Commentary on the Report: “Mapping G20 Decisions Implementation”

by Nancy Alexander and Aldo Caliari
AUTHORS

Nancy Alexander, Director, Economic Governance Program, Heinrich Böll Foundation-North America, Nancy.Alexander@us.boell.org

Aldo Caliari, Center of Concern, US, ACaliari@coc.org

“Mapping G20 Decisions Implementation” is by Professor John Kirton, Co-director, G20 Research Group, Munk School, University of Toronto and Dr. Marina Larionova, Head, International Organizations Research Institute, Higher School of Economics, Moscow.
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INTRODUCTION

NOTE: The Group of 20 (G20) has declared itself “the premier forum for international economic cooperation.” Given that it is comprised of 19 of the world’s most economically powerful countries, plus the European Union (EU), its members wield considerable power, especially when they act collectively (for instance, within international organizations). There are several efforts to assess the performance of the G20, including one by the G20 Research Group, University of Toronto and the Higher School of Economic (Moscow), which is the subject of this paper.

A December 2012 report entitled, “Mapping G20 Decisions Implementation: How G20 is delivering on the decisions made”¹ (herein referred to as “the document” or “Mapping...” document) by the University of Toronto and the Higher School of Economics (Moscow) attempts to determine the extent to which G20 decisions are implemented. It examines the record of implementation in seven key areas of G20 cooperation: 1) implementation of structural reforms, 2) overcoming imbalances, 3) international financial institutions reform, 4) financial markets regulation, 5) protectionism, 6) the phase out of inefficient fossil fuel subsidies, and 7) development.

For the policies in each of the areas, the report gives a rating of “1” for full compliance; “−1” for non-compliance; and “0” for partial compliance. This rating system applies to:

a) implementation of commitments by individual G20 member countries. For instance, in the area of fossil fuel subsidies, each individual G20 member country is expected to implement the commitment to abolish subsidies.

b) implementation of commitments made by the G20, as a collective, e.g., to reform of the voting system of the IMF.

The paper is careful to state that it “is focused on the implementation of decisions and does not attempt to estimate the impact or effectiveness of the G20 actions.” In that sense, it offers an honest disclaimer – namely, that it should not be construed as assessing whether the G20’s efforts are desirable or positive responses to global challenges. But, a casual reader of the “Mapping...” document might assume that G20 implementation of its commitments is desirable.

Moreover, the document does not critique the commitments or assess whether they are likely to lead to the desired outcomes. Yet the question asked by the “Preface” of the “Mapping...” document, “Has the G20 lived up to its early success as an anti-crisis mechanism and its claim to act as its members’ premier forum for the G20 international economic cooperation?” requires some

¹ Professor John Kirton, Co-director, G20 Research Group, Munk School, University of Toronto and Dr. Marina Larionova, Head, International Organizations Research Institute, Higher School of Economics, Moscow.
assessment of the commitments and whether they are likely to prevent crises, such as the Global Financial Crisis.

This paper questions the implied premise of the report – namely, that implementation of G20 decisions is always or usually desirable. Specifically, it posits four circumstances in which implementation is undesirable and shows how, for a range of G20 commitments, this becomes evident.

Our comments also note:

a) where we differ with the “Mapping...” document’s assessments of G20 performance (e.g., increases in IMF resources or the comprehensiveness of reforms of the over-the-counter (OTC) derivatives market),

b) where we believe that assessments of certain G20 commitments have been omitted (e.g., investment protectionism and monetary reform),

c) where the document too uncritically accepts methodologies relied upon by the G20 (e.g., for trade or investment protectionism), and

d) our view of document’s recommendations to the G20 (e.g., that the IMF’s Mutual Assessment Program (MAP) should include employment indicators or that, in reducing fossil fuel subsidies, it is necessary to have uniform approach to assessing subsidy efficiency and a unified and comprehensive data base on fossil fuel subsidies). We believe that the document should go further in recommendations relating to credit rating agencies.

PART I: Conditions under which implementation may be undesirable

The authors of the “Mapping...” report are to be commended for assembling a massive amount of data and producing expert analyses on a multitude of topics. While the methodology raises questions, it represents an important attempt to quantify the extent to which G20 decisions are implemented. This, in turn, enables the authors to prepare compliance reports that influence the assessment of G20 progress.

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2 Although in some instances this paper also questions the “Mapping...” document’s rigor in assessing the G20 implementation of its own decisions.

3 We are grateful for the development of the methodology for measuring G20 commitments, as described here: [www.g8.utoronto.ca/evaluations/methodology/g7c2.htm](http://www.g8.utoronto.ca/evaluations/methodology/g7c2.htm). We would also welcome further analysis of the methodology with regard to questions, such as: “what constitutes a G20 commitment?” How are “key” or “priority” commitments defined? Is the implementation of all commitments conducive to measurement? How do the challenges differ with regard to measurement of “individual” vs “collective” commitments or with regard to the level of ambition of any commitment?

4 [http://www.g20.utoronto.ca/analysis/index.html#compliance](http://www.g20.utoronto.ca/analysis/index.html#compliance)
The implied premise of “Mapping...” is that the G20 will be a more responsible body if it implements its decisions. However, we assert that this premise is not consistently strong and that there are circumstances in which implementation of G20 decisions is undesirable.

We recommend that the authors of the report alter the methodology in order to “bracket” or suspend the judgment of whether or how certain G20 commitments are implemented until the following four questions are answered:

a) Could implementation of one commitment impede the achievement of another G20 commitment? The G20 would not intentionally work at cross-purposes with itself, but because its mandate is vast and G20 countries necessarily have different interests, it is possible. Indeed, the authors presented talking points to the G20 Sherpas on December 12, 2012 in Moscow and, with respect to the issue of fiscal consolidation, they described how “the commitment is regarded by a lot of experts as conflicting with the G20 objective to recover growth...”

b) Could implementation of a commitment violate national or international laws? The G20 would not intentionally make a decision that would violate a law, but the laws of each member country are different. Also, ministers familiar with one area of international law (e.g., trade or finance ministers) cannot be expected to understand the implications of decisions for an area of international law best known by another group of ministers (e.g., G20 energy ministers). That is, officials of G20 countries cannot be expected to have complete knowledge of each and every sphere of international law.

c) Could implementation of a G20 mandate to an international organization undermine the democratic governance of the organization? The G20 gives mandates to international organizations. Take the case of the International Monetary Fund (IMF). Since the G20 countries hold the vast majority of voting shares in the institution, one could argue that G20 mandates to the IMF do not undermine the institution’s governance. On the other hand, the 164 non-G20 member countries (which are grouped into IMF “constituencies”) have “voice” as well as “vote” and the institution generally works on the principle of consensus. Therefore, the power of “voice” in a consensus-based institution is capable of carrying influence. When the G20 gives a mandate to the IMF, the mandate is generally implemented and non-G20 countries are often precluded from discussing it.

We recommend that, when an international organization is given a policy mandate by the G20, it is worth examining whether such a mandate a) undermines “ownership” of the mandated policy by non-G20 member countries or b) might have been changed or dismissed if they were debated by the full membership of an international organization. Where these conditions exist, then it is clear that the issuance of mandates by the G20 precludes meaningful debate, which is also part of a healthy democratic practice.
d) Could implementation of a commitment undermine the functions of representative democracy, where such functions exist? The implementation of G20 development policies (e.g., infrastructure, food security, private investment and job creation, social protection) primarily affect low-income countries which have little input into G20 decision-making. Hence, one can legitimately ask whether decisions made by the G20 can undermine decision-making in low-income countries.

In addition, implementation of commitments can undermine legislatures in countries affected by G20 decisions. In some systems of government, when a commitment is unilaterally implemented by the Executive (i.e., a G20 Leader), the parliament is bound by that decision. In other cases, the executive and legislative branches work together and a commitment cannot be implemented unless the legislature has approved it. In non-democratic systems, the executive rules by fiat. Therefore, with regard to some commitments in some countries, it is important to know whether legislatures have approved implementation. Where they have not approved implementation, perhaps compliance ratings should be downgraded since, at least under ideal circumstances, the legislatures are representing the sovereign will of citizens.

Conditions “a” and “b” would promote policy coherence; conditions “c” and “d” promote good governance and “subsidiarity” or participation in decision-making by the most affected and relevant bodies.

When assessing the performance of G20 countries, it is important to “brace” or suspend a rating (positive/negative/neutral) until researchers could ensure that implementation did not have adverse consequences.

**PART II: Comments on the “Mapping...” document, including application of the conditions to G20 policy commitments**

This section assesses the desirability of implementing G20 commitments in two areas:

- The G20’s overarching commitments: structural reform, rebalancing through fiscal consolidation, social protection, IFI reform, protectionism, financial regulation, and fossil fuel subsidies.
- The G20’s “development” issues: private investment and job creation, access and availability to trade, energy efficiency and clean energy, food security, infrastructure, sustainability of public revenue.

We also comment on the document’s assessments of G20 performance and some of its recommendations to the G20.
1. STRUCTURAL REFORM

Additional analysis would be useful in the section “Recommendations on Future G20 structural reform agenda” where the G20 has called for:

- Reforming the unemployment insurance scheme
- Reducing the minimum cost of labor
- Reducing job protection

Some employment policies can impede the G20 goal of job creation and increase deficits. However, are there circumstances in which policies, such as the aforementioned, could undermine job creations and growth; the functions of representative government; or the mandate of an international organization?

The International Labor Organization (ILO) and the laws in many countries call for tri-partite consultation (among government – workers – and business) to determine wage levels and the optimal level of job protection. For instance, some ILO Conventions and other instruments – e.g. the Global Employment Agenda adopted by the ILO Governing Body in 2003 as well as the 2010 General Survey concerning employment instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization – have recommended tripartite consultation to determine wage levels and optimal level of job protection.

Due to power imbalances between employers’ and workers’ organizations, national and international labor laws are crucial; they can represent a “baseline” against which working conditions (including those that are determined through tripartite consultation) can be measured.

Therefore, in many countries, ministerial officials are limited in their capacity to commit to, or oversee implementation of, employment policies in the absence of such bargaining. Potentially, implementation of a commitment to reduce job protections could violate national laws and/or ILO instruments, particularly if such implementation does not occur in the aftermath of tripartite bargaining.

In addition, one could ask whether there is a conflict between the G20 commitment to “reduce job protection” or cut unemployment benefits, on the one hand, and the G20 commitment to “social protection,” on the other. These policies also have the potential to increase inequality, which is not a G20 commitment, but should be.

One could also ask whether there could be a conflict between the G20 commitment to reduce job protection, on the one hand, and the G20’s commitment to “improve the incentives for formal labor

5 Alternatively, the ILO encourages bipartite collective bargaining promoted or facilitated by the government.
force participation.” Some research shows that reducing job protection makes the formal sector more like the informal sector where workers (mostly women) are completely unprotected. If workers in the informal sector do not gain significant protections by moving to the formal sector, their incentives to make such moves are diminished. In this scenario, more women would remain unprotected in the informal sector and implementation of the commitment could exacerbate gender inequality.

On page 30 of the “Mapping...” document, it is evident that few countries (i.e., France, South Africa, Turkey) reduced the minimum cost of labor. The question that arises is whether these countries cut wages through bargaining and parliamentary/congressional action or not. If not, such reductions could undermine the functions of representative democracy.

In some analyses of competition policy (e.g., the World Bank’s “Doing Business” Reports) and possibly the methodology of this document, countries are rewarded no matter how deeply minimum wages are cut. This facilitates a “race to the bottom” because capital is mobile (corporations can move to low wage countries) and labor is not (due to immigration laws). The G20 commitment and the document’s methodology could usefully ask: when structural reform policies are implemented, do they establish an optimal level of unemployment insurance, job protection, and minimum wage? Is there solid evidence that these optimal policies create decent jobs? These questions must be asked on a country-by-country basis and, in most cases, through tripartite bargaining. Although the IMF’s Mutual Assessment Process (MAP) makes judgments on these matters, it should rely on the guiding and decisive input of the International Labor Organization. At present, it does not. Even in good economic times, failure to make sound decisions in these areas can exacerbate poverty and inequality, particularly between the genders and between racial and ethnic groups.

The “Mapping...” document states that “effective implementation has stalled” with regard to structural reforms (p. 6). It suggests that the Russian Presidency should focus on compliance in this area, yet we believe that (with the exception of education policy), the G20 should adhere to ILO recommendations regarding labor markets rather than usurping this authority for itself.

2. REBALANCING THROUGH FISCAL CONSOLIDATION

As noted by the document, at the Toronto Summit, advanced G20 economies (Australia, Canada, France, Germany, Italy, Korea, UK and US) committed to halve budget deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. This was the point at which the G20 pivoted from an expansionary mode (to revive the global economy) to a contractionary mode. As the document shows (Table 1.1), the compliance by advanced G20 countries with the commitment to cut deficits and debts has been high, with only the UK and the US failing to comply with the first component of deficit reduction. (See p. 5.)
However, once again, the global economy is in a precarious state due to the Eurozone crisis, among other things, and the document does not appear to reflect the fact that implementation of a commitment to synchronized fiscal contraction is not in the interests of the global economy, particularly at this time.\(^6\) This is a case where the timing of implementation of one commitment of the G20—fiscal consolidation—can conflict with another G20 commitment—to growth.

At the October 2012 meeting of G20 Sherpas in Cancun, Mexico, there was concern with the potential for excessive fiscal contraction in the U.S. and the IMF stresses that advanced countries, including some of those that committed to consolidation, have the fiscal space for stimulus. The methodology of the “Mapping...” document does not seem to make allowances for changed circumstances, which may make implementation of a previous commitment imprudent.

It would also be advisable to check these commitments against the previously-mentioned objectives of job-creation, as warned by the Labor 20 (L20): “Governments have shifted their policy to austerity and short-term deficit reduction. Yet the rise in unemployment now represents the biggest obstacle to deficit reduction. Workers and consumers need confidence in their future, just as firms need confidence if they are to invest their profits. . . . Public services and transfers have played a key role in stabilizing demand in the crisis, yet are now under attack.”\(^7\)

3. PROTECTIONISM

The “Mapping” document discusses market liberalization commitments in a section on “Refraing from protectionist measures.” The report cites the G20 commitment to “refrain from raising new barriers to investment or to trade in goods and services” made at the Washington Summit. Then, the document focuses primarily on trade—not investment—protectionism even though commitments were made in both areas.

The “Mapping...” document does not take issue with the formulation of the G20 commitment, which equates any trade restriction with a “protectionist” measure.

Causality. Economists, however, have failed to find conclusive evidence that trade liberalization leads to growth. Some have questioned the direction of causality, asking whether growth leads to liberalization or whether liberalization leads to growth. Historians have also found indisputable evidence that countries that developed on the basis of trade did so by relying, at early (and also relatively high) stages of their development, on trade barriers. (See box, below.)

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\(^6\) The experience of synchronized fiscal contraction in the European Union should be, in fact, a cautionary tale, as the effects of fiscal contraction in several countries at the same time have been observed to amplify effects compared to the situation where those fiscal contractions had been undertaken in isolation. See Holland, Dawn 2012. Less Austerity, More Growth? National Institute of Economic and Social Research Discussion Paper No. 400.

Historical and Conceptual Perspectives on Trade Protectionism

“Trade volumes are the outcome of many different things, including most importantly an economy’s overall performance. They are not something that governments control directly. What governments control are trade policies: the level of tariff and non-tariff barriers, membership in the WTO, compliance with its Agreements, and so on. The relevant question is: do open trade policies reliably produce higher economic growth and greater poverty reduction? The cross-national evidence on this issue is easily summarized. The available studies reveal no systematic relationship between a country’s average level of tariff and non-tariff restrictions and its subsequent economic growth rate.”


“...there is a remarkably persistent historical pattern, stretching from eighteenth-century Britain to late twentieth-century Korea, in which successful economic development was achieved through infant industry protection measures... Important as tariff protection may have been in the development of most [Now Developed Countries], it was – I repeat – by no means the only, nor even necessarily the most important, policy tool used by these countries in promoting infant industries. There were many other tools, such as export subsidies, tariff rebate on inputs used for exports, conferring of monopoly rights, cartel arrangements, directed credits, investment planning, manpower planning, R&D supports and the promotion of institutions that allow public-private investment cooperation.”


“In reality, the relationship between trade openness and growth is likely to be contingent on a host of internal and external factors. That nearly all of today’s industrial countries embarked on their growth behind tariff barriers, and reduced protection only subsequently, surely offers a clue... No country has developed successfully by turning its back on international trade and long-term capital flows. And few have grown over long periods without experiencing an increase in the share of foreign trade in their national product... But it is also true that no country has developed simply by opening itself to foreign trade and investment. The trick has been to combine the opportunities offered by global markets with strategies for domestic investment and institution building, to stimulate domestic entrepreneurs.”


“I know of few reputable developing country analysts or governments who question the positive potential roles of international trade or capital inflow in economic growth and overall development... The real issues are rather more complex. They are matters of policy and they are often politically difficult... It isn’t at all obvious either (1) that further external liberalization (“open-ness“) is now in every country’s interest and in all dimensions or (2) that in the overarching sweep of global economic history what the world now most requires is a set of global rules that promote or ease the path to greater freedom for global market actors, and are universal and uniform in application.”

Helleiner, Gerald K. 2000. *Can the Global Economy Be Civilized?*
Even advocates who call for trade liberalization without any qualification accept the fact that trade liberalization will lead to job losses at least in the short- to medium term. Therefore, there are cases in which the G20 commitment to trade liberalization can conflict with the G20 commitment to increase jobs.

Countries may also need to restrict trade in order to ensure they are not in violation of human rights commitments that require government action to protect access to essential services or shield vulnerable groups from price spikes for basic foods.

**WTO Methodology.** The “Mapping...” document also uncritically accepts the World Trade Organization’s methodology for tracking so-called protectionist measures. This methodology, which is endorsed by the G20, mechanically counts such measures on a country-by-country basis without accounting for the level of development of the countries concerned. The WTO methodology has several problems:

- it treats each country equally, inevitably leading to unfair outcomes. This is because trade restrictions are part of a menu of measures that can be potentially used to protect a sector. The menu will be larger or smaller in different countries.\(^8\)
- it does not assess the weight of the protected sector relative to the economy of the country.
- it does not assess the actual trends in imports by a particular country. For instance, a restrictive measure imposed by a country where imports have tripled – or triple after the measure, and in spite of it-- is different than a measure imposed by a country where the level of imports is flat or declining. But, the methodology does not account for such dramatically different circumstances.

**Investment protectionism.** The “Mapping ...” document does not address so-called “investment protectionism.” This is welcome, as the notion itself is not helpful. However, regrettably, the G20 has committed to investment protectionism. As is the case with trade liberalization, economists have been unable to conclusively establish a causal relationship between liberalization of investment (or capital flows), on the one hand, and growth, on the other.

In fact, recently, UNCTAD emphasized that:

“The motivations for FDI restrictions are manifold and include, for instance, sovereignty or national security concerns, strategic considerations, socio-cultural reasons, prudential policies in financial industries, competition policy, infant industry protection or reciprocity policies. In each case,

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\(^8\) For instance, a country that enjoys budget surpluses or “fiscal space” (including the ability to issue debt at low prices) may not need to slap tariffs on imports or subsidize a domestic industry. However, a country with budget deficits may experience much more pressure to implement protectionist measures. Also, an administrative barrier to trade may not be necessary if a country’s enterprises enjoy predominant market power in a sector. (Such companies can then issue private sector standards that its suppliers will need to fulfill unavoidably in order to get access to such markets, e.g. large supermarket chains).
countries may have very different perceptions of whether and under what conditions such reasons are legitimate.\(^9\)

International organizations routinely report to the G20 on investment measures\(^10\) and, according to these report, restrictions on investment are those measures that impose “differential treatment of foreign or non-resident investors compared to domestic investors.”

In the reports, restrictive measures that are inspired for legitimate reasons are lumped together with those that are not. It is clear that the exercise risks stigmatizing measures that might well be in line with important goals that the G20 itself purports to pursue. For instance, authoritative voices have linked the inadequate regulation and supervision of capital markets to the recent global financial and economic crisis.\(^11\) But measures to promote the prudential regulation of foreign operators could be considered “investment restrictions.”

The “Seventh Report on G20 Investment Measures” labels as “restrictive”:
- measures taken in matters of national defense (Italy),
- imposition of a financial transactions tax (FTT) (Brazil),
- requirements for government approval of brownfield Foreign Direct Investment in pharmaceutical sectors (rather than automatically granting it) and restrictions of foreign ownership of radio broadcasting (Russia),
- expropriation of assets in a company exploiting strategic natural resources (Argentina), and
- an agreement among the BRICS (Brazil-Russia-India-China-South Africa) to provide local currency loans to the business community of other treaty partners.

Without clarification of the actions taken by these countries, can we be sure that the actions did not properly discipline markets or uphold democratically-agreed mandates coming from a representative democracy? Or, can we ensure that such actions do not impede the achievement of another G20 commitment, such as sustainable, green growth or job creation? For instance, currently, the European Union is challenging Canada’s renewable energy laws on the basis of their “domestic content” provisions.\(^1\) However, in their development, many advanced economies heavily relied on the use of domestic materials and labor in order to ensure sustainable development. If “reducing the regulatory barriers to competition” means that a legislature must re-write its laws on domestic content, the country would experience job losses and, in the EU-Canadian case, it would diminish the prospects for “green growth.”

\(^11\) United Nations 2009. Report of the Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System. New York. September, at 48 (“There is now a consensus that inadequate regulations and regulatory institutions, some of which failed even to implement effectively those regulations that existed, contributed to this crisis. While “blame” should rest on the financial sector, government failed to protect the market from itself and to protect society from the kinds of excesses that have repeatedly imposed high costs on taxpayers, workers, homeowners, and retirees.”).
4. FOSSIL FUEL SUBSIDIES

In 2009, the G20 called for the elimination of fossil fuel subsidies, which is necessary not only to promote renewable energies, but also to cut budget deficits. The document does an excellent job of naming the problem that plagues measurement of compliance: that is, the absence of a universally-agreed definition of production and consumption subsidies. Some countries, such as Australia, Saudi Arabia, France, and Brazil use definitions of “subsidies” that enable them to claim that they have none. (Other countries, such as Japan and the UK have not provided any report at all.)

The document also helpfully calls for a uniform approach to assessing subsidy efficiency and the need for a unified and comprehensive database on fossil fuel subsidies. (p. 60) It provides an important service by providing, in table format, the subsidies for coal, petroleum, natural gas, and electricity for each G20 country in 2009-2010. (p. 61)

In order for the G20 to comply with this commitment, it would be helpful for the document to call for the adoption of the steps recommended by the Business 20 Green Growth Task Force and Oil Change International, among others. These steps include developing national transition plans, annual disclosure of subsidy measures, and redirection of subsidies to assist the poor and invest in green technology. They also include the identification of an international body to act as a clearinghouse or monitor of the reform process.

5. INTERNATIONAL FINANCIAL INSTITUTIONS REFORM

**FSB.** The “Mapping...” document calls for strengthening of the Financial Stability Board (FSB) without acknowledging the need for a change in its governance. At present, the FSB is comprised of the G20 countries, plus a few others, yet it makes rules that can hardly be ignored by countries that are non-members. Non-members participate through the FSB’s Regional Consultative Bodies, but these are not sufficiently effective, participatory, or transparent.

**IMF Quota formula.** Appropriately, the “Mapping...” document recognizes the delay of the overhaul the IMF’s quota formula as a failure, since the G20 pledged it would complete it by beginning of 2013. It is worth noting that this is the second time the G20 has missed a deadline on this action (in Pittsburgh, G20 Leaders had pledged to complete a quota formula review by early 2011).

**Leadership selection.** The “Mapping...” document could usefully give greater scrutiny to the G20’s call for reform of the leadership selection processes of the Bretton Woods Institutions. Colonial leadership patterns (whereby a U.S. citizen heads the World Bank and a European heads the IMF) were “alive and well” in the most recent selections of the heads of these institutions. The

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12 Business 20 Report (page 26):
“Mapping...” document states “Recent appointments of IMF and World Bank heads followed an old tradition of nationality based selection but were agreed even by the most ardent opponents.” This is somewhat misleading. Of course, any ex-post analysis of leadership selection processes will reveal that the approved leaders obtained the requisite majority, but it is very risky for a member country to express opposition to the candidate who commands a leading majority and is, thus, poised to become leader of the institution.

**Lending conditionality.** The “Mapping...” document calls for a continuation of the “review of lending conditions and conditionality.” In this, it seems to heed the contention by critics that streamlining of IMF procedures failed to reduce the stigma attached to IMF lending programs and did not reduce the tendency of the institution to consistently err on the side of excessive contraction when prescribing macroeconomic policies to its members. We agree with this assessment.

**Omission of assessment of the increase in IMF resources.** The increase in lending resources is also mentioned in the document, but not assessed. Before the Los Cabos announcements, the IMF members had agreed to raise capital from approximately USD 375 billion to approximately USD 750 billion (an increase scheduled to occur in October 2013 at the IMF Annual Meeting but which is tied to the governance reforms). In addition, in 2010, the members had pledged bilateral contributions of some USD 500 billion through bilateral credit lines for the IMF. These contributions were to be downscaled in proportion to the increase in capital, once it takes effect, in order to maintain total available funds (capital plus bilateral commitments) at approximately USD 875 billion. The Los Cabos Summit pledges were “in addition to the quota increase under the 2010 Reform,” and made no reference to their additionality to the existing bilateral credit lines.

In the future, the authors of “Mapping...” might consider reflecting on the fact that this monumental increase in IMF resources comes while so little progress has been made on governance and lending conditions.

**Excellent recommendation for surveillance reform.** The document also evaluates the reform of IMF surveillance. The main recommendation calls for the Mutual Assessment Process (MAP), which is conducted by the IMF, to include indicators “relevant to labor and employment, as well as income inequality.” This should be supported.

At the same time, it implies that the status quo should be largely maintained with regard to enforcement of surveillance decisions. However, poor countries perceive the IMF’s surveillance as rougher on them than on rich countries which pose a more systemic threat to global financial stability.

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**Omission of commitments for monetary reform.** In the future, the “Mapping...” exercise might also want to take into account the reform of the international monetary system. In Seoul G20 Leaders committed to “build a more stable and resilient international monetary system” and “explore ways to further improve the international monetary system to ensure systemic stability in the global economy.”14 This is a mandate that received significant support from the French G20 Presidency. Yet, the G20 has little to show for this effort.

While the above-reported reforms in governance of the IMF, surveillance and an increase of IMF lending resources are assessed by the document, it is pertinent to ask whether they are conducive to a more stable and resilient monetary system. In fact, the reliance of the system on one domestic currency – the US dollar—as the main currency for international reserve and trading is a continuing worry and limits the capacity of the system for non-recessionary adjustments of imbalances. There is no reason to think that the needed cooperation between surplus and deficit countries will be more forthcoming or that incentives for surplus and deficit countries to adjust will become more symmetrical by simple virtue of the indicators looked at under the MAP.

6. **FINANCIAL REGULATION**

**Derivatives**

To increase transparency, the G20 made a commitment that all “standardized” derivatives would be traded on public exchanges and centrally-cleared. Central clearing would allow the “netting out” of the exposures among different firms. Clearing houses would also enforce the posting of adequate collateral for such transactions.

When derivatives could not be “standardized” (to allow for public trading and clearing), trades would still have to be reported to authorities. Finally, the G20 also encouraged “position limits” on traders—an important device to ensure traders cannot engage in large transactions for purely speculative purposes. The 2012 deadline for these reforms will be missed in most countries.

The “Mapping G20 Decisions Implementation” document states that “A comprehensive set of reforms has been developed for the OTC derivative market. However, data from FSB [Financial Stability Board] progress reports indicates the need for G20 to make additional efforts to enforce the effective implementation of the agreed reforms.” (p. 49) As noted above, deadlines are being missed, so this conclusion is warranted.

*However, the reforms are not sufficiently comprehensive as claimed by the document.* Even where reforms are implemented, many derivatives that are traded bilaterally (between two

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financial institutions) will not be subjected to the new rules. This is because banks claim (often with little justification) that such derivatives should be exempt from the rules because they cannot be standardized.

Only a few countries adopted rules that impose “position limits” on traders and at levels not significant enough to change the dynamics that lead to price volatility. The trading of derivatives continues to obscure the real risk exposure of banks and can highly distort the “weighting” of risks for the purpose of determining capital reserve requirements. The agreed reforms do not prevent banks from profit-taking or enjoying the implicit subsidy to their operations derived from mixing deposit-taking (which is government-guaranteed) with risky derivative transactions (which should not be government guaranteed).

On the question of compliance with agricultural commodities’ derivatives markets, it is puzzling that the document reports fulfillment of promises by all G20 members except for Italy, Russia and Turkey. At the same time, the document acknowledges the need for progress, saying “Progress on improving the functioning of agricultural commodities’ derivatives markets should be sustained. G20 should focus on the regulation enforcement. G20 and IOSCO should continue engagement on surveillance of the agricultural commodities derivatives market functioning.” (p. 77) 15

As noted above, there have been few controls to prevent the use of derivatives to speculate on prices of commodities, such as oil or food staples. This speculation has led to higher and more volatile commodity prices.

Credit Rating Agencies

We agree with the document that “more efforts will be required for ending the practice of using unreliable external ratings by national authorities and standard-setting bodies.” (p. 51)

Credit rating agencies (CRAs) were responsible for grossly underestimating the risks attached to certain assets (such as Collateralized Debt Obligations and Mortgage-Backed Securities). Many investors – including managers of pension funds – invested in these assets because they trusted their high ratings.

Legislation authorized these investors to consider an asset “safe” when it obtained a high rating by a CRA. When assets proved riskier than anticipated, the CRAs were able to deflect any accountability by claiming that their ratings were mere “opinions” based on erroneous mathematical models. However, CRAs were subject to conflicts of interest because they were rating the assets issued by the same institutions that paid them to determine such rating (something termed the “issuer-pays” model). They were also under pressure to give high ratings to assets in order to compete with other rating agencies.

15 http://www.cftc.gov/PressRoom/PressReleases/pr6439-12
The G20 committed to a stronger regulation and oversight of credit rating agencies on the basis of an existing (2008) Code of Conduct designed to improve governance and transparency of the agencies, including prevention of conflicts of interest. It also pledged to diminish the regulatory and legal requirements for investors to rely on the opinions of credit rating agencies for evaluating the risk of their assets.

We recommend that the document specify the type of progress needed in three areas:

**Governance of CRAs:** In 2009, at the behest of the G20, the International Organization of Securities Commissions (IOSCO) reported that CRAs were largely implementing the Code of Conduct and then, reports on compliance ceased to be issued. But, the Code of Conduct does not provide a meaningful alternative to the “issuer pays” model which was at the basis of failures in rating.

**Alternatives to CRAs:** The G20 stressed that investors must reduce their reliance on CRAs and agreed to a “roadmap” to achieve that goal. Historically, the legal and regulatory reforms prescribed by the “roadmap” have proven difficult to implement, especially for complex products. This perpetuates a dangerous situation since most investors simply lack the capacity to judge the creditworthiness of such products.

**Exemption from Liability of CRAs:** The G20 never challenged the status of the CRAs – that is, their privileged position (exemption from liability for negligence or lack of due diligence) compared with other sources of expert opinion, such as accountants or investment banks. Such a privileged position is not appropriate given the great impact CRAs have on the market.

**Systemically Important Financial Institutions (SIFIs)**

The G20 committed to strengthening supervisory and regulatory oversight of the “systemically important financial institutions” (SIFIs)—a term that refers to firms that are “too big to fail”. They also agreed that SIFIs should develop plans for: a) orderly winding down (“resolution”) in case of emergency, b) winding down cross-border firms, and c) reducing firms’ excessive risk-taking, especially through requiring them to hold more capital.

The document gives the G20 a “full compliance” rating, since it has “created methodologies for identifying SIFIs, strengthening supervision frameworks and resolution regimes, and supporting the expansion of regulation to cover different financial institutions.” (p. 52) Yet, a “full compliance” rating seems extremely generous. The bottom line is that, as a result of mergers and acquisitions that took place in response to the crisis both in the United States and Europe, the financial sector is more concentrated than it was before 2008, with firms becoming bigger and more interconnected.

The Financial Stability Board (FSB) has identified less than 30 firms that it defines as SIFIs (this is not enough), but these firms have not yet filed their plans for winding down in case of crisis. The
FSB has also issued guidelines for how to implement resolution systems when financial institutions fail. Although all countries are expected to adopt these guidelines, few have begun to do so.

Few analysts would agree today that were one of those SIFIs to fail – even the few ones identified by the FSB – a publicly-financed bailout would not be necessary. It is worth noting that measures for banking sector restructuring (limits on size or complexity of firms) have been considered on an individual basis by some countries, but neither the G20 nor the FSB has given serious consideration to them.

7. DEVELOPMENT

Each of the following sections addresses a “pillar” of the Multi-Year Action Plan (MYAP) on development launched by the Seoul G20 Summit in 2010. These pillars relate to: food security, infrastructure, private investment and job creation, social protection, access and ability to trade, energy efficiency and clean energy, and sustainability of public revenue.

Food Security

It is a paradox that the document reports that “G20 members’ compliance with individual commitments has been relatively high with a score of 0.67” [with the highest rating being “1.00”]. Because we are experiencing the third food price spike in five years, one would suppose that either the G20 made the wrong commitments or it is not implementing effective policy commitments.

The document focuses on the five commitments of the 2011 Action Plan on Food Price Volatility and Agriculture. These commitments are of three types: individual (by country), collective (by the G20), and mandates (to international organizations).

With regard to “mandates,” we ask whether the G20 should give mandates to international organizations (IOs) – which could undermine their democratic character – or take advice from expert IOs. Because the G20 Agriculture Ministers issued the aforementioned Action Plan in June 2011, negotiators at the UN Committee on World Food Security (CFS) felt precluded from addressing issues included in the Action Plan, including buffer stocks, biofuels, trade, and commodity price volatility.

The G20 rejected the idea of using buffer stocks as emergency reserves to address hunger and stem commodity speculation in favor of a “targeted emergency humanitarian food reserves system.” (described as a “collective commitment” on p. 77). The G20 mandated that 10 international

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16 The authors might consider addressing the governance of agriculture and any “division of labor” between the G8 or the G20. It is not clear whether the policies of the two groups are coherent. At the US G8 Summit in 2012, the Group adopted the New Alliance on Food Security, thus promoting a public-private partnership (PPP) model of agriculture developed by 17 agribusiness corporations under the leadership of McKinsey and Company and the World Economic Forum. Particularly since the “New Alliance” is piloting its model in Africa, it is important that its policies are coherent with those of the G20.
organizations write a report on food price volatility, but it failed to heed many of the report’s recommendations. For instance, the report warned against targets and mandates in promoting biofuels. Yet, despite the G20 thwarting the advice of experts, it had the unintended effect of stifling policy-making by the world’s premier organization on food security. How could this have been avoided? The G20 could have asked for advice rather than issuing mandates that the CFS was afraid to discuss.

With regard to “individual commitments” to boosting agricultural growth, the “Mapping...” document is unclear whether countries get credit for implementation without “special attention to small holders, especially women and young farmers.” Is the data disaggregated by size of farm and by gender and age to determine the implementation of this commitment?

With regard to “sustainable agriculture,” the question arises of whether the implementation of commitments to sustainable agriculture might, then, conflict with commitments to “green growth.” The G20 commitment involves “crop diversification...and sustainable use of natural resources, in particular land, water, and biodiversity.” The commitment exclude any statements related to climate change; agro-ecological approaches vs industrial, chemically-dependent agriculture; or the use of genetically-modified crops.

However, taking the commitments at face value, there is the question of how they are measured. Would compliance ensure that a country banned “land grabs, biasing the sale of water to “high value users,” cost recovery policies that preclude universal access to water, or clear cutting of forests (carbon sinks) for agribusiness, for instance? In other words, is it clear what the commitment means in practice?

The document finds full compliance with collective commitments, such as those related to Agricultural Market Information System (AMIS) (which aims to increase market transparency), the Rapid Response Forum for humanitarian emergencies, and measures to tame agricultural commodities’ derivatives markets.

We would pose questions about what full compliance means for these initiatives. With regard to AMIS, what new information has AMIS acquired? Is that information taming volatile prices? How close is the world to having full market information about the state of global food stocks?

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17 See inter-agency report on price volatility: http://www.foodsecurityportal.org/interagency-report-g20-food-price-volatility-released. This G20-commissioned study on price volatility concluded that “the diversion of food crops for use as fuel represents a permanent re-structuring of the food economy, which will exert continuing pressure on food prices in ways that will adversely affect vulnerable consumers.” 17 The report further called for the elimination of government mandates and subsidies that have spurred the production and consumption of biofuels. These findings were completely in line with the findings of the HLP of Experts on Food Security and Nutrition, convened under UN auspices. This stance clashes with the positions of several G20 countries, however, including the U.S. and Brazil; and ultimately, this research was not allowed to inform policy at the G20.
Is agribusiness participating in provision of data to AMIS? Since most production and trade occurs between a few agribusiness corporations, this last question is relevant to the G20’s goal.

With regard to the Rapid Response Forum (RRF), it is unclear how the forum has limited volatility or dealt with emergencies.

With regard to derivatives markets, although some laws were passed, almost none have been implemented. The most significant measure agreed by the G20 that could tame speculation-related price volatility are position limits by commodity and by type of contract. At the Cannes Summit the Group of 20 agreed that “market regulators should have and use formal position management powers, including the power to set ex-ante position limits.” Yet, only the US has passed them. Even there, the agreed position limits were very weak and are currently threatened by an adverse court ruling that is being appealed by the regulator. If we ask the question of whether commodity derivatives markets are regulated more closely than before G20 commitments were made, the answer would be “barely.”

Finally, on public-private partnerships (PPPs), the G20’s Multi-Year Action Plan on Development focuses significantly on promoting these partnerships in agriculture. While the G20 Development Working Group has been focused on “crowding in” the private sector in solutions to hunger and food insecurity, the Mexican G20 Presidency commissioned a paper by 12 organizations that is critical of an unconditional embrace of PPPs:

There is scant evidence on the impact of PPPs on the participation of smallholders in market integration. While some positive experiences emerged recently, the literature suggests that agricultural value chains routinely shed participants or collapse completely, while the degree to which participating smallholders benefit remains uncertain, especially in cases where new business arrangements leave smallholders exposed to risks.

It appears that, except with regard to corporate responsibility, the “Mapping...” document does not address the impact of the PPP approach on the goals embraced by the G20.

Infrastructure

The document concludes that “despite the high G20 average level of compliance performance on infrastructure commitments, further action is required to stimulate long-term infrastructure investment planning and expand G20 members’ participation in implementing infrastructure projects in developing countries.” (p. 11) It states, “For establishing the HLP [G20 High Level Panel on Infrastructure], endorsing the outcomes of its work at the Cannes Summit and committing to

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implement infrastructure projects meeting the HLP criteria, the G20 is awarded a score of +1 [full compliance].”

**However, the G20’s commitment to infrastructure could potentially undermine its commitment to “green growth.”** The Report of the HLP for infrastructure\(^{20}\) recommends project criteria – namely that they should: 1) promote regional integration; 2) possess political support; 3) be mature, in terms of the stage of project preparation; 4) have adequate institutional capacity; 5) attract the private sector; and 6) transform economies in terms of a) growth, b) impacts on a large number of people, and c) sustainability.\(^{21}\) In other words, the report did not address appropriate-scale technology, the engagement of affected people (e.g., “free prior and informed consent”), ecology or carbon emissions. The HLP did not mention the need for environmental and social safeguards and could actually promote the dilution of such standards in order to attract investment.

As the recommendations of the Report of the HLP are implemented, they will conflict with the G20 goal of “green growth” because they lock-in patterns of carbon emissions for generations. Despite these facts, Infrastructure is desperately needed in most countries, especially low-income countries. However, because we have seen generations of “white elephant” projects and projects that destroyed entire ecosystems and communities (without their “prior and informed consent”), it is vital that the G20 learn the lessons of the past and ensure that future infrastructure development is sustainable.

**Private Investment and Job Creation**

The Private Investment and Job Creation pillar of the Multi-Year Action Plan called for four actions, most of which required the involvement of several international organizations, or agencies. In practice, an inter-agency working group (IAWG) was created,\(^{22}\) which submitted a series of reports culminating with a comprehensive summary and recommendations (hereinafter “IAWG Report” or “IAWG Summary Report”) on three years of activity to the G20 Los Cabos Summit.\(^{23}\) The Summit Declaration\(^{24}\) welcomed that report, which actually contained eleven policy recommendations grouped into the four actions of this pillar of the Multi-Year Action Plan.


\(^{21}\) Among the “exemplary” projects recommended by the High-Level Panel are the Inga Dam (DRC), East Africa and West Africa Power Pools, Deseret (which will send solar energy from North Africa to Europe), the Turkmenistan-Afghanistan-Pakistan and India (TAPI) Natural Gas Pipeline (which will connect the natural gas supplies in Turkmenistan with the energy markets in Afghanistan, Pakistan, and India) and the ASEAN Infrastructure Fund.

\(^{22}\) IncludingUNCTAD, OECD, ILO, UNDP and the World Bank.


**Selection of Commitments.** The “Mapping...” document zeroes in on G20 two commitments out of many. Of these two commitments, one is not specific to any of the four actions in the MYAP. Rather it is derived from the G20’s generic decision to mandate international organizations to conduct studies on topics such as responsible practices in value chains and business climate indicators and recommending their use to developing and low-income countries.\(^{25}\)

**Commitment related to “responsible investment in value chains.”** The second commitment chosen for evaluation is one that comes from the Action Plan. The “Mapping...” document gives 16 out of the 20 countries a perfect score for identifying and promoting responsible investments in value chains. But this is based on a loose assessment that considers any involvement whatsoever in some form of responsible investment standard as proof of compliance, not necessarily any further inquiry on the implementation or enforcement of the standards.

The evaluation could be more ambitious and nuanced, given that one of the proposals in the IAWG report endorsed by the G20 was that “Governments can actively promote adoption and compliance with existing standards, through: Government purchasing criteria, Stock exchange listing rules, Capacity building, Regulatory initiatives and Investment and trade promotion.”\(^{26}\) Or, for instance, an examination could be made of how many investment treaties the countries have subscribed in which they agree to turn the voluntary standards into obligatory for investors trying to invoke rights under the treaty.\(^{27}\)

The “Mapping...” document contains a tenuous admonition: “Despite the high G20 average level of performance on responsible private investment, further action is required to promote responsible private investment practices domestically and in partner countries.”\(^{28}\) It would have been helpful if the document could have specified what forms this further action could take.

**Unexamined G20 commitments stemming from the Seoul MYAP.** As already noted, the “Mapping...” document did not assess some of the G20 commitments related to private investment and job creation. Such an assessment would have revealed some substantive problems. One of the commitments was that the IAWG would “review ... and develop key quantifiable economic and

\(^{25}\) The “Mapping...” document commends the G20 for mandating reports. However, as mentioned at the outset in this paper, however, one could question this judgment. Indeed, such mandates can be seen as negative examples of an elite grouping of countries – the G20 – demanding work from international organizations with memberships more broadly-based than the G20. These organizations have their own internal processes for deciding on mandates and work programs. To bypass their will (as expressed within the internal processes of those agencies) for the sake of preparing studies that the G20 then offers to those same countries and encourages them to apply is patronizing. That is, it is not a behavior that should be rewarded. Additionally, according to information gathered by the authors from G20 representatives speaking in condition of anonymity at the time the reports were being made, reports commissioned by the G20 to agencies in this fashion are understood as a direct request from the G20 to staff of such agencies. As a result, internal controls or even transparency rules that would apply to such papers if requested by the membership are suspended in this case. The G20 gets to see and approve the reports before even the governing bodies of the agencies can see them.

\(^{26}\) IAWG 2012 Report, p. 17.

\(^{27}\) This is a practice recommended by the UNCTAD Investment Policy Framework for Sustainable Development which is, by the way, one of the tools for improving the business climate that the G20 endorsed in the same IAWG report.

\(^{28}\) P. 72.
financial indicators for measuring and maximizing economic value-added and job creation arising from private sector investment in value chains.”29

This methodology, delivered by the IAWG in a report called “Indicators for measuring and maximizing economic value added and job creation arising from private sector investment in value chains,” suffers of some problems. First, it is skewed towards instruments of the “incentive” type. The study overlooked a large range of instruments of regulatory nature, particularly those that would balance rights conferred upon investors with obligations placed upon them (e.g., performance requirements and measures to ensure creation of backwards and forward linkages).

Second, the proposed set of indicators is inadequate for the purported objective of measuring the “economic value added, job creation and sustainable development impact” of the investment. It seems all indicators measure how much an investment adds to job creation. But, there is no consideration of indicators which would measure how much investment might detract from job creation, capital formation, and so on. For instance, due to flows which repatriate capital to corporate headquarters, private investment in some low-income countries creates net negative income flows, a problem not examined by the report.

**G20 Commitments to the Seoul MYAP.** The Seoul MYAP committed to assisting developing countries, in particular LICs, “to develop action plans with the view to ... improve the business investment climate, . . . and support the regulatory framework for foreign and domestic investment.”30

The IAWG summary report endorses the tools that the international organizations have been using to assess the business investment climate instead of engaging in an evaluation or even a peer-review of these tools, including:

- UNCTAD’s Investment Policy Framework for Sustainable Development,
- the OECD’s Policy Framework for Investment, and
- the indicators of the World Bank’s *Doing Business* Report, which have been the subject of heated controversy among experts

In a recent analysis, critics summarized the flaws of the *Doing Business* Report by saying that:

1) The rankings skew government incentives away from the needs of the majority of poor, most of whom are women engaged in informal, micro and rural enterprises,

2) the rankings discourage governments from doing what is needed to help small firms,

3) in some critical areas, rankings promote reforms that are harmful, and

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4) the rankings do not consider the balance of policy goals, their aim being minimal regulation, not optimal regulation. Referring to the Doing Business report, which ranks countries on these indicators, the Alternate Executive Director for China to the World Bank recently said that “the report has used wrong methodologies, failed to reflect facts, misled readers and added little value to improving China’s business environment, not to mention its growth and development.”

The “Mapping...” document’s prescriptions related to business climate reform can also conflict with G20 commitments to create quality jobs. For instance, the IAWG and the G20 encourage governments to “engage in efforts to increase the jobs content of investment and growth, in terms of both quantity and quality, including through ILO employment targeting methodologies.” The Trade Union Advisory Committee to the OECD is still urging the G20 to fulfill its Pittsburgh commitment to put “quality jobs at the heart of the recovery” by establishing jobs targets for each G20 country. But, could quality of jobs be assured in a hypothetical situation where all countries are trying to deregulate their business environments, as suggested by the Doing Business Report?

The G20 also has placed a high premium on achieving financial stability. But business climate reforms would enter into conflict with the policies to manage capital flows that such purpose may call for in different countries.

Social Protection

In the discussion of social protection, the “Mapping...” document cites the ILO Global Jobs Pact as defining a “social protection floor” as including “access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor.” (p. 80)

It appears that the G20 is only committed to monitor and report on the progress toward extending social protection coverage. We endorse the implied recommendation of the “Mapping...” document which says that “The G20 could explore elaboration of an action plan to support national programs of social protection systems development in partner countries to be implemented in coordination with relevant international organizations.” However, the recommendation would be stronger if it

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32 See report on these and other remarks, including recordings of the panel presentations, at http://www.cafod.org.uk/News/Campaigning-news/Call-for-World-Bank-reform
34 Achieving this goal would require public investment in green jobs, shifting taxation from employment to environmental “bads”, increasing tax revenues from the wealthy, increases in cash transfers to low-income households and access to finance for small and medium-sized businesses.
35 Even the International Monetary Fund has, to some extent, recognized this proposition in recent papers, including a recently-developed “institutional view.” See IMF 2012. The Liberalization and Management of Capital Flows: An Institutional View, November 14.
suggested clarification by appropriate institutions of the definition of “social protection” and metrics with which development of such systems could be measured.

This could be helpful because “social protection” characterizes the G20’s approach to equity, but in UN debates, social protection is more often viewed as one facet of a rights-based approach to development.

Access and Ability to Trade

Methodology of “Mapping...” document. The “Mapping...” document evaluates two aspects of this commitment: a) measures taken by G20 members to remove restrictions for their trade with developing countries, and b) measures taken by G20 members to foster trade among developing countries themselves.

With regard to the first aspect of the methodology, the “Mapping...” document’s approach is very similar, but a bit more nuanced, to that used in the section on “trade protectionism,” above. Mistakenly, this approach assumes that all trade measures are created equal. The authors of “Mapping ...” resorted to the Global Trade Alert project, a database of trade-restrictive measures available online. Relying on this database they add and subtract, respectively, positive and negative trade-related measures taken by each G20 member. The approach also addresses only those measures affecting trade between each G20 member with non-G20 developing countries.

With regard to the second aspect of the methodology, measures to facilitate trade among developing countries themselves, the consistency of the “Mapping...” methodology with its own purpose is not clear. The “Mapping ...” document states “11 members managed to take steps to advance trade directly between developing countries.” However, this assertion is not supported by the facts.

Trade-related commitments

From a broader perspective than that assumed by the “Mapping...” document’s authors, one could question whether the methodology’s narrowing down of the commitments of the Seoul MYAP into

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36 Note: In the “Mapping ...” document this is in a section titled “Access and availability to trade,” presumably a typo since the commitments analyzed are the same under “Trade” pillar of the Seoul Multi-Year Action Plan (which begins by saying “No country has grown and reduced poverty without access to and the ability to trade.”) Seoul MYAP on Development, p. 4.

37 http://www.globaltradealert.org/

38 Among the 3 concrete examples elaborated upon, one is Australia’s contribution to the Enhanced Integrated Framework. This Framework does not guarantee that trade capacity will necessarily be applied to trade by beneficiaries with other developing countries instead of with G20 members. The same criticism applies to the Canadian example—(the “Canadian Market Access and Trade Capacity Building” project aimed at enhancing capacities of the developing countries). In fact, at least one component of this project very explicitly enables exporters in recipient countries to export to Canada: “Canadian market access services for developing country exporters and trade support institutions. These services include trade information, matching exporters with Canadian importers, and a responsive facility to help exporters from selected countries in their efforts to link to the Canadian marketplace.” (Description available at http://www.acdi-cida.gc.ca/CIDAWEB/cpo.nsf/vWebProjByStatusSCEn/71484E3B17AE9F9785257AA80036F1A9)
the above-explained two aspects provides a useful assessment. The Seoul MYAP listed six actions that could be summed up as follows: 1) progress towards DFQF market access for LCD countries, 2) maintaining Aid for Trade levels that reflect at least the average of 2006-2008, 3) monitoring of those commitments’ impacts on LICs capacity to trade, 4) coordinate a multilateral agency response to step up capacity and support of trade facilitation, 5) developing and supporting measures to increase availability of trade finance to LICs and 6) developing measures to support successful regional trade integration (this in Africa in particular).39

The “Mapping...” document tangentially gives an idea of how some countries are doing on some of these commitments. For instance, it tells us Australia has contributed to the Enhanced Integrated Framework,40 but it does not give us an idea of how does that match Aid for Trade overall in comparison to the average 2006-2008 for that country, and is certainly not systematic in providing such overview.41 On other commitments, it just does not provide any clue. The continuing plight of the poorest countries in seeking trade finance was underscored in reports as recent as May 2012, but one would not know that from reading the “Mapping ...” document.42

Energy Efficiency and Clean Energy

In this area, it is important that the G20 commitment to “green growth” does not conflict with its commitments to energy efficiency and clean energy. “Green growth” policies should identify solutions which are “appropriate scale” and rely on renewable (rather than “clean” coal or nuclear) energy technologies.

Moreover, there should be no conflict between G20 commitments to trade and its commitment to clean, renewable energy technologies. For instance, the development of shared intellectual property systems and subsidies of clean energy (discussed on p. 91) should not violate other G20 commitments to free trade.

Under the Russian and Australian Presidencies, the G20 should translate the implementation of its commitments to clean energy, energy efficiency and removal of fossil fuel subsidies into concrete and legally-binding commitments to reduce the emission of greenhouse gases (GHGs), as called for by the Durban Conference of Parties (COP) by 2015.

39 Seoul MYAP on Development, p. 4.
40 A multi-donor program to support LICs increase their capacity to trade.
41 It would be important to note here that this average was agreed as a way to make the commitment easier to fulfill than if the 2008 figure alone, much higher, would have been taken as the benchmark, see Caliari, Aldo 2010. G20 Summit in Seoul: Highlights, available at https://www.cco.org/node/6632
Sustainability of Public Revenue

One commitment in this area highlighted the negative relationship between non-cooperative jurisdictions and development. The document states that “All members except Indonesia have succeeded in highlighting this negative relationship.” But, the document could be clearer with regard to actions that have been taken to shut down tax havens and stop “harmful tax competition between states.” While the report calls for progress in “tax information exchange,” (p. 85) what is needed is agreement on the “automatic exchange of information” among jurisdictions and “legal identifiers” of those utilizing tax havens.

*Even though the 2010 Multi-Year Action Plan on Development made a commitment with regard to transfer pricing, the document does not address this critical issue.* In many countries, the sustainable mobilization of domestic resources is not possible without addressing transfer pricing by transnational corporations. A transfer price is the price assigned to the cross-border provision of goods and services between related companies (e.g. parent and affiliate of the same transnational conglomerate). By inaccurately pricing these transfers, global companies manipulate the location of profits and losses in order to reduce tax payments. Through such means, countries are deprived of tremendous amounts of revenue that rightfully belong to their citizens.

The “Mapping...” document should assess the implementation of the G20’s commitment to work on transfer pricing.

**CONCLUSION**

This paper suggests that the implementation of G20 commitments can be undesirable when it could: impede the achievement of another G20 commitment; violate national or international laws; undermine the democratic governance of an international organization; or undermine the functions of representative democracy, where such functions exist.

For instance, with regard to structural policies, the G20 has committed to:

- Reforming the unemployment insurance scheme
- Reducing the minimum cost of labor
- Reducing job protection

One can ask whether the commitment to these policies conflicts with the goal of job creation, the goal of social protection, or the achievement of other desired outcomes, such as a reduction in inequality. One can also ask whether implementation of the commitment to these labor policies undermines conventions or instruments of the International Labor Organization (e.g., relative to tripartite bargaining) or national laws. For instance, the “Mapping...” document shows that some countries (i.e., France, South Africa, Turkey) reduced the minimum cost of labor. The question
arises of whether these countries cut wages through bargaining and parliamentary/congressional action or not. If not, such reductions could undermine the functions of representative democracy.

The G20 commitment and the document’s methodology could usefully ask: when structural reform policies are implemented, do they establish an optimal (rather than minimal) level of unemployment insurance, job protection, and minimum wage?

Under the “private investment and job creation” pillar of the Development Action Plan, the “Mapping...” document advocates policies related to the reform of the business climate that can also conflict with G20 commitments to create quality jobs.

With regard to the G20 goal of rebalancing through fiscal consolidation, the “Mapping...” document notes that, at the Toronto Summit, advanced G20 economies (Australia, Canada, France, Germany, Italy, Korea, UK and US) committed to halve budget deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. This is a case where the timing of implementation of one commitment of the G20 – fiscal consolidation – can conflict with another G20 commitment – to growth. At the October 2012 meeting of G20 Sherpas in Cancun, Mexico, there was concern with the potential for excessive fiscal contraction in the U.S. The methodology of the “Mapping...” document does not seem to make allowances for changed circumstances, which may make implementation of a previous commitment imprudent.

We question whether the “Mapping...” document should award a score of +1 (full compliance) to the G20 “For establishing the HLP [G20 High Level Panel on Infrastructure], endorsing the outcomes of its work at the Cannes Summit and committing to implement infrastructure projects meeting the HLP criteria.” The criteria ignore the need for infrastructure projects (e.g., energy, transport) to reduce carbon emissions in order to curb global warming. Indeed, most of the projects identified by the High Level Panel are massive, centralized projects that could lock-in the use of fossil fuels for generations. This G20 commitment conflicts with the G20’s commitment to green growth.

We ask whether the G20 should give mandates to international organizations (IOs) – which could undermine their democratic character. For instance, because the G20 Agriculture Ministers issued an Action Plan in June 2011, negotiators at the UN Committee on World Food Security (CFS) felt precluded from addressing issues included in the Action Plan, including buffer stocks, biofuels, trade, and commodity price volatility. In this case, the G20 thwarted discussions in a more representative institution, the UN CFS.

Our comments also note:

a) where we differ with the “Mapping...” document’s assessments of G20 performance (e.g., increases in IMF resources; comprehensiveness of reforms of the over-the-counter (OTC)
derivatives market; protectionism; and oversight of the “systemically important financial institutions” (SIFIs)—a term that refers to firms that are “too big to fail”.

b) where we believe that assessments of certain G20 commitments have been omitted (e.g., investment protectionism, monetary reform, and commitments to address corporate transfer pricing, private investment and job creation, and access and ability to trade).

c) where the document too uncritically accepts methodologies relied upon by the G20 (e.g., for trade or investment protectionism).

d) our view of document’s recommendations to the G20. We endorse the “Mapping...”
document’s recommendations that

i) the IMF’s Mutual Assessment Program (MAP) should include employment indicators

ii) the G20 could explore elaboration of an action plan to support national programs

of social protection systems. However, the recommendation would be stronger if it

suggested clarification by appropriate institutions of the definition of “social

protection” and metrics with which development of such systems could be measured.

iii) with regard to tax havens, progress is needed in “tax information exchange” as

stated by the “Mapping...” document, but the document should also call for

agreement on the “automatic exchange of information” among jurisdictions and

“legal identifiers” of those utilizing tax havens.

iv) with regard to credit rating agencies, we believe that the document should go further

in its recommendations to specify how problems could be solved regarding their

governance and their exemption from liabilities, among other things.

In conclusion, we suggest that the researchers engage in further quantitative and qualitative analysis
to identify where the implementation of G20 commitments could be undesirable and base some of
the assessments of G20 performance and recommendations on a more comprehensive data base.