HEINRICH BÖLL FOUNDATION
NORTH AMERICA

The November 2014 G20 Summit: Part I

The G20 Adrift:
Selected Outcomes of the 2014 Summit

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Published by the Heinrich Böll Stiftung
Washington, DC, December 2014

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Cover Image: "PM attends final day in Australia at G20" by Arron Hoare (CC BY-NC-ND 2.0)

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Acronyms

AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BRICS	Brazil, Russia, India, China, South Africa
DFI	Development Finance Institution
G7	U.K., France, Germany, Italy, Japan, Canada, U.S.
G20	G7, BRICS, plus Saudi Arabia, Australia, Argentina, Indonesia, Turkey, and The EU Region
ICESDF	Intergovernmental Committee of Experts on Sustainable Development Financing
IMF	International Monetary Fund
MDB	Multilateral Development Bank
NDB	New Development Bank (BRICS)
PPF	Project Preparation Facility
PPP	Public-Private Partnership
SDGs	Sustainable Development Goals
UNCTAD	UN Conference on Trade and Development
WTO	World Trade Organization

The November 2014 G20 Summit: Part I

The G20 Adrift:
Selected Outcomes of the 2014 Summit

Note: This paper is Part I of a two-part series. It emphasizes several areas in which the G20[1] is to some extent adrift. Section III of this paper and the other paper (entitled "The Emerging Multi-Polar World Order: Its Unprecedented Consensus on a New Model for Financing Infrastructure Investment and Development") emphasizes where the G20 is forging ahead, but not necessarily in the right direction.

Summary

The communiqué of the G20 Summit on November 15-16, 2014 announced that, after the 2015 Turkish G20 Presidency, **China will be the 2016 G20 President**. The new G20 Troika consists of the current President, Turkey, the past president, Australia, and the future President, China.

The Summit process has pledged to raise global GDP by 2.1% over current trajectories by 2018. It estimates that, by meeting the pledge, it will add $2 trillion to the global economy and create millions of jobs. However, the IMF warns of slower-than-expected growth and increasing downside risks. Some even warn of another global financial crisis.[2] Almost every G20 initiative focuses on the potential for increasing growth, especially the Global Infrastructure Initiative.

This paper highlights decisions of the G20 Summit as they relate to: Taxation and Corruption; Labor and Gender Participation in the Workforce; Financial Regulation; Trade; Climate Change, Food, and Energy; Global Governance; and Infrastructure.

The G20 adopted a 2015-2016 Anti-Corruption Action Plan with an implementation plan that gives precise deliverables (something that was lacking in the past). It made progress on the **taxation and corruption** agenda, however imperfect, including steps toward curbing tax avoidance and evasion. If G20 initiatives are implemented, there is a better chance that profits will be taxed where economic activities take place and where value is created. Unfortunately, the G20 did not take meaningful action to address the risk of corruption in the extractives sectors and other high risk sectors such as customs, fisheries and primary forestry, and construction sectors.

While some goals were set for expanding **women's participation in the workforce**, G20 growth and employment plans give little indication that progress toward these goals will be made. Moreover, it is time for the G20 to recast its agenda in ways that reflect differential impacts of its initiatives on men and women. The year 2015 is the 20th anniversary of the 1995 UN Fourth World Conference on Women, which launched the Beijing Platform for Action to empower women and define a policy framework and roadmap for achieving gender equality and women's rights.

Even seven years after the eruption of the global financial crisis, most of the G20's decisions on **financial regulation** are timid, tentative, and incomplete. While there is some recognition by the G20 of the severity of the challenges facing the global financial system, there is no such recognition when it comes to climate change, poverty, or inequality.

On **trade**, the WTO negotiations (the Doha Development Round) got a boost through a US-India deal just days before the G20 Summit. The deal, which was welcomed by the G20, relates to food stockpiling. It unlocks the stalemated WTO negotiation process, including the Trade Facilitation Agreement.
While the G20 calls for the large number of bilateral, regional, and plurilateral trade and investment

1 G-20 members are: Argentina; Australia; Brazil; Canada; China, People's Republic; France; European Union; Germany; India; Indonesia; Italy; Japan; Korea, Republic of; Mexico; the Russia Federation; the Kingdom of Saudi Arabia; South Africa; Turkey; United Kingdom; and the United States. The G20 began meeting at the level of Leaders in 2008 when the G8 was no longer adequate to address the global financial crisis.

2 At the conclusion of the G20 Summit, U.K. Prime Minister David Cameron issued a stark message that "red warning lights are flashing on the dashboard of the global economy" in the same way as when the financial crash brought the world to its knees six years ago.

agreements to complement the multilateral WTO process, such efforts are highly problematic.

The US-China **climate change** deal -- although voluntary, modest, and requiring further commitments -- offers some momentum toward achieving a legally binding and universal agreement at the United Nations Climate Change Conference in Paris in December 2015. Even though the Summit was hosted by a climate denier, Australian Prime Minister Tony Abbott, the communiqué promised "strong and effective action to address climate change" and support for a legally binding deal in 2015.

Regrettably, other aspects of the G20 agenda neglect the dangers of global warming, including the **food security** and infrastructure agendas.

In terms of **global governance**, the G20 communiqué gives an ultimatum to the IMF – to become more representative "or else".

With some national and regional variations, there is a global consensus on **a new model of financing infrastructure and development**, which scales up infrastructure public-private partnerships (PPPs), especially in energy, transportation, and water sectors, in order to promote economic integration and trade on a regional, continental and global scale. The model would mobilize public money (e.g., taxes, pensions) to "de-risk" projects in order to attract investors, including long-term institutional investors (e.g., pension funds), which held over $85 trillion in assets in 2011. The potential mobilization of trillions of dollars from institutional investors in infrastructure as an "asset class" is a "game changer" which would invite financial speculation in the infrastructure assets upon which people rely for their lives and livelihoods.

The consensus is not based on solid evidence insofar as PPPs have a poor record, particularly in certain sectors and countries. In addition, the principles that the G20 has set forth to attract investment (see attachment 2) should incorporate aspects of the "Common Set of Principles for Investment in Sustainable Development Goals" of the UN Conference on Trade and Development (UNCTAD). Such principles have a better chance than the G20's to transform the model of investment and development to meet sustainable development goals (SDGs) by tackling challenges such as inequality, poverty, insecure land tenure, water scarcity and climate change. A revamped model should be worthy of public investment derived from anti-corruption efforts and from citizens' taxes and pensions.

I. Introduction

On November 16, at the conclusion of its two-day G20 Summit in Brisbane, Australia, Leaders released a 3-page communiqué with about 40 attached reports and action plans, including a Brisbane Action Plan. One of these reports, The Brisbane Development Update includes a separate agenda for low-income countries on infrastructure, taxation, financial inclusion and remittances, human resource development, and food security.

The communiqué announced that, after the 2014 Turkish G20 Presidency, **China will be the 2016 G20 President**. The new G20 Troika consists of the current President, Turkey, the past president, Australia, and the future President, China.

Three dramas dominated the media. One drama related to Putin. Early in 2014, BRICS foreign ministers reprimanded Australia for threatening to exclude Putin from the Summit (especially after the downing of flight MH17, which killed 38 Australians). They issued a joint statement effectively opposing his exclusion and reminding the Australian Prime Minister that "The custodianship of the G20 belongs to all Member States equally and no one Member state can unilaterally determine its nature or character".

At the Summit, several Western Leaders confronted Putin with their strong disagreement (or disgust) with his aggressive actions in Ukraine.

The second drama related to "shows of force". For instance, Obama sought to reinforce U.S. diplomacy with a military presence, saying, "By the end of this decade, a majority of our navy and air force fleets will be based out of the Pacific, because the United States is and always will be a Pacific power". Obama also expressed his desire for India to play a greater role in the Asia Pacific region.

A final element of drama related to bilateral deals on climate change and trade. On climate, the Summit occurred under the leadership of Australian Prime Minister Tony Abbott, an arch-conservative climate change denier, during a sizzling heat wave in the host city of Brisbane.

Abbott vowed to exclude climate change from the Summit agenda. But, just 3 days before the G20

Summit, the U.S.-China climate deal caught the Prime Minister off-balance. An EU official told reporters on condition of anonymity that the discussion about climate change among the G20 "was really trench warfare..." Indeed, in the G20, almost any social or environmental policy discussion becomes trench warfare.[3]

Just before the G20 Summit, another bilateral deal between the U.S. and India on food security enabled WTO negotiations to move forward, particularly the Trade Facilitation Agreement (TFA), which promotes trade-related infrastructure and processes.

Abbott's chosen theme for the substance of G20 Summit was "growth and jobs," Leaders identified ways to realize their pledge – namely, to raise global GDP by 2.1% over current trajectories by 2018. It estimates that, by meeting the pledge, it will add $2 trillion to the global economy and create millions of jobs.

The G20 may live to regret staking its reputation on this target. Looking back, the G20's assessment is that, in most respects, it has not met its own goals to promote strong, sustainable and balanced growth.[4] Now, the IMF's report to the G20, Global Prospects and Policy Challenges, warns of a brittle, uneven recovery with slower-than-expected growth and increasing downside risks. Some even warn of another global financial crisis.[5]

3 For instance, at the 2013 Russian G20 Summit, the Development Working Group presented the "St. Petersburg Accountability Assessment" which showed progress on its entire infrastructure agenda with the exception of one item related to environmental safeguards, which was "stalled". Environmental and social policies are increasingly seen as matters of "national sovereignty" regardless of the fact that liberalization and privatization have significant impacts on these "sovereign" matters and regardless of the fact that there is a considerable body of international laws and conventions that protect the rights of citizens and the natural environment.

4 In its The Brisbane Accountability Assessment, the G20 assesses its own performance relative to its "Framework on Strong, Sustainable and Balanced Growth," which it adopted at its 2009 Summit. The Assessment asks: (1) Has there been strong growth? Answer: "Overall, the global economic recovery is fragile and uneven, even when compared to previous financial crises." (2) Has there been balanced growth? Answer: "Although overall current account imbalances are below their pre-crisis levels, which reduces risks to the global economy, they are still high in some cases and appear to be stabilizing rather than continuing to trend down." (3) Has growth been sustainable? Answer: Downside risks have increased since the St. Petersburg Summit.

5 At the conclusion of the G20 Summit, U.K. Prime Minister David Cameron issued a stark message that "red warning lights are flashing on the dashboard of the global economy" in the same way as when the financial crash brought the world to its knees six years ago.

To achieve its global GDP target, each G20 country adopted a growth strategy that relies heavily on revamping national investment regimes in order to attract private investment, facilitate PPPs, and stimulate growth. Collectively, these strategies require that the G20 nations undertake more than 800 new measures to boost growth and investment. Growth strategies and efforts to quantify their effect largely ignore environmental and social impacts of most measures undertaken.

The G20 has lost its earlier interest in "inclusive" and "green" growth.

This paper highlights decisions of the G20 Summit as they relate to: Taxation and Corruption; Labor and Gender Participation in the Workforce; Financial Regulation; Trade; Climate Change; Global Governance; and Infrastructure Investment.

II. Selected Outcomes of the G20 Summit

A. Taxation and Corruption

The G20 adopted a 2015-2016 Anti-Corruption Action Plan with an implementation plan that gives precise deliverables (something that was lacking in the past) and reviewed an Anti-Corruption Update on progress to date.

The good news is that there was progress on the taxation agenda. In this and previous communiqués, the G20 Leaders have asserted that profits should be taxed where economic activities (and profits) are performed and where value is created. Wealthy parties, especially corporations, have engaged in "Base Erosion and Profit Shifting" (BEPS) to escape taxation. To implement the G20's BEPS Action Plan, it is necessary to identify the legal owners of financial assets, since they can hide their identity (e.g., anonymous shell companies). In a positive move, the communiqué endorsed the G20 High-Level Principles on Beneficial Ownership Transparency (paragraph 14), which means that countries will be directed to determine the legal identity of owners of financial assets under their purview.

Maggie Murphy of Transparency International, who was deeply engaged with the Anti-Corruption Working Group, exclaimed that "Just days before the Summit kicked off, Chinese authorities said that the beneficial ownership principles were only at `discussion stage'. We are therefore incredibly pleased that the principles were adopted and beneficial ownership transparency was deemed a high priority amongst G20 members".

Murphy elaborated that, "For a set of countries as diverse in political and economic leaning as those in the G20, it is testament to the severity of the problem that all have signed up to take action on secret company ownership. Whilst not as ambitious as many of us have called for – with no commitments to work towards having ownership information publicly available – to scale up from a set of pledges made at G8 level to ones adopted at G20 level in just one year demonstrates that the voices of civil society are being heard. However, these voices need to push for implementation on a national level now and call for more ambitious steps where possible".

Other citizens' groups were dismayed that the legal identity of owners will not be disclosed to the general public. They argue that the European Parliament, the United Kingdom and Denmark are already implementing public registries of company ownership and that the G20's action represents a step backward.

Civil society groups also pressed for the G20 to engage with developing countries in designing the BEPS Action Plan, since they are directly affected by it. In Brisbane, Leaders adopted a separate agenda to implement the BEPS Action Plan in developing countries.[6] Aldo Caliari of the Center of Concern wished that G20 efforts to involve developing countries in the BEPS Action Plan had come earlier, especially since the OECD itself recognizes that agreement on key policy matters had already been secured.[7]

The bad news is that the G20 did not take meaningful action to address the risk of corruption in the extractives sector and other high risk sectors such as customs, fisheries and primary forestry, and construction sectors. One hopeful note is that with regard to extractives, the G20 Anti-Corruption Action Plan states,

"Building on valuable work currently underway in the ACWG [Anti-Corruption Working Group] on best practices and lessons learned from G20 experiences, and in partnership with the B20 and C20, the ACWG will develop best practices to identify and address risks of corrupt payments in the extractive industries, and consider next steps, including the possibility of developing high-level principles for corruption mitigation in the extractives sector."

Infrastructure development, in general, and construction, in particular, is rife with corruption. Some estimates suggest that corruption could represent a third of project costs. So far, the G20 response has been weak.

B. Labor and Gender Participation in the Workforce[8]

The year 2015 is the 20th anniversary of the 1995 UN Fourth World Conference on Women in Beijing (BPfA), which launched the Beijing Platform for Action to empower women and define a policy framework and roadmap for achieving gender equality and women's rights. Action by the G20 to recast its agenda with a gender focus is overdue. This section examines the G20 communiqué and recommends stronger action. Attachment 1, "Gender-related effects of some G20 macroeconomic policies," describes the relevance of gender considerations for certain macroeconomic policies.

The communiqué states, "We agree to the goal of reducing the gap in participation rates between men and women in our countries by 25 per cent by 2025, taking into account national circumstances, to bring more than 100 million women into the labor force, significantly increase global growth and reduce poverty and inequality." (paragraph 9). Attached to the communiqué is the report "G20 labour markets: outlook, key challenges and policy responses".

Although, calling for "appropriate" social protection systems, it falls short of calling for national and global social protection "floors". Similarly, while stating that "improving workplace safety and health is a priority", (paragraph 10) it falls short of calling for compliance with conventions of the International Labor Organization that help realize this goal or help ensure core labor standards.

Belatedly, the G20 is aiming for increased women's participation in the labor force.[9] However, the communiqué is missing any measures to promote inclusive growth that enables women and young people to participate in secure jobs. The concept of "inclusive

6 Provisions for Dialogue on BEPS with developing countries are described here.

7 See OECD Secretary General's report, p. 10.

8 With appreciation to Kim Reichel for her contributions to this section and the corresponding attachment.

9 If women's paid employment rates were raised to the same level as men's, USA's GDP would increase by 9 percent, the Eurozone's by 13 percent, and Japan's by 16 percent. In 15 major developing economies, per capita income would rise by 14 percent by 2020 and 20 percent by 2030 (http://www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures)

growth" has gone "missing in action" under Australia's presidency.

Even though labor markets are still characterized by high levels of segregation by occupation, the G20 fails to address the importance of gender-specific labor policies which can ensure better paid and higher quality jobs for women. The G20 needs to identify differences in the work done by men and women, including unpaid work. Indeed, the G20 actually undermines these goals by promoting the deregulation of labor markets.

Each G20 country submitted its own employment plan. Looking at specific country's employment plans, women are often barely mentioned (e.g., India) or policies address only women with children, without acknowledging broader gender inequalities (e.g., Russia). While Brazil and South Africa view gender inequality and women's labor force participation as a challenge, [the World Bank's Assessment of the Growth Strategies of G20 Emerging Market Economies](), challenges collective bargaining practices, and wage growth in these countries, as well as in Turkey and Indonesia. In taking such a stance, the G20 and the World Bank usurp the role of the International Labor Organization and tripartite country-level bargaining (unions, businesses, and governments).[10]

The Brisbane Action Plan and the G20 communiqué (with the exception of paragraph 9) are gender blind; they fail to address gender discrimination in opportunities and outcomes of macroeconomic and trade policies. The G20 should take steps to ensure that gender is incorporated into the formulation, application, and monitoring of its macroeconomic and trade policies in accordance with commitments made through international conventions (e.g., the conventions of the International Labor Organization).[11]

The G20 should establish a Task Force on Economic Policy and Gender to help integrate gender considerations into its agenda.[12]

C. Financial regulation

Arguably, the G20's main job is to prevent another global financial crisis wherein the impacts of the speculative economy ("Wall Street") destroy the lives and livelihoods of the real economy ("Main Street"). But, G20 Leaders became complacent, listened to financial lobbyists, and compromised on some tasks and delayed others into the distant future.

Global financial institutions, however, are bigger than they were pre-crisis and their lobbyists wield more power.

Apparently, there is weak cooperation among the three key global governance institutions: the G20 (self-appointed); the Financial Stability Board (an ad hoc body); and the IMF (a treaty-based body). The G20 communiqué recognizes that seven years after the eruption of the global crisis, critical reforms have still not been undertaken. The communiqué:

- Endorses a Financial Stability Board (FSB) proposal requiring global systemically important banks (GSIBs) to hold additional loss absorbing capacity that would further protect taxpayers if these banks fail and announces consultation on the proposal based on a set of questions to the public. This is a positive move that has been encouraged by civil society groups for many years.
- Calls on regulatory authorities "to make further concrete progress in swiftly implementing the agreed G20 derivatives reforms". An FSB report, Financial Reforms: Completing the Job and Looking Ahead, says that "implementation of standards is uneven and behind schedule". Slow progress on this agenda is especially alarming. During the global financial crisis, Warren Buffet famously remarked that one type of derivative (credit default swaps) are "weapons of mass destruction. The Economist magazine has reported that as of June 2011, the over-the-counter (OTC), or privately-exchanged, derivatives market amounted to approximately $700 trillion, and the size of the market traded on exchanges totaled an additional $83 trillion. In comparison, the volume of the world GDP is about $65 trillion.
- Notes "progress" in delivering the shadow banking framework and an updated roadmap for further work.

10 Another document that monitors compliance, the OECD, WTO, UNCTAD Reports on G20 Trade and Investment Measures (mid-May 2014 to mid-October 2014), notes how many G20 member countries have changed their policies with respect to Foreign Direct Investment (FDI) have further opened their infrastructure sectors to foreign capital, thus reinforcing policies that promote long-term financing for investment – especially in infrastructure. It also welcomes China's Free Trade Zones, including "the suspension, cancellation or relaxation of qualification requirements for investors, of ceilings on foreign capital participation and of restrictions on the business scope of foreign investors."

11 For more information see also Oxfam Briefing Paper 183, July 14 2014: The G20 and Gender Equality.

12 James Heintz (2013): Missing Women: The G20, Gender Equality and Global Economic Governance.

• Presents consultation questions on "cross-border recognition of resolution action," which addresses legal uncertainties about the cross-border measures to wind down systemically important financial institutions (SIFIs) that operate across borders. Aldo Caliari of the Center of Concern said, "decision-makers have still not accomplished a key goal of post-crisis reforms – namely providing for the resolution of a failing systemically important bank that operates across borders. In the event of such a crisis, taxpayers will still be on the hook".
• Admits that "critical work remains to build a stronger, more resilient financial system".

If the G20 Leaders had a crystal ball at their first 2008 meeting and saw their future -- such timid and tentative measures in 2014 – no doubt, they would have been gravely disappointed.

The attachment to the G20 communiqué highlights three challenges, including the needs for: (1) the IMF to discuss "options for next steps" if the U.S. Congress does not ratify 2010 IMF reforms in 2014; (2) progress on the sovereign debt restructuring process (i.e., including collective action and pari passu clauses in international sovereign bonds); and (3) consultations on the aforementioned proposal by the Financial Stability Board for an internationally agreed standard requiring global systemically important banks (G-SIBs) to hold additional loss absorbing capacity in resolution.

The G20 needs to improve its collaboration with other governance bodies to prevent another global crisis.

Importantly, the G20's new model of infrastructure investment would "financialize" infrastructure as an "asset class" which will promote speculation in the water, transport, energy and other systems that people depend upon for their lives and livelihoods. Then, the fate of physical infrastructure will depend upon the stability of the international financial system, among other things.

D. Trade

The G20 welcomed the U.S.-India trade deal on food stockpiling,[13] which was agreed just two days before the November G20 Summit. It unlocks the WTO Process which has been paralyzed for a year. One effect of the deal is that the WTO Trade Facilitation Agreement (TFA) moving forward, promoting the construction of ports and transportation corridors and the streamlining of customs, among other things. After the Summit, the General Council of the World Trade Organization (WTO) adopted draft decisions on 1) the Protocol of Amendment to the Trade Facilitation Agreement (TFA), 2) public stockholding for food security purposes and on 3) the future work program that builds on the ninth WTO Trade Ministerial Conference in Bali, Indonesia in December 2013. These go to the WTO members countries for ratification.

With regard to the bigger picture, global trade organizations currently forecast trade growth rates in 2014 and 2015 which are below average. They see downside risks increasing. The OECD, WTO, UNCTAD Reports on G20 Trade and Investment Measures (mid-May 2014 to mid-October 2014) were delivered to the G20 Summit, as is the custom. The Agency leaders described the cost to the G20 nations and the world of the 962 trade restrictive measures in place, which are up by 12% from the end of the reporting period in November 2013. In contrast, the Agencies welcome the G20's enhanced openness and transparency for international investment, particularly in infrastructure. (See Section IIIC.)

13 For one year, the process of implementing a package of agreements reached at the World Trade Organization's 9th Ministerial meeting in Bali, Indonesia has been paralyzed, particularly due to disagreement between India and the U.S. over the question of whether food security programs such as India's violate WTO agricultural subsidy limits. (Note: U.S. agricultural subsidies are allowable). India had promised to veto the global trade deal in protest over W.T.O. rules which do not allow subsidies in excess of 10 percent of the grain produced for food in a country. India rejected that cap. On November 13, Obama backed India's position and forged a "peace clause" which would prevent legal challenges under W.T.O. agreements until a solution is negotiated to the food stockpiling issue. In the WTO, the U.S. cannot unilaterally endorse a "peace clause" without participation by other WTO member countries. According to reports, the U.S. – India breakthrough opens the door to a WTO consensus in favor of all elements of the Bali Package, particularly the Trade Facilitation Agreement, without any new conditions. (The development is welcomed by the G20 Leaders' Declaration, para. 16.) The Trade Facilitation Agreement would facilitate the process of building a pipeline of infrastructure projects intended to facilitate trade via ports and cross-border transportation, among other things.

The G20's unconditional push for trade liberalization is problematic for many reasons which are beyond the scope of this paper, such as:

- LIBERALIZATION: ALWAYS THE RIGHT SOLUTION? Some argue that liberalization always facilitates development; others point to the history of industrialized countries, which demonstrates that liberalization bears fruit only after years of protectionism.
- WHAT DOES "TRADE" MEAN? The term "trade" embraces many issues, including trade in goods and services; intellectual property rights; government procurement; food safety and security rules; capital account measures; rules governing migration of workers; and investment measures, including those governing foreign investors. Some of these issues should not be considered in the context of trade and investment agreements.
- LOCAL VERSUS GLOBAL. In many instances, trade rules pit local economies against the forces of transnational capital. For instance, the above-referenced report by OECD, WTO and UNCTAD includes a section on the cost of local content requirements (LCR). However, the imposition of LCR implies that foreign corporations in "host" countries can dominate local markets without using locally-made goods.
- THE WTO VERSUS "COALITIONS OF THE WILLING". The G20 Leaders' communiqué states that "To help business make best use of trade agreements, we will work to ensure our bilateral, regional and plurilateral agreements complement one another, are transparent and contribute to a stronger multilateral trading system under World Trade Organization (WTO) rules." However, WTO rules bilateral, regional, and plurilateral agreements (undertaken by "coalitions of the willing") should not necessarily complement those of the WTO. Some of these (e.g., Trans-Pacific Partnership; North Atlantic Free Trade Agreement) have rules that are more problematic than WTO rules and override these multilateral rules. For instance, agreements should not ban the use of capital controls. In the right circumstances, capital controls are essential tools to modulating highly volatile flows of capital that could otherwise cause economic destruction.
- INVESTOR-STATE CLAUSES. Such clauses permit foreign corporations to sue host countries – a right that domestic corporations do not possess. Cases are tried in international tribunals with limited transparency or accountability procedures.

E. Climate Change, Food, and Energy

As noted above, just days before the Summit, on November 12, Mr. Obama and Mr. Xi agreed to significant climate and technology deals. The U.S.-China climate deal offered hope that collaboration by the world's two biggest emitters could galvanize other nations to curb carbon (and other harmful) emissions and, thereby, limit global warming.[14] Although the deal is voluntary and modest, and requires further commitments, it offers some momentum toward achieving a legally binding and universal agreement on climate at the United Nations Climate Change Conference in Paris in December 2015. Obama also made a $3 billion pledge to the new Green Climate Fund (GCF).[15]

China will be under pressure to deliver results, especially since it will be President of the G20 in 2016 (after Turkey's Presidency in 2015).

At the November Summit, G20 Leaders expressed support for "strong and effective action to address climate change" and promised to work for a legally binding deal in 2015. The G20 communiqué stated, "We will work together to adopt successfully a protocol, another legal instrument or an agreed outcome with legal force under the UNFCCC that is applicable to all parties at the 21st Conference of the Parties (COP21) in Paris in 2015. We encourage parties that are ready to communicate their intended nationally determined contributions well in advance of [the 21st Conference of Parties] COP21 (by the first quarter of 2015 for those parties ready to do so). We reaffirm our support for mobilizing finance for adaptation and mitigation, such as the Green Climate Fund". (Paragraph 19)

Yet, in parallel to this commitment, the G20's agenda promotes many measures that undermine attempts to address climate change:

- The G20's Global Infrastructure Initiative does not promote low or no-carbon approaches to infrastructure and, as a result, it can lock-in carbon-intensive technology in various sectors (e.g., energy or

14 The technology deal would eliminate more than 200 categories of tariffs. The climate deal would require the United States to cut emissions by 26 percent to 28 percent 2025 than it did in 2005. That is double the pace of reduction it targeted for the period from 2005 to 2020. It would require China to reach peak carbon emissions by 2030, if not sooner. To reach that goal, Mr. Xi pledged that so-called clean energy sources, like solar power and windmills, would account for 20 percent of China's total energy production by 2030.

15 At the November 2014 GCF pledging conference, 21 countries pledged $9.3 billion – primarily for the near-term, 2015-2018.

transportation) for generations to come.

- The G20 Principles on Energy Collaboration reiterate hollow promises "to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, over the medium term, while being conscious of the necessity to provide targeted support for the poor". Failure by the G20 to "walk the talk" and implement these promises cripples the renewable energy business which cannot compete with subsidized fossil fuel enterprises.
- The G20 Energy Efficiency Action Plan would engage the International Partnership for Energy Efficiency Cooperation (IPEEC) and all related agencies in collaboration to achieve efficiency in vehicles, products, finance, buildings, industrial energy management, and electricity generation. While this is promising, it is unclear whether the G20 is adding any momentum to the efforts of other international organizations.
- In the G20 Food Security and Nutrition Update, the G20 notes that it produces up to 80 per cent of the world's cereals and account for a similar percentage of world agricultural exports. It emphasizes that food production will need to increase by 60 per cent to feed a world population expected to exceed nine billion by 2050, which has rapidly changing consumption patterns. The G20 paper on growth and job creation in relation to food security strategies appears here. The G20 calls for increasing: (a) responsible investment; (b) agricultural productivity; and (c) incomes and quality employment. The plan for meeting this challenge is relatively uninformed by climate change impacts, depletion of water tables, or the impact of large monoculture, chemical-intensive plantations.
- The Report of the G20's Climate Finance Study Group describes its agenda, which would include steps to: (a) improve collaboration, dialogue and cooperation between climate finance funds; (b) inform adaptation finance by providing examples of mobilization of public finance, especially to support the most vulnerable; (c) consider potential collaboration and private sector engagement; and (d) Share past experience on approaches for the mobilization of public sector finance.

F. Global Governance

For years, emerging market economies have been waiting in vain for the U.S. Congress to ratify the IMF's quota reform which would give emerging market economies greater voice. Just prior to the Summit, the BRICS Leaders met informally and stated that "In the event that the United States fails to ratify the 2010 reforms by the year-end…the G20 [should] schedule a discussion of the options for next steps that the IMF has committed to present in January 2015." In paragraph 15 of the G20 Leaders' Declaration, this stance is adopted as well. In other words, the G20 is unwilling to live with the status quo in which the U.S. is unable to obtain legislative approval for the reforms agreed to by the G20.

The stubborn, dominant posture of the U.S. and Europe in the governance and decision-making of the IMF and World Bank is a key factor in the rise of new non-Western development finance institutions.

III. The New Model of Investment in Infrastructure & Development

This section describes the G20's Global Infrastructure and Investment Initiatives, including its special agenda for low-income countries. (The companion paper is devoted to this topic; it is entitled" "The Emerging Multi-Polar World Order: Its Unprecedented Consensus on a New Model for Financing Infrastructure Investment and Development".)

From the early 1980s onward, developing countries (especially Brazil) fought the manner in which Western-led institutions – especially the IMF and World Bank – implemented structural adjustment programs, including strict budget rules, which contributed to a massive decline in infrastructure and industrialization.[16] Gradually, countries in the "global South" have expanded or created their own infrastructure-related institutions. In the second half of 2014, at least seven such institutions have been launched [e.g., the Global Infrastructure Facility (GIF), the Asian Infrastructure Investment Bank (AIIB), the BRICS' New Development Bank]. The rise of many institutions led by emerging powers creates a shift in the world order.

The global consensus favors public-private partnerships (PPPs), but due to their poor performance in many sectors and countries, this bias should be relinquished.

A. The G20 Global Infrastructure Initiative and Hub

The G20 communiqué states: "Tackling global investment and infrastructure shortfalls is crucial

16 See Easterly, W. and Servén, L., "The Limits of Stabilization: Infrastructure, Public Deficits, and Growth in Latin America," 2003, which asserts that that more than half of the total fiscal adjustment in Argentina, Bolivia, Brazil, Chile, and Peru during the 1990s reflected infrastructure compression. As a result, long-run growth may have been lowered by 1 percentage point per year.

to lifting growth, job creation and productivity. We endorse the Global Infrastructure Initiative, a multi-year work programme to lift quality public and private infrastructure investment."

Early indications were that the G20's proposed Global Infrastructure Initiative and "Hub" would help move trillions of dollars for infrastructure over 15 years. The Business 20 promoted this proposal.

However, days before the G20 Summit, seven multilateral development banks (including the World Bank) wrote an unprecedented, collective press release which welcomed the proposed Hub, but then implied that they could provide all the services that the Hub could provide, only better. The release announced the combined power of the development banks to provide $130 billion in infrastructure financing. Just a month before the Summit, one wonders whether the World Bank's launch of a new Global Infrastructure Facility (GIF) with a mandate similar to the G20's Hub was a "preemptive strike".

Perhaps the show of collective unity among the development banks, plus the creation of seven new infrastructure financing facilities in the last few months deterred the G20 from launching a more ambitious initiative.

In fact, the Hub will be a $15 million per year non-profit located in Sydney, Australia with seed capital from eight countries (Australia, United Kingdom, China, Saudi Arabia, New Zealand, the Republic of Korea, Mexico and Singapore). The Hub has a four-year mandate (with a formal review after three years). Among other things, it will help: (a) match sponsors of and investors in infrastructure projects; (b) contribute to knowledge-sharing; c) promote investment rules, including standard documentation covering project identification, preparation and procurement; and (d) financialize infrastructure as an "asset class", as described in Section C, below.

B. The G20 Plan for Infrastructure in Low-Income Countries

The Brisbane Development Update includes a separate agenda for Low-Income Countries in several areas, including efforts to build infrastructure project preparation facilities (PPFs) and create a foundation for "pooled finance" for portfolios of PPPs, as described in the "Report on Infrastructure Agenda and Response to the Assessments of Project Preparation Facilities in Asia and Africa." The Program for Infrastructure Development in Africa (PIDA) envisions mega-projects in energy, transportation and water sectors, as shown in these maps.

In its recommendations to the G20 Summit, the Business 20 emphasized PPFs in order to overcome "the greatest barrier to more private involvement in public infrastructure" – namely, "the absence of a credible pipeline of productive, bankable, investment-ready infrastructure projects offering acceptable risk-adjusted returns to both public and private investors."

Any guidelines for Project Preparation Facilities (PPFs), which would fill the "pipelines of bankable projects" – often mega-PPPs – do not appear to be in the public domain.

The 2015 agenda of the G20's Development Working Group pledges "new actions" to strengthen the "enabling environment" for PPPs; maximize the effectiveness of Project Preparation Facilities to leverage greater private sector investment; and promote better understanding of risk and return in infrastructure investments in Low-Income Countries.

C. G20 Investment-Related Initiatives

The cost of achieving sustainable development goals, including infrastructure development, is daunting.[17] The G20 intends to help finance the infrastructure gap by mobilizing resources from long-term institutional investors, which hold an estimated $80 trillion. To accomplish this, it would help to create infrastructure as an "asset class" for investors.

In this approach, governments will undertake many PPPs simultaneously. Financial institutions will sell financial products that offer investors a stake in a portfolio of PPPs (using criteria, such as risk profile, sector, country or region). The UN is also considering this model of financializing infrastructure.[18] Yet, when

17 The Business 20 suggests that about $60–70 trillion of additional infrastructure capacity will be needed by 2030, which requires that governments increase their investment to $30–35 trillion of the required investment. Current levels of private investment would cover another $10–15 trillion, leaving a gap of $15-20 trillion. However, sustainable development requires more than infrastructure. According to the World Investment Report 2014: Investing in the SDGs: An Action Plan, total annual SDG-related investment needs in developing countries until 2030 are in the range of $3.9 trillion per year.

18 The report of the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) was delivered to the UN General Assembly in September 2014. Paragraphs 138 and 139 propose the financialization model.

speculators take stakes in physical infrastructure, such infrastructure is subject to the whims of herds of investors.

To attract investors, the G20 and its associated agencies are setting forth principles that nations should implement in order to create an enabling environment for private sector investors, including long-term institutional investors. (See Attachment 2.) These have little content that would ensure social or environmental protection. The G20 should consider alternative approaches, such as the "Common Set of Principles for Investment in Sustainable Development Goals" of the UN Conference on Trade and Development (UNCTAD).

The G20 should ensure that investments are channeled into sustainable infrastructure development that achieves a triple bottom line and responds to global demographic and climatic shifts. Specifically, the G20 should:

- Relinquish its bias in favor of PPPs in favor of an even-handed assessment of PPPs versus public works, given the particular circumstances (as called for by the OECD);
- Revamp its investment principles to incorporate the "Common Set of Principles for Investment in Sustainable Development Goals" of the UN Conference on Trade and Development (UNCTAD). At present, the G20's larger agenda would expand public resources (taxes and pensions), including through higher participation by women in the workforce. But, such public resources should not support a flawed model of infrastructure investment and development.
- Avoid "financializing" infrastructure in any way that would permit speculative capital investments or excessive returns from infrastructure investments.

IV. Conclusion

Arguably, establishing financial regulations to prevent another global financial crisis is the central purpose of the G20. But, in most respects, the G20 has been too complacent. If another global financial crisis occurs, taxpayers and pensioners would likely bear the brunt of it.

While progress made on anti-corruption is welcome, more needs to be done. To successfully capture tax revenue, the identity of legal owners of financial assets should be disclosed in public registries. Also, non-G20 members should also be "makers" as well as "takers" of tax policy. Finally, the G20 should take meaningful action to address the risk of corruption in the extractives sectors and other high risk sectors such as customs, fisheries and primary forestry, and construction sectors.

With regard to policies related to growth, investment, trade and macroeconomics, the G20 needs to consider how economic progress can have a "triple bottom line", which produces **social** results (inclusive development that supports women's rights and decent jobs) and **environmental** results (e.g., low or no carbon technology and sustainable food production that takes climate change and water scarcity into account). Only when progress benefits society and nature can sustainable **economic** outcomes be assured. At present, high levels of inequality and environmental degradation inhibit economic progress.

The G20 is making efforts to become accountable with its Brisbane Accountability Assessment, its Accountability Assessment Going Forward, and its Development Working Group Accountability Assessment.

Nevertheless, the Group needs to become more transparent and accountable and encourage its members to inform and engage citizens in policy-making.

With regard to trade policy-making, citizens are excluded from the process of drafting trade and investment agreements. With regard to investment, information about PPPs is usually kept secret due to "national security" or "business confidentiality" rules. However, PPPs or public works cannot succeed without local knowledge and input from affected citizens.

Transnational businesses have the "ear" of the G20 and its Leaders. But, more citizens' groups could become informed advocates who can promote solutions to the flawed growth model, including its new consensus on financing for investment and development. In this model, trade and investment laws enshrine and enforce investor rights, but there are not comparable means to protect human or earth rights. This needs to be corrected.

Especially given the relative weakening of the Western-led institutions, citizens should consider the G20 as a valid "target" for engagement and influence. At the same time, the G20 must become more representative to be effective; it must build stronger links with the community of nations (the G-194) to become a more legitimate global governance entity.

Attachment 1

Gender-related effects of some G20 macroeconomic policies

The November 2014 G20 Summit communiqué as well as its Brisbane Action Plan fail to address gender discrimination implicit in macroeconomic policies.

EXPANDED PARTICIPATION BY WOMEN IN THE LABOR FORCE. By simply bringing more women to the workforce (paragraph 9) the communiqué neglects the need for the creation of decent jobs. Female employment is characterized by a relatively high share of part-time workers. Also, women are still under-represented in high tech professions and top management positions. Higher participation rates are not sufficient to improve gender equality in the labor force, create well paying and higher quality jobs, enhance the working hours in part-time employment; and provide a successful re-entry to the labor market after a family related break of several years are also needed.

FISCAL POLICY. When the state makes major investments in infrastructure and/or provides guarantees to attract private sector, budget flexibility is reduced – particularly in the long-term when guarantees may be "called". According to the ILO and IMF[1], 131 countries (91 of which are developing) are contracting public expenditures by taking measures, such as labor reforms; health reforms; targeting safety nets; pension reforms; higher consumption (sales) taxes; wage bill cuts and caps; and limiting of subsidies. Such measures increase poverty and inequality by disproportionately affecting women and the most vulnerable.

INFRASTRUCTURE. As stated in section III of this paper, the G20 is committed to facilitating high levels of investment in infrastructure. Greater infrastructure investment is likely to create jobs which – due to persistent high occupation segregation – tend to benefit men. Policies are needed to ensure investments benefit men and women equally.

GLOBAL REBALANCING. To date, little or no attention paid to the implications of global rebalancing for reducing or reinforcing gender inequalities. Yet global rebalancing has gender-specific consequences. To the extent that women are concentrated in labor-intensive export sectors in surplus countries, rebalancing could have a negative impact on the jobs available to women. For these countries, rebalancing requires strengthening the domestic economy, but the net effect on women depends on what types of jobs are created. Some domestically-oriented sectors tend to be more male-dominated than others – e.g., construction compared to retail and social services. Therefore, the impact of rebalancing on gender equality would depend on the type of structural transformation which countries experience. Similar arguments would apply to deficit countries.

TRADE. The G20 has not examined how reforms to international trade policy may affect gender equality, either positively or negatively. By boosting trade through enhanced trade liberalization, the Brisbane Action Plan ignores the different impacts of trade liberalization on men and women. In some countries, women are concentrated in labor-intensive export sectors, such as garments, electronics, cut flowers, or horticultural products. In other countries, women work in agricultural activities, often on small plots of land and without secure land tenure. Shifts in the international trade regime affect these sectors and have distinct consequences for women and men. These distributive issues – including the degree to which trade reform might support inclusive growth for women – have not been addressed in any detail by the G20. Gender analysis and perspectives should be systematically integrated into the trade policies of national government.

COMPETITIVNESS. The Brisbane Action Plan also calls for promoting competition. Gender inequalities may contribute to export competitiveness when women's wages are lower than men's for similar work. By disproportionately employing women in labor-intensive export sectors, companies reduce labor costs and boost their competitive position. Therefore, the G20's goal of increasing competitiveness could be achieved by sustaining,

1 Source: Ortiz and Cummins. 2013. The Age of Austerity. IPD and the South Centre – based on 314 IMF country reports 2010-2013.

or widening, existing gender wage gaps. The gender-related effects, however, are not addressed by the G20.

(For more information see also James Heintz (2013): Missing Women: The G20, Gender Equality and Global Economic Governance.)

Attachment 2

The G20's Investment Initiatives
Policy and Action Documents Endorsed by the 2014 Summit

For the Summit, the G20 endorsed two types of documents. The first type sets forth the standardized policies and types of practices that countries should adopt in order to attract private investment, particularly from long-term institutional investors, such as The Report on Effective Approaches to Support Implementation of the G20/OECD High Level Principles on Long-Term Investment Financing by Institutional Investors. This document explains how to implement "pooled financing" arrangements. It explains that

"The risks that the institutional investor and its beneficiaries face are not solely related to deviations from market benchmark (paragraph 98) and that "Most forms of institutional saving also carry a non-trivial risk of agency problems. A major concern is the risk that the funds accumulated in institutional form will be used for some purpose other than the best interests of the final beneficiaries. The risk is high in some cases because savings are held for long periods of time, which might obscure any misuse of funds, at least in the near term." (Paragraph 99)

The second type of documents are more interesting in that they cite the policies and performance of each G20 country with regard to:

1. The World Bank's Assessment of the Growth Strategies of G20 Emerging Market Economies. In this document, one will find the World Bank's criticism each country's policies in several areas (investment/infrastructure; employment; competitiveness or business environment; trade; other structural policies).

2. The annex to the document The Report on Effective Approaches to Support Implementation of the G20/OECD High Level Principles on Long-Term Investment Financing by Institutional Investors described major reforms by G20 countries. For instance:

Turkey. As of January 2013, the state pays a matching contribution of 25 percent for every contribution paid by participants into the pension plan. Moreover, the amendments contains provisions for promoting group pension plans with institutional participation.

South Africa. The National Treasury requires large projects requesting fiscal support to submit feasibility studies, mostly which would need a cost benefit analysis. These requirements are contained in a guiding document that Treasury publishes, including the exact approach that should be taken to undertaking cost-benefit analysis... However, there are projects that are financed without Treasury support, such as state-owned entities – they generally do conduct cost benefit analysis, but this not regulated and nor is there a consistent approach between them.

Australia experienced major losses in roadway PPPs, which has dampen investor enthusiasm for PPPs.

Germany. The PPP Acceleration Act (2005) sets the general legal, financial and technical framework for PPPs in Germany. The act led to changes in a number of German laws, e.g. for procurement, tax, public road fees, budget and investment, to eliminate impediments related to PPPs.

Portugal. A number of PPP projects have been launched in the last 15 years, with the State assuming part or the whole of the financial risk of public-private infrastructure projects, but more with a view to put them out of the public budget. Now that the time has come for the State to start paying the costs and comply with the financial duties assumed in those contacts it becomes very clear that a lot of mistakes have been done, and that Portugal will have to learn the lessons from those mistakes and find a different balance between the public and the private responsibilities in the financing and risk taking of infrastructure projects.

3. OECD, UNCTAD, Twelfth Report on G20 Investment Measures. Examples include China's liberalization of outward investment and creation of a free trade zone and India's liberalization of investment in railways – allowing 100% foreign direct investment;

4. OECD, WTO, UNCTAD Reports on G20 Trade and Investment Measures (mid-May 2014 to mid-October 2014