From the Mexican to the Russian G20 Presidency

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Expectations of the Summitry

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

The G20 leaders’ decisions on the Mexican 2012 Presidency’s five priorities, which are broadly shared across the G20 members and beyond, are expected to:

- advance global financial and economic stability;
- promote growth and jobs creation through structural reforms;
- make progress towards international financial institutions reform;
- strengthen financial regulation;
- enhance food security and mitigate commodity price volatility.

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Los Cabos Attainments and Pitfalls

Analysis of the outcomes of the G20 Los Cabos Summit demonstrates success on the three dimensions singled out for assessment given their relevance for the G20’s effectiveness and legitimacy:

- the balance of national interests of the Presidency and the interests of Mexico’s G20 partners in the summit agenda as well as the balance of continuity and innovation in the agenda;
- the engagement with G20 partners, third countries, international and regional organizations, civil society, business community, think tanks and academic institutions in the run up to the summit and over the course of the leaders’ meeting;
- the quality of “global functions implementation” reflected in the summit documents, with a focus on consistency of implementing commitments and transparency of the outcomes. Attainments and setbacks are registered on each of the dimensions.

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First, the Presidency has managed to strike a balance of national interests and the interests of Mexico’s G20 partners in the summit agenda, while also balancing continuity and innovation in the agenda. Mexico has included its key national priorities into the summit deliberations. However, on green growth, no breakthrough decisions have been made. On tourism, disaster management, financial literacy and inclusion the declaration includes several statements that set policy directions, but practically no commitments were made.

Under the Mexican Presidency, the trend relating to the focus of the G20 agenda continued. That is, the share of macroeconomic issues increased and the share of financial issues on the G20 agenda decreased. As a percentage of all issues addressed, economic priorities reached a peak of 53% and finance issues dropped to the historic low of about 30%. Trade issues retained a modest 1.14% share of the discourse below the average of 2.22% for the full G20 cycle. Green growth and environmental protection reached a maximum share of 3.53%.

Second, manifest strengths of the Presidency include active engagement with the international organizations and integration into the G20 process of new formats. Alongside with the traditional regular meetings of finance ministers and “sherpas” (the representatives of Leaders), this year, the Mexican Presidency also convened meetings of trade ministers, foreign ministers, and ministers of tourism. Deputy secretaries of agriculture also met.
Other strengths include recommendations of the international financial architecture working group on IMF resources, quota and governance reform, quota formula review; the development of Local Currency Bond Markets; promotion of Mexican Presidency priorities in numerous international forums; integration of Latin American countries into the consultations; and creation of space and opportunities for the bilateral meetings between Leaders at the summit. However, the potential for drawing upon the substantial expertise of international organizations has been underutilized.

The G20 has been unable to fully process and respond to the 50 reports, materials and recommendations produced by the international organizations. The G20 has been unable to fully process and respond to the 50 reports, materials and recommendations produced by the international organizations. At the Mexican G20 Summit, the total number of mandates to international institutions amounted to 31 which is lower than the average of 38 for all G20 Summits and much lower than the 57 mandates issued by the French Summit in 2011. Although the G20 declaration welcomed the launch by the Business 20 (B20) of the Green Growth Action Alliance, proposals from the experts’ community and the civil society are not been reflected in the summit documents. Obviously all stakeholders of the G20 process should make efforts to enhance the quality of engagement in the future.

Third, on the main global governance functions of deliberation, direction setting, decision-making, delivery and global governance development performance the Los Cabos summit discourse was the most balanced in G20 history as reflected in the documents. Content analysis of the functions included in the documents (using absolute and relative data of the number of symbols denoting a certain function in the text) allows us to conclude that, as a percentage of the total discourse,

- deliberation comprised 17.5% of the discourse,
- the setting of policy directions amounted to 27%,
- decision-making comprised 27% and
- implementation of commitments was a primary concern with a 29% share of the discourse.

Progress was made towards creating G20 accountability mechanisms, which should be carried forward under the Russian Presidency of G20.

Russia’s Presidency should also consolidate the progress made and reenergize cooperation on laggard issues.

Russian G20 Presidency: Principles for Agenda Setting

In taking over the G20 Presidency from Mexico in 2013, Russia should build its agenda on several principles.

First, focus on complete and timely implementation of the G20 key commitments on priority areas. Assessment of the progress in implementing the key commitments will help identify which pledges of the G20 core agenda have been delivered, which ones remain fully relevant and what impetus is needed for further collective and individual actions.

Second, concentrate on a limited number of priorities which should balance continuity and innovation, as well as leave space on the agenda for accommodating emergency issues arising on the eve of the summit (as was the case in Cannes, where the leaders had to work on the planned agenda and the emergency agenda).

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

Fourth, consolidate inclusive strategies, inviting leaders from non-G20 countries and engaging with international and regional institutions. For instance, the Eurasian Economic Community may be represented by its General Secretary. This would bring Russia’s eight regional partners into the G20 process. As surmounting of global risks and implementation of the G20 decisions falls both on the G20 members and on the global institutions, the G20 should continue to collaborate on the strengthening of the necessary institutions: the UN and its entities, the IMF, and the World Bank. If it completes the work on consolidating the mandates of the Financial Stability Board in 2012, the G20 will reinforce its earlier decisions on strengthening financial regulation.
Fifth, send a clear message on the importance of the G20 process and how its decisions affect people. Establishing an effective consultation mechanism with civil society may help the G20 improve the quality of social dialogue and promote peoples’ awareness of the G20’s contribution to their wellbeing and the global public good. To clarify its relevance to the global community, the G20 should set up an accountability process, along with the highly technical review process that the G20 asked specialized international institutions to implement. Establishment of a permanent official G20 web-site would help sustain G20 engagement with the citizens, academia and business.

**The Focus on Managing Global Economic Risks**

The G20 should focus on managing and mitigating global economic risks with chronic fiscal imbalances as the center of gravity by the World Economic Forum Global Risks 2012 report definition. This risk is exacerbated by related risks: unmanageable inflation and deflation, recurring liquidity crises, chronic labor market imbalances and prolonged infrastructure neglect.

Four critical connectors, which join the five centers of gravity (economic, geopolitical, environmental, societal and technological) into one system, are also important: increasing income disparity, major systemic financial failure, unforeseen negative consequences of regulation, and extreme volatility in energy and agricultural prices. Most of these issues constitute the G20’s legitimate mandate.

Russia’s Presidency should consolidate the incremental progress made by the G20 on macroeconomic imbalances and financial safety nets, sustain progress on the international financial and monetary prices. By putting priority on the goal of restoring growth and employment levels, Russia should boost attention to policies aimed at overcoming income disparities. This will prove G20 leaders’ commitment to ensuring a fair and sustainable recovery as they promised back in April 2009.

Russia’s Presidency can also contribute to overcoming income disparities by promoting the following G20 policies:

1. Making employment a formal indicator in the Mutual Assessment Process (MAP), which is used by the IMF to assess the performance of G20 countries relative to their commitments in the Framework for Strong, Sustainable and Balanced Growth as proposed by the International Trade Union Confederation (ITUC) and the Trade Union Advisory Committee to the OECD (TUAC);
2. Adopting the G20 action plan to support the implementation of social protection floors at the national level.
3. Delivering on the commitments to generate investment for infrastructure development as a condition for strong, sustainable and resilient economic growth in developing countries.

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**The Summitry Spirit**

The G20 process is increasingly difficult to manage due to the large number of issues under its purview, multilevel coordination, diverse perceptions among G20 members, as well as non-members: states, international organizations, businesses, civil society, trade unions and other actors. Still, the G20 would benefit from a structured dialogue with civil society and academic institutions.

Improved coordination among the 2013 Tròika (Russia, Mexico, and Australia) at different levels may prove an asset to the forthcoming and subsequent presidencies and to the G20 performance and credibility as the hub of global governance. G20 decisions on economic and financial issues require political leadership, vision and responsibility. At Summits, the leaders should have more extended opportunities for strategic discussions. Meanwhile, the details should be left to the meetings of ministers, working groups and experts. Such an approach by the Presidency could culminate in a summit with fewer seats at the table, thus creating space for the leaders’ face-to-face engagement on big issues in a spirit of political vision and solidarity. This is the way forward to attaining the G20 priority of protecting against and responding to crises and making globalization work for the world.

**Ksenia Yudaeva**

Newly appointed Russian Sherpa Ksenia Yudaeva was the Head of the Macroeconomic Research Center of Sberbank. She also holds the position of Deputy Head of the Expert Committee at the Russia Government Committee on Enhancing Resilience of the Russian Economy. As a member of the Committee she advises the Government on policy issues related to the global financial and economic situation. Yudaeva worked for several Russian think tanks. She has numerous articles in Russian press and publications in Russian and international academic journals and conference volumes.