie (CEO of Australia's national platform for social services) attended the St. Petersburg Summit, where they met with the Russian Civil G20 secretariat and also heard the views of other international civil society members regarding the Russian Civil G20 process and their recommendations for the Australian C20. The Committee is aiming to accelerate its preparations as we embark upon the transition from the Russian to the Australian Presidency, however, the domestic political context is currently somewhat challenging.

The Australian elections, held the day after the Russian G20 Summit, led to a change of government and the appointment of a new Prime Minister, Tony Abbott. As the new Government focuses on establishing its ministries and assuming its powers, important decisions on the G20 are being delayed, such as finalizing Australia's priorities for its presidency and maintaining the momentum of the Summit preparation process. Importantly, it is unclear how engaged the new Government will be in outreach to its G20 partners.

It will be vital, therefore, that the Australian C20 Steering Committee work with other G20 partners to ensure that the new Government puts a high priority on the G20 and understands the value that civil society has brought to past G20 presidencies and that it can bring to Australia's. Because there is already much goodwill between the C20 and the other outreach partners, we hope that, collectively, we will persuade the Government that we can add considerable value to G20 policy development and, ultimately, to the success of Australia's G20 presidency.

## MUST READ

### News from "Down Under"

In her July 2013 speech – "G20 opportunities for Australia" -- Australian Green Party Senator Christine Milne states that the G20 should no longer be a "gated community." Rather, it should challenge the disconnection between social and environmental crises (e.g., global warming), on the one hand, and economic and financial crises, on the other. She states that "action to decouple business and economic growth from resource intensity and environmental impact has never been more critical to the long-term success of business." During the Mexican G20 Presidency, Milne states that "inclusive, green growth" was placed on the agenda, but the priority has withered. She calls for Australia to revive a focus on food security and re-commit to the removal of fossil fuel subsidies and provide leadership for other G20 countries to follow suit. This requires dropping the call for "inefficient" subsidies, since this had led to a situation in which countries simply prove that their subsidies are efficient.

Alone in the World, Dave Keating, European Voice, September 20, 2013. This article describes how the recent election in Australia could put the final "nail in the coffin" of the European Union's Emission Trading Scheme (ETS). Australia has the only other national ETS, which was set up by its Labor party, which was toppled when, in September, voters elected Tony Abbott of the Liberal Party. In Abbott's campaign, he derided the concept of an ETS as trying to form "a so-called market for the non-delivery of an invisible substance to no one." Now, as Prime Minister, he aims to deliver on his promise to abolish (not "rebadge" or "rename") the carbon tax. There are other nascent national and subnational ETS schemes, but as Europe moves to reform its ETS, it staggers under the knowledge that the Australian government was toppled, in part, to torpedo the ETS.

"Development and the G20", Lowy Institute, G20 Monitor No. 5 (August 2013). As a former representative on the G20's Development Working Group, Robin Davies (Australian National University) calls the G20's development agenda "invertebrate, flabby, and toothless"…"diffuse, lacking a coherent narrative, and disconnected from the central concerns of G20 leaders and finance ministers." Davies says that, to date, G20 efforts have focused on food security and financial inclusion; in the future, it should a) advance the stalled infrastructure agenda; b) balance its work on social security, in general, and food security, in particular; and c) address financing for development. The G20 should work closely with Least Developed Countries and advance coordinated work by either international organizations or by (subsets of) the G20 that can make a difference. Susan Harris Rimmer (Australian National University) highlights the lack of attention to gender in economic strategies and the lack of women's representation in G20. The G20 should remedy this and monitor the economic implications of the G20's core actions in fiscal, financial, trade, exchange rate and environmental policies for non-G20 countries, especially Low-Income Countries. Its future lies in policy coherence in areas 'beyond aid' (e.g., trade facilitation, labor mobility, gender equality, climate finance, migration, technology).

# The G20 St. Petersburg Summit – Bubbles, Casinos and Inactivity

By Sameer Dossani, Advocacy Coordinator, Reshaping Global Power, ActionAid International


While much of the media coverage around the G20 leaders summit has been about the failure of international diplomacy in Syria, the formal agenda was around one issue: growth. Growth through jobs, growth through transparency, and growth through effective regulation – these were the three themes the Russian government prioritized for this year's summit.

> **The formal agenda was around one issue: growth. Growth through jobs, growth through transparency, and growth through effective regulation.**

One could perhaps argue that the obsession with growth is appropriate. The US economy – the source of the largest financial crisis since the Great Depression – is again growing, but when compared with previous economic recoveries the pace of growth has been extremely sluggish. Economists estimate that at the current rates of growth and job creation, the US will not achieve anything close to full employment before 2022. Most G8 economies – especially in Europe – are in worse shape and even China and India are seeing diminished growth prospects.

But focusing on growth is a bit like treating strep throat with aspirin. You may alleviate some of the symptoms, but you're not treating the source of the problem.

Whatever cure the global economy needs must address the structural problems which have led to the current crisis. Diverse as they may be, those structural problems all have the same root – an economic system that prioritizes the interests of global capital over the needs and rights of ordinary people.

Despite the overemphasis on growth, G20 governments have considered reforms – such as ending "too big to fail", substantial reform of the international monetary system, and cracking down on corporate tax dodgers – that could address the root causes of crisis. But to date, there has been little to no implementation of those reforms.

### The Bubble Casino's Latest Bust

Failing any change in the underlying structure, investors have been playing a game with free money, largely provided by governments engaged in monetary stimulus (Quantitative Easing or QE in the US). Instead of passing on the gains from free money to consumers, investors have been looking for bets that will ensure both security (investors know that another crisis could be around the corner) and high returns. They thought that commodity markets fit the bill in 2008-2010, but, as a result, the inflow of money into these markets caused havoc for consumers, especially poor consumers who found themselves paying more for food without any increase in wages. Bread riots not seen for a generation returned.

> **Focusing on growth is a bit like treating strep throat with aspirin. You may alleviate some of the symptoms, but you're not treating the source of the problem.**

When that bubble deflated in 2010 money flowed out of commodities and towards the emerging markets of Brazil, South Africa, India, China, Indonesia, Turkey and a few others. But now that QE is winding down, money has already started moving back to Northern markets where it can again be profitable without the risks involved in developing countries.

We don't yet know the full effect of this latest shift. Currency markets in South Africa, Brazil, India, Turkey and Indonesia seem be stabilizing after losing as much as 25% of their value against the US dollar over the past year. A replay of the 1997 Asian financial crisis is unlikely. Many countries are in a good situation because they have stockpiled foreign currency reserves and taken out few foreign currency-denominated loans. But in an integrated global market, falling currency values mean rising prices; in some countries, food, fuel and other essential items are already more expensive.

**Instead of passing on the gains from free money to consumers, investors have been looking for bets that will ensure both security (investors know that another crisis could be around the corner) and high returns.**

If the G20 really was a "board of directors" of the global economy, they would have left St. Petersburg with a solution to this latest crisis if not the underlying trend. But the G20 isn't that. It's a forum for discussions, not a rapid-response mechanism (nor, really, even a slow response mechanism most of the time). Except in times of deep crisis (March 2009), it requests studies, deliberates through its finance ministries, and sometimes reaches sufficient consensus to recommend policy changes or new processes to get agreement on policy changes. Instead of decisive change, the St. Petersburg communiqué refers to a perceived need to "carefully calibrate and clearly communicate" economic policy between countries. The outcome is particularly unsatisfactory given that the G20 has been obsessed with one issue – sometimes under the misleading label "currency wars" – since 2010.

And there are solutions on the table. From UNCTAD's proposal to peg exchange rates to inflation to the proposals related to use of a neutral currency, such as the IMF's Special Drawing Rights, there are a range of options which would address at least one aspect of this problem – namely, the global over-reliance on the US dollar.

**Currency markets in South Africa, Brazil, India, Turkey and Indonesia seem be stabilizing after losing as much as 25% of their value against the US dollar over the past year.**

While these solutions would not stop the bubble casino from operating, they may at least slow it down a little.

## Tax and Ending the reign of the robber banker

Over the past few years, our economic system has punished the innocent and rewarded the guilty. But believe it or not, that's not its most troubling feature.

**If the G20 really was a "board of directors" of the global economy, they would have left St. Petersburg with a solution to this latest crisis if not the underlying trend.**

Globally the richest 0.6% of the population controls a little less than 40% of global wealth, meaning that the Occupy Wall Street movement was being optimistic when they coined their slogan "We Are The 99%".

**Globally the richest 0.6% of the population controls a little less than 40% of global wealth.**

Of the reforms on the table, there are a few that might actually work in terms of taking power away from the tiny elite who continue to profit from this unsustainable system. Many of these relate to tax.

Tax gets a bad name for obvious reasons, but at its core, tax is one idea that might get us out of our global predicament. It goes after wealth – that is, in a progressive system, the wealthy pay a greater share – which is used to pay for "public goods" or things that everybody needs. Bridges, highways, airports, not to mention schools, hospitals, clean water – there's no limit to what tax can pay for. And politicians who don't use taxpayer money to fund better infrastructure, social services and jobs are likely to find themselves out of work after the next election cycle. A little bit in increased tax revenue can go a long way to addressing a lack of social services and an inability to implement a strong strategy for universal and good quality employment.

But too many avoid paying taxes. Through a complex network of treaties, companies list income generated in one country as income generated in another, thereby allowing themselves to pay tax (or not) in places that have little or no corporate taxation and where they don't have to disclose financial information.

To its credit, this year's G20 summit endorsed a plan drafted by the OECD (Organization for Economic Cooperation and Development) to address the issue of Base Erosion and Profit Shifting (BEPS). (See box: "What is the Action Plan on BEPS?") The summit communiqué includes strong language on the need to address the interests of developing countries in the next steps. But developing countries need to be at the table and it's not clear whether or not they will be.

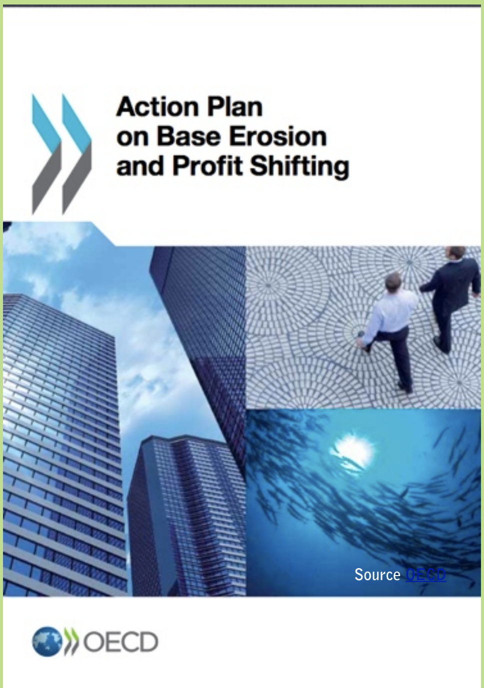
**Potentially, BEPS is a once-in-a-lifetime opportunity. A single process could alter thousands of tax treaties, and political pressure to adhere to stronger regulations could become the norm.**

Potentially, BEPS is a once-in-a-lifetime opportunity. A single process could alter thousands of tax treaties, and political pressure to adhere to stronger regulations could become the norm. Together with new initiatives on "automatic exchange of tax information", these measures could finally compel companies to pay what they owe in countries that they work in, and everyone could at last reap some benefit (not just the banksters).

But even these measures do not go far enough considering the extremes of poverty and wealth that pervade the global economy. Another proposal that's gotten a lot of attention over the past few years is the Robin Hood Tax. A re-branding of what was once called the Tobin Tax or the Financial Transactions Tax, the Robin Hood Tax would impose a small fee on the international transactions that make up the vast majority of commerce in today's world. The money generated would be significant – hundreds of billions of dollars. 11 EU countries are considering going forward with such a tax, despite recent controversy regarding the legality of such a move. If those countries are bold they will suggest a higher rate – at least the 0.5% that economist James Tobin originally suggested. At lower rates the tax would still generate a lot of revenue, but it's not clear that it would do anything to slow down the casino.

## What is the "Action Plan" on "Base Erosion and Profit Shifting" (BEPS)? Will it Curb Tax Avoidance and Evasion?

The Russian G20 Summit endorsed the July 2013 Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organization for Economic Cooperation and Development (OECD). This Plan seeks to change tax rules in order to stop multinational corporations (MNCs) from shifting their profits to low- or no-tax jurisdictions and, instead, require them to pay taxes to the countries where they do business. Since MNCs represent such a large fraction of global GDP, the "shell game" of hiding and shifting profits (including among their subsidiaries) harms governments and citizens because their corporate tax base erodes. As a result, governments sacrifice their capacity to make productive investments and meet their "social contract" with citizens. Citizens also pay a price because their tax burden increases to compensate for lost corporate taxes. Domestic corporations suffer because they lose the capacity to compete with MNCs that escape taxation.



Source OECD

The Action Plan sets forth 15 actions to curb MNC abuses. However, there are many barriers to strengthening and implementing these actions:

The G20 and the OECD have poor records with regard to developing rules in an inclusive manner or enforcing them. In addition, the Plan is incomplete without implementation of related pledges, e.g., those on "automatic disclosure of tax information" and "beneficial ownership."

In its publication "Fixing the Cracks in Tax: a Plan of Action and Joint recommendations to the G20 and OECD for tackling base erosion and profit shifting," Christian Aid (UK) urges the OECD and the G20 to: invite developing countries to participate in the BEPS project on an equal footing; strengthen the UN tax committee; tackle financial and corporate secrecy; and analyze the impact of potential tax policies on developing countries, among other things.

To learn more about tax abuses, see ActionAid's "The SABMiller Guide to Tax Dodging" and Oxfam's "G20 Must Act on Tax Dodging Draining Poor Countries" or material by Tax Justice Network and Global Financial Integrity.

# Reflections from the 2013 Russian G20 Summit

By Michael Switow – a Singapore-based writer, producer and anti-poverty campaigner who serves on the Global Council of the Global Call to Action Against Poverty (GCAP), is co-founder of ONE (SINGAPORE) and supports the Feminist Task Force.




The 2013 G20 Summit was overshadowed by issues of war and peace (Syria) and politics (Obama vs. Putin and how long did that handshake last?). But, the event is preceded by months of intense effort by diplomats and technocrats to craft new policies and negotiate the details. Then, in the final hours of the Summit, as the official communiques and annexes come pouring out, reporters scramble to meet deadlines and a handful of civil society analysts race to provide instant feedback to the media, which is largely focused on headlines, not development issues.

Just about every year, there's some big issue that 'overshadows' the G20 Summit: the euro crisis (Mexico), Greece's debt referendum (France), large expenditures on security and the threat of violent protests (Canada) . . . this year it was Syria.

However, there are a number of G20 policies that are relevant to development practitioners, civil society activists, and people and communities across the globe. Here are some key issues, lessons and reflections from this year's summit and counter-summit . . .

**1. The G20's Development Focus**

This year the G20 adopted a new St. Petersburg Development Outlook to replace the 2010 Seoul Development Action Plan. The official summit communique not only endorses the new document, it instructs the Development Working Group to focus on fewer key areas, namely:

- food security;
- financial inclusion and remittances;
- infrastructure;
- human resource development; and
- domestic resource mobilisation.

Notably, the communique also commits the G20 to adopt "a forward accountability process to improve monitoring and coordination and ensure greater transparency."

> **This year the G20 adopted a new St. Petersburg Development Outlook to replace the 2010 Seoul Development Action Plan.**

**2. Remittances**

Some 175 million women and men travel overseas to work as migrant labourers and domestic workers. The money they send home fuels household consumption and is a huge source of revenue for many developing countries. (India, China, Mexico, Philippines and Nigeria top the list.)

Migrants officially sent home some US$540 billion in 2012, according to OECD and World Bank data, and possibly another US$250 billion through unofficial channels. (An online German magazine has produced a great interactive graphic that shows global and country-specific data.)

> **"Infrastructure" is one of the G20's favourite words. It appears more than twenty times in the official communique and receives another sixteen mentions in the St. Petersburg Development Outlook.**

But the cost of financial remittances is a huge issue. Next year, the G20 has pledged to consider "results-based mechanisms" to reduce the cost of remittances to developing countries. On the face of it, this is a positive step. But the G20 actually went further than this at the 2011 French Summit, when it pledged to reduce the average cost of remittances in half from 10% to 5% by 2014.

The G20 noted that this action would save migrant workers an additional US$15 billion. But, the G20's St. Petersburg Accountability Report notes that the G20 is 'off-track' on this goal, saying that "some implementation has been achieved, but progress is slow."

**3. Infrastructure**

"Infrastructure" is one of the G20's favourite words. It appears more than twenty times in the official communique and receives another sixteen mentions in the St. Petersburg Development Outlook. "Infrastructure is a key driver of economic growth," notes the communique, and "the lack of appropriate [sustainable] infrastructure impedes a country's competitiveness, productivity . . . and participation in the global economy."

> **Apparently, Russian Finance Minister Anton Siluanov thought it was appropriate to joke about women in an official G20 media briefing. In a discussion about financial inclusion, Siluanov said that "women consume a lot, so they need help with their financial management".**

The G20 does not see or acknowledge that new infrastructure projects need to be developed in collaboration with local communities to fuel local development, not just as a tool to facilitate the export of natural resources and other products, which could fuel under-development and impoverishment instead.

At the G20 Civil Summit in June, Nancy Alexander (Heinrich Boell Foundation-North America) facilitated a discussion about G20 infrastructure policy with representatives of the Business 20, development banks and civil society. A primary recommendation was for the G20 to drop its bias in favour of Public Private Partnerships (PPP). Even the business leaders agreed. While they generally see value in PPPs, they do not think it has to be the primary method to fund projects.

The G20 didn't listen though. Instead, the communique says that "particular attention" will be given to ways to improve PPPs. Unfortunately, we know too many instances in which these private sector partnerships increase project costs (rather than simply mobilising funds) and raise the prices of essential services -- everything from fuel to water -- for local communities. Civil society could do more to sharpen its advocacy messages and programs on this topic to change government policies. On the bright side, though, there's evidence that the G20's infrastructure programs are more talk than action (see this analysis by the Lowy Institute).

**4. Gender**

Did you hear the one about women who shop a lot?

> **On the positive side, the G20 notes that nutrition and food security policies must focus on smallholder and family farmers, with a particular emphasis on "gender equality and women empowerment".**

Apparently, Russian Finance Minister Anton Siluanov thought it was appropriate to joke about women in an official G20 media briefing. In a discussion about financial inclusion, Siluanov said that "women consume a lot, so they need help with their financial management".

Seriously??? At a summit where women are largely absent – and where the communiques hardly mention gender – Siluanov's quip is insightful. Unlike 'infrastructure', the G20 does not count 'women' or 'gender' among its favourite terms. The St. Petersburg Development Outlook mentions women just twice and gender only once. The communique is slightly better with six mentions, but most of these are references to reports by other organisations, particularly the OECD and INFE (International Network for Financial Education).
On the positive side, the G20 notes that nutrition and food security policies must focus on smallholder and family farmers, with a particular emphasis on "gender equality and women empowerment". However, aside from conducting a review of "critical opportunities" by March 2014, there are no new actions in this area.

> **"Tax havens and transfer pricing schemes are kept in place by a complex network of treaties backed up by armies of lawyers. The BEPS process could lead to the revision of literally thousands of those treaties at once."**
> **Sameer Dossani**

"The G20 must address the gender gap. Women are drivers of economic development and social progress," notes my colleague Rosa Lizarde of the Feminist Task Force. "It should establish a G20 task force on gender equality and follow-up on the 2012 Los Cabos G20 Declaration, which promises concrete actions to integrate gender into the G20 agenda and realise women's full economic and social participation."

And no more jokes. The feminisation of poverty is not a laughing matter.

**5. Tax Avoidance**

Of course, in order to gauge the G20's impact, we need to look beyond its development focus. One of the biggest policy changes coming out of this years' summit is related to tax avoidance.

Remember the recent story about Apple diverting profits to Ireland to avoid paying taxes? Developing countries routinely lose out as businesses shift profits from one country to another. The Tax Justice Network estimates that corporate tax avoidance costs developing countries between US$120 – 160 billion a year. To address this, the G20 is calling for action on something called the "BEPS Action Plan" (Base Erosion and Profit Sharing) to 'ensure that profits are taxed where economic activities occur and value is created.' (See box on BEPS, page 11.) In addition to reviewing rules on tax treaties and transfer pricing, the G20 calls for a new global tax standard requiring the "automatic exchange of tax information" between countries.

"As far as tax justice goes, this is potentially huge because it could generate income for developing countries to invest in public services and infrastructure and reduce dependency on aid," notes Sameer Dossani, Advocacy Coordinator at ActionAid, which has published a great 2-page FAQ on the issue. "Tax havens and transfer pricing schemes are kept in place by a complex network of treaties backed up by armies of lawyers. The BEPS process could lead to the revision of literally thousands of those treaties at once."

Keep an eye on this topic. Developing nations – and not just the G20 countries – should have a role in developing new tax rules to ensure that their needs are met and not just those of the rich countries. But this is potentially big news.

**6. Advocacy and Communications**
Before going to this year's summit, it was clear that Syria would dominate media coverage. But when the topic of the day seems removed from the key messages you planned to share at the G20, what do you do?

> **We spoke out strongly against the proposed bombing. We also criticized the use of chemical weapons and called for those responsible to be brought to justice before the International Criminal Court.**

I discussed this issue with a number of GCAP colleagues prior to the Summit and, for us, the answer was clear. We had to address Syria too. Not because it was the media's focus, but because, in every aspect of our work, we know that peace and human security are intricately linked to development. One is impossible without the other. And so we spoke out strongly against the proposed bombing. We also criticized the use of chemical weapons and called for those responsible to be brought to justice before the International Criminal Court.

By responding to this issue, I found we also had more opportunities to talk about poverty eradication, inequality, gender, taxes, infrastructure and development. During the course of an interview, after talking first about Syria, journalists would often ask for insights on other topics related to the summit. (For an example, have a listen to this interview with Channel Africa.)

*(Portions of this article were previously published in media releases from the G20 Summit, published by GCAP in collaboration with the Asia Development Alliance (ADA) and Feminist Task Force (FTF). For an overview of these documents as well as other civil society analysis, please check out this 2013 G20 Overview on the GCAP website.)*

# MUST READ

## NEW THINK TANK PUBLICATIONS

In "Think Tank 20 – The G20 and Central Banks in the New World of Unconventional Monetary Policy" by the Brookings Institution, essays on the monetary policy of each G20 member country address three debates related to: a) the limits and consequences of accommodative fiscal and monetary policies; b) how habituation to such policies causes "moral hazard" (which contributed to the crisis in the first place) and the need for a "new normal" for central banks and monetary policy; and c) the hostile political environment for structural reforms (e.g., policies related to budgets, financial markets, energy pricing and subsidy reform, income distribution and labor markets).

In the report "Priorities for the G20 – The St. Petersburg Summit and Beyond," (Center for International Governance Innovation (CIGI)) reflects on G20 priorities, particularly as they relate to macroeconomic cooperation, sovereign debt management systems and stimulating international development. Domenico Lombardi, Director of CIGI's Global Economy Program, provides a preview of the summit. Paul Jenkins addresses the importance of unconventional monetary policy so to support global economic growth. Thomas Bernes comments on the IMF quota and governance reform. Susan Schadler discusses sovereign debt management. Barry Carin analyses the development agenda within the G20. Finally, Gordon Smith assesses that the political dimensions of the Russian hosting of the G20's September meeting.

In "Instituting Economic Cooperation in a Non-Cooperative World," Adam Hersh, Center for American Progress, points out that China and the U.S. are responsible for 38 percent of the total G-20 current account imbalance. He urges the G20 to recognize the structural causes of imbalances and their role in rising levels of inequality in growth, income, and employment. He suggests that the U.S. do its part in achieving governance reforms, for instance in the international financial institutions and call for G20 member countries to engage in peer reviews of their policies; establish G20 membership criteria; promote China as the G20 host in 2016; complete financial regulatory reform; and improve dispute-settlement mechanisms in the WTO and international economic institutions.

# MUST READ

## INSIGHTS ON THE BRICS

In "Neoliberalism with Southern Characteristics: The Rise of the BRICS" (Rosa Luxemburg Foundation), Vijay Prashad of Trinity College (Connecticut) puts the emergence of the BRICS in an historical perspective that includes the eras of colonialism and the failure of the Third World Project (1928-1983). Wearing technocratic (rather than political) masks, neoliberalism triumphed and sharply diminished the role for the state. The BRICS are not transforming global power relations or neoliberalism, but only seeking to join and modify global governance. Still, this challenges the "hub and spokes" model of global governance (wherein the U.S. is the "hub") and creates a multi-polar world. Moreover, "an aggressive move to transfer the surpluses of the South to their own populations alongside shifts in the growth model…would have an immediate impact on the possibilities of an institution, such as the BRICS Bank."

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In Are BRICS Any Use For Rebuilding the Collapsing Global Financial Architecture? (ZNet), Patrick Bond, Director of the Centre for Civil Society of the University of KwaZulu-Natal in Durban, South Africa, describes the currency crashes in emerging market countries and quotes assertions that the BRICS are already breaking apart in material ways, leaving China to push ahead. Bond also emphasizes how the 'talk-left' of BRICS foreign policy officials is negated by the 'walk-right' behavior of BRICS finance officials and central bankers. Due to this dynamic, the BRICS are not challenging, much less stopping or reversing, the ways in which the global financial architecture is self-destructing. He also anticipates the outcomes of the March 2014 BRICS Summit in Forteleza, Brazil where the Leaders are expected to announce progress toward launching a BRICS-led 'New Development Bank' and Contingent Reserve Arrangement (CRA). But, Bond points out that the anticipated $50 billion capitalization of the Bank is pitiable compared to the size of existing development banks, particularly the Brazilian National Economic and Social Development Bank (BNDES). Likewise, a $100 billion for the CRA could be trivial compared to the potential costs of a serious financial meltdown.

In "Why is the Indian Rupee Deteriorating?" Kavaljit Singh (Madhyam Briefing Paper), describes the plans of the U.S. Federal Reserve to taper (or gradually curtail) its monetary stimulus program of bond-buying. Due to this program (known as "quantitative easing" (QE)), investors have borrowed cheap money in the U.S. and invested in higher yielding assets in emerging market economies. Among others, India used these inflows to finance its trade and current account deficits rather than addressing their underlying structural causes. Just the Fed's suggestion of the need to taper (rather than the actual tapering) has led to capital flight out of emerging markets and sharp depreciations of currencies, particularly the Indian rupee. Singh describes a range of factors that have affected the Indian economy and currency, such as a contraction in manufacturing and mining; a sharp rise in domestic food prices; rising global oil prices, and the role of speculation in derivative markets. Singh suggests that the Indian government consider policies, such as curbing inessential imports, trading goods in local currencies, entering currency swap agreements with trading partners, reining in speculation, and imposing capital controls to protect the economy from capital flight.

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