

A Summit of Substantial Success: Prospects for the G20's St. Petersburg Summit

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The eighth Group of Twenty (G20) summit, taking place in St. Petersburg, Russia, on September 5-6, 2013, promises to be a particularly significant event. It will be the first G20 summit hosted by Russia. It will be the first hosted by a member of the group of BRICS of Brazil, Russia, India, China and South Africa. It will further institutionalize the hosting rotation and equality between the established Group of Eight (G8) and the emerging country members of the G20. It will be the second summit held in continental Europe, following the sixth in Cannes, France in November 2011. It will be the G20 summit with the longest interval and accumulated workload since the previous summit, which was held 15 months earlier in Los Cabos, Mexico in June 2012. It will feature several new leaders, led by China's Xi Jinping, Japan's Shinzo Abe, Mexico's Enrique Peña Nieto, Korea's Park Geun-hye and Italy's Enrico Letta.

In the broader context of global summitry, among the central plurilateral summit institutions (PSI) of global relevance and reach, the Russian host stands as the great institutional connector, being the only G20 member that belongs to both the old G8 and the newer BRICS. Russia also brings a multiyear hosting sequence strategy, as host of the summits of the Asia Pacific Economic Cooperation (APEC) forum in Vladivostok in September 2012, the G8 in Sochi on June 4-5, 2014 and the BRICS in 2015. And with Vladimir Putin having returned as president in 2012, the G20's St. Petersburg Summit reflects and will be judged against the results of the successful G8 one that Putin hosted in the same city in 2006.

The St. Petersburg Summit arrives at a challenging and uncertain time. Its big and broad economic challenges begin with impending monetary policy contraction, rising interest rates and continuing fiscal deficits in a slowly growing United States; ongoing financial crises, recession, deficits and debts in Europe; ballooning deficits, debt and monetary easing in Japan; and slowing growth, financial fragility and social instability in the long vibrant emerging economies of China, India and Brazil, and Turkey. They extend to socially and politically related threats from rising unemployment and economic inequality, tax evasion and avoidance, extreme weather events exacerbated by climate change, money laundering, corruption and terrorist finance.

St. Petersburg's three overall themes are: strengthening growth through quality jobs and investment; trust and transparency; and effective regulation. Under this trilogy it will address eight continuing core items on its summit agenda: the Framework for Strong, Sustainable and Balanced Growth (the Framework); jobs and employment; international financial architectural reform; financial regulation; sustainable energy; development for all; multilateral trade liberalization; and the fight against corruption. The Russian host has

added two new, pressing priorities: financing for investment, and government borrowing and public debt sustainability.

Institutionally, Russia has strengthened the summit through a joint preparatory meeting of labour and finance ministers, and greater interaction with non-member countries, the United Nations bodies and other international organisations. It has embraced civil society, including the private sector through the Business 20 (B20) and Young Entrepreneurs Summit (YES), labour through the Labour 20 (L20), young students and professionals through the Youth 20 (Y20), academics, experts and non-governmental organisations through the Civil 20 (C20) and think tanks through the Think 20 (T20).

The Debate among Competing Schools of Thought

Prior to the summit, its prospects have inspired a debate among several different schools of thought.

The first school sees an American-led failure, due to the unilateral actions of the US government and influential financial industry in macroeconomic policy and finance. Kevin Gallagher (2013: 13) argues that the Federal Reserve's June 19th signal of its monetary stimulus tapering is causing volatility, while US regulators' exemption of the hedge funds and derivatives industry from the US Dodd-Frank Act, Financial Stability Board (FSB) and G20 principles could "allow the creation of major loopholes that could threaten the global financial system yet again."

The second school offers scepticism due to big power distrust. Colin Bradford (2013) writes: "The Russian G20 team is preparing well for this year's St. Petersburg summit, but scepticism remains about the outcome." This is in part because "[t]he big countries do not trust each other and the rest of the world does not trust the G20," amidst "security tensions between major players," especially in Asia.

The third school sees reignited tensions due to market volatility from the US, Europe, Japan and emerging markets (El-Erian 2013). It argues that economic uncertainty from all three G7 regions, the Middle East and "the disproportionate damage to emerging markets" should "reignite some tensions at the multilateral level ahead of the September G20 Summit in Russia and the early-October IMF/World Bank annual meetings in Washington.

The fourth school sees an ideal opportunity to build market confidence, due to the financial crisis-bred erosion of confidence in the Chicago School consensus on monetarism and the need for exchange rate coordination now. Thomas Pally (2013): asserts, "[t]he September 2013 Group of 20 Summit in St. Petersburg provides an ideal opportunity to launch an initiative for exchange rate co-ordination" to show that "the world's political leaders can still work together on matters of vital economic impact."

Puzzles

None of these schools of thought offer a satisfactory analysis. In regard to the first, US monetary contraction remains dependent on economic and employment growth, is a future possibility that has long been well known and comes just after a new burst of monetary easing from third ranked and now rapidly growing Japan. In regard to the second, the recent bilateral summit in California between US President Obama and new Chinese President Xi Jinping provided a basis for building trust between these two biggest powers, even amidst China's pressure against the territory of India and Japan. In regard to the third, exchange rates are under the control of central banks, whose independence in key actors, such as the US and Europe, place them beyond leaders' control. More broadly, G20 summit success has been shown to rely on a much broader array of factors, which need to be systematically assessed before confident claims can be made about St. Petersburg's likely results (Kirton 2013). This study conducts such an analysis.

The Thesis

St. Petersburg promises to be a summit of substantial success. It will continue to control the continuing Euro-crisis through another stage, help implement overdue G20 commitments on financial regulation and IFI reform, further tax fairness and transparency, launch the two Russian priorities onto the G20 agenda and strengthen the G20 process through its troika system, civil society involvement and accountability assessment. Yet it will stop short of producing major advances on coordinated monetary and fiscal policy exit, generating jobs and entrepreneurship, strengthening financial regulation beyond banking, further IFI reform, trade liberalization, development, corruption, or energy, climate change and food security, let alone adequately address newer needs such as income and gender inequality, social policy and health. It will thus continue the G20 summit's recent record of keeping the European financial crisis from going global, and incrementally advance a broader array of more difficult, domestically intrusive challenges, as a follow up to its simple, singular focus of providing massive fiscal and monetary stimulus to control the great 2008 global financial crisis in its early years (Kirton 2012a,b,c, 2013a,b,c) (Appendix A).

St. Petersburg's substantial success will be driven by considerable shock-activated vulnerability in finance and terrorism, by serious multilateral organizational failure in finance, development and trade, and by continuing G20 predominance and internal equalization in capability. It will also be driven by small convergence on domestic economic, social and political openness for stability, by significant domestic political cohesion and a by strengthening sense among leaders that the G20 is their club at the hub of a global governance network for the world.

Plans

Russia's plans for the St. Petersburg summit first took shape in mid-autumn 2012, while the G20 was still operating under the Mexican presidency. Russia, which would assume

the chair on December 1, began planning for its year as host, focusing on the Summit on September 5-6.

Russia's Initial Vision of the G20 Institution

From Russia's perspective, the G20 is a very young institution that is still shaping its mission and agenda. The G20 summit arose at the time of the 2008 global financial crisis to serve as a crisis management and prevention body. At the first summit in Washington in November 2008, the leaders discussed the crisis, established institutions and made reforms to prevent another crisis. At following summits, the G20 agenda broadened and deepened, with the addition of development, green growth and energy, and corruption.

Over time, the G20 became a political as well as an economic forum. The G20 will remain an important economic forum. However, policy co-ordination among members will need to be established in order to promote more equal and stable growth and co-operation among countries on different economic issues. The Russian presidency seeks to strengthen the G20 in this regard.

It also seeks to foster a results-oriented forum, looking to achieve outcomes in 2013 that will have an impact for years to come. The opportunity and challenge for the G20 is that it includes a diverse set of countries with different levels of development, different goals, and different views on the economy. Cooperation among these countries could provide a new impulse to global growth and global economic development. However, the diversity among members could be challenging and counterproductive, as this might lead to lengthy dialogue and discussions without a consensus. Therefore, Russia and the G20 need to think through the possible mechanisms to bring together these separate interests and find solutions.

Russia's G20 Contribution

Russia believes that its greatest contribution to G20 summitry has been bridging differences between its G8 and BRICS partners, and especially between the US and China. It had done so on key issues such as the Framework, and with particular formulations on protectionism and monetary policy. It had also taken specific, successful initiatives, such as on the ecological protection of marine areas from accidents at oil drilling rigs.

Institutional Aims

Russia's initial plans for strengthening the G20 as an institution were comprehensive and ambitious, if not dramatic. On membership and participation, Russia kept the existing 19 member countries plus the European Union (EU), International Monetary Fund (IMF) and World Bank. As guests, Russia invited once again a struggling Spain, neighbouring Kazakhstan, Singapore, as well as Ethiopia to represent the African Union (AU), Brunei-Darussalam to represent the Association of Southeast Asian Nations (ASEAN) and Senegal to represent the New Partnership for Africa's Development (NEPAD). The heads of the Financial Stability Board (FSB), International Labour Organization (ILO),

Organisation for Economic Co-operation and Development (OECD), World Trade Organization (WTO) and United Nations will all participate as well.

On G20 ministerial and official bodies, Russia sought to shrink them after the great expansion during Mexico's hosting year in 2012. It wanted only the traditional finance ministers meeting but later added one for labour and employment ministers, both alone and one that was held jointly with finance ministers (Appendix B).

On civil society participation, Russia believed that by involving civil organizations, business and perhaps additional organizations, the G20 could set a better agenda than one created by governments alone. Russia did so fully understanding the difficulties involved in giving civil society an enhanced role. Its outreach strategy included hosting events for the T20, B20, L20, C20 and Y20.

On the troika of the past, present and future presidencies, Russia re-established its value. While France had relied on the troika, Mexico had not. Under Mexico, when Russia was the incoming host, there was insufficient discussion within the troika on most items. Russia thus resolved to co-ordinate with its troika partners to determine that its proposals were sound before they were settled.

On a secretariat, Russia recalled that the G20 had begun discussing the need for permanent structures in 2010. Russia felt that permanent structures were soon necessary. While there was no formal agreement, Russia thought that one might appear before the end of 2013. Russia felt that a formal secretariat should not reside in any of the member countries, but in an outside one such as Singapore. In the meantime Russia advocated for a virtual secretariat where all data and documents would be available to all. All could access an official database, with a different level of access for the participants and public.

Agenda Aims and Ambitions

Through this approach, Russia seeks to organize a successful G20, to respond to the global economic and political agenda, and to produce results. It sees its priorities, which embraced both the inherited built-in agenda and new issues, all clearly related to the overall growth agenda of the G20.

Syria

While not a priority for the summit, the large-scale use of chemical weapons in Syria on August 21, 2013, and the credible threat by the US of a military response, has brought this acute political security shock into the St. Petersburg Summit in a major way. While many observers have concluded that Syria will side-swipe the summit, disrupting and damaging its important economic agenda, this is unlikely to occur. Putin has stated that the G20 is an appropriate forum to discuss Syria. Obviously, there are different opinions that the members will bring to the table on this issue.

To prevent Syria from entirely disrupting the prepared economic program, G20 foreign ministers have also been invited to attend the summit. In addition to the foreign ministers' discussions and the corridor conversations that will take place amongst leaders, Syria could arise in several of the G20 leaders' discussions, including terrorism, energy price volatility, and prospects for global growth (Kirton 2013).

Growth, Employment and Investment

The first pillar of the St. Petersburg Summit focuses on growth, employment, and investment. These issues are at the core of the agenda for 2013 and will remain for years to come. The Framework has been a very important creation. However, the G20 now need to strengthen and extend it to structural reforms that will be implemented in member countries.

A second priority under this pillar is dealing with fiscal imbalances and government debt. A few years earlier, these issues were discussed in the context of emerging countries. Now they are discussed in the context of advanced countries. This is a difficult and sensitive topic, as advanced countries do not want to receive recommendations from others. However, Russia feels that the G20 should start providing such recommendations based on the record of the last 20 years, even if they might not be followed.

Financial Regulation

A third priority is financial regulatory reform. Traditionally this discussion was inspired by events in the US and Europe. Less attention has been given to the problems of the emerging markets, which Russia now seeks to address. Another issue needing attention is strengthening co-operation among regulators, as this is important for financial reforms.

Global financial imbalances also needs to be addressed. One of the theories about their cause is based on financial imbalances, and a global savings imbalance. There is an overdevelopment or improper development of finance in some countries, and significant underdevelopment in other countries. This led savings to move from emerging countries to developed countries for reasons of risk aversion and the stability of savings. As a result, global turbulence could continue until the G20 rebalances the financial world. This issue had not been addressed in the G20. Russia seeks to remedy these imbalances. It will require addressing political cycles, especially in China, which affects outcomes. Russia believes China may make good progress in this area now that they have a new leader with a clear vision. It could lead to a very different China in ten years time.

International Financial Institution (IFI) Reform

The fourth priority, an important one, is finalizing the agreement on IMF quotas. The G20 has agreed that this would be done before the end of 2012. That did not happen, so it has remained on the G20 agenda. Russia thinks it will be difficult to find a compromise. It does not know how the recession in Europe will affect the mood around the table. It

may help or harm finding a compromise, depending on whether Europe is emotionally prepared to make real decisions. Nonetheless Russia needs to complete this work.

Trade

The fifth priority is trade. In 2008, the leaders came together to renounce protectionist policies and committed to not return to the 1930s when trade wars led to a continuation of the Great Depression. But now, the anti-protectionist pledge has simply continued from one summit to the next. The G20 needs to look at trade from a different perspective and find a new agenda for G20 trade, or at least come up with more precise ideas about what could be done by this set of countries.

On completing the badly overdue Doha Development Agenda, Russia has not participated in the discussions, as it had not been a member of the World Trade Organization (WTO) at the time. Now that it is, this topic is appropriate to discuss. Russia has signalled that it prefers taking a new approach rather than trying to complete the Doha round, where it sees no chance of success.

Development

The sixth priority, a very important one, is development. It is necessary to think of the specific role of the G20 as one of several global institutions that deals with development. Russia needs to determine unique role this set of countries can play in this area that will set it apart from the UN, IMF, World Bank, G8 and other development institutions. The G20 possesses the experience of emerging countries that have very successfully transitioned from developing ones. This could be used to shape G20 policies on development.

Corruption

The seventh priority is corruption. This is an area where many international organizations are involved. The G20 needs to think of the specific role that the G20 could play, perhaps as a standard setter.

Energy and Climate Change

The eighth priority is energy security, as it was when President Putin had first hosted the G8 summit in St. Petersburg in 2006. Putin is considered by some to be an expert on this topic, making it an important issue for St. Petersburg. Russia is concerned about trends in the energy market, starting with the uncertainty about whether demand would fall or rise due to Asian demand. Energy efficiency and the energy mix are changing, with the development of shale gas in the US and reduced nuclear energy in Europe and Japan. Thus coal is being shipped from the US to Europe. Russia is a stable supply source of oil and gas for Europe and is starting to increase exports to Asia. These competing trends lead to uncertainties, even in the short run. The prevailing situation in the Middle East is compounded by the medium term uncertainties about oil prices, energy prices and commodities. Some believe prices will rise, while others think they will stay the same or

fall. The last possibility is more comfortable for the biggest consumers. There are different scenarios for growth and investment in the energy sector.

Energy ministers met during 2013, along with informal bodies including the World Economic Forum where producers and consumers discussed and sometimes co-ordinated positions. Russia thought the most important and minimum thing that the G20 should do is to understand national policies and their medium term implications regarding stimulus, consolidation, the energy mix and energy supply. The G20 also needs to create a broad vision of how the energy market will develop and how national governments will behave during this time. At present, the signals are different from a single country, making it difficult to formulate energy policies. Russia wants the G20 to make binding commitments on energy policies, but Canada and other partners will successfully resist this. This will leave Russia aiming to produce non-binding but clear statements that indicate how national governments could work together in the future.

On the fossil fuel subsidy phase out commitment made at the Pittsburgh Summit, there has been major progress on its implementation, both in Russia and around the world. Without this commitment, progress would have been much slower. This signals a positive trend in this area.

On climate change Russia has always considered energy efficiency as part of energy security. However, to its dismay, not all of its partner share this view. All countries need to participate in the solution, not just the EU. The BRICS countries, US, Canada and Japan are particularly important. Without their participation, Russia will not lead the G20 to move on this issue. Nor will it focus on the extending the Kyoto Protocol.

The Chair's Published Plan

Russia formally assumed the chair of the G20 on December 1, 2012. It launched its website and held its first Sherpa meeting in Moscow on December 11-12. Since then, its public plan for the summit has evolved (Russia G20 2012). It confirmed that there would be three overarching themes for achieving growth: 1) focusing on quality jobs and investment; 2) pursuing trust and transparency; and 3) implementing effective regulation. These three themes would guide the nine more specific items on its agenda: 1) the Framework for Strong, Sustainable and Balanced growth; 2) financing for investment; 3) jobs and employment; 4) development for all; 5) international financial architecture reform; 6) fighting corruption; 7) strengthening financial regulation; 8) enhancing multilateral trade; and 9) energy sustainability.

Russia also had a well-defined plan for the summit preparatory process (Appendix B). It centered on five sherpa meetings, two held in Moscow, and three held in St. Petersburg. Five meetings of finance ministers and central bank governors' deputies, and three G20 finance ministers' and central bank governors' meetings took place. G20 labour and employment ministers met in Moscow. A joint meeting of G20 finance and labour and employment ministers was also held in Moscow for the first time in G20 history.

Preparations

Sherpa Meeting 1, December 12-13, 2012, Moscow

The first sherpa meeting was held on December 12-13, 2012 in Moscow. It was surrounded by and interacted with meetings of the T20, C20 and the B20. The results of the three sessions of the T20 were reported by their chairs at the start of each session of the sherpa meeting on that subject the following day. On December 13, the sherpas held a working lunch with Professors Marina Larionova and John Kirton to discuss two implementation reports that the latter had prepared. The sherpas were following up their leaders' Los Cabos commitment to conduct accountability assessments of their own. The Russians also mounted a "Conference on Russian G20 presidency program: Fostering Economic Growth and Sustainability." Here all stakeholders came together to report and review their work. It was an unusually and highly inclusive start to the hosting year.

G20 Finance Ministers, February 15-16, 2013, Moscow

The first finance ministers' and central bank governor' meeting was held on February 15-16 in Moscow, with their deputies meeting on February 14-15. Participants discussed the priority topics for the Summit. They addressed strengthening financial supervision, avoiding currency devaluations, and letting the market determine exchange rates.

Putin stated: "We are convinced that an understandable and transparent policy by governments to manage their budget deficit and state debt can ensure a necessary level of investors' confidence." He included investment, transparency and effective regulations as the focus of the G20 agenda.¹ He asked for consideration of the political and social implications of policy decisions on various groups in society.² He also requested that participants make decisions based on the feasibility of their implementation.³

Russian finance minister Anton Siluanov asserted that rebalancing growth would require more than an adjustment of exchange rates. Structural reform should play a bigger role. On monetary policy he addressed the spillover effects of unconventional moves, saying they should be closely monitored. In the end, developed countries pledged to consider the spillover effects of macroeconomic and monetary policy and agreed that monetary policy should be directed toward domestic price stability and economic recovery.⁴

On fiscal policy, Siluanov noted that the G20 failed to reach an agreement on medium-term budget deficit levels. He said: "We expect by April countries will have made

¹ Indo-Asian News Service (February 16, 2013), "G20 must seek exits from economic stagnation: Putin."

² Vasilyeva, Nataliya, Toronto Star (February 16, 2013), "Putin urges G20 chiefs to consider social effects of their policies."

³ ITAR-TASS World Service, (February 16, 2013), "Putin urges G20 finance ministers to make feasible decisions."

⁴ Xinhua News Agency (February 15, 2013), "Interview: G20's Moscow meeting to discuss array of financial issues: Chinese official HanLiang."

progress on reaching a balanced approach to establishing new budget indicators on both deficit and the level of government debt.”⁵ He added: “At our initiative, government borrowing and national debt management have been included in the G20 agenda for the first time.”⁶ Some participants proposed to extend the commitment made at the 2010 Toronto Summit to halve the budget deficit by 2013 and stabilize or reduce government debts by 2016.⁷

On IFI reform, participants decided that the IMF quota formula and distribution process would be determined before the end of 2013. “We agreed that we should make serious progress on the quota formula and distribution by the summit of the heads of state so that they could seal it and set the final guidelines for determining the quota formula and quota distribution rules before the end of this year.”⁸

On financing for investment, participants welcomed a report on the factors affecting long-term financing. It found “that the availability and composition of long-term investment financing have been affected by a combination of factors, with differing repercussions across borrowers and sectors.” It reported that there were things that countries could do to attract long-term financing. In their communiqué, participants highlighted the essential role of long-term financing in supporting strong, sustainable and balanced growth. They agreed to establish a new Study Group on Financing for Investment. It would work closely with the World Bank, OECD, IMF, FSB, UN, the United Nations Conference on Trade and Development (UNCTAD) and other relevant international organizations to determine a work plan for the G20.⁹

The president of the World Bank, Jim Kim, spoke about the risks of climate change on the economy. He emphasized the importance for the G20 members to “tackle the serious challenges presented by climate change.”¹⁰

Sherpa Meeting 2, March 3-4, 2013, Moscow

The second sherpa meeting was held on March 3-4, 2013 in Moscow. It followed meetings during the previous two months of the working groups for the Framework, International Financial Architecture, Energy Sustainability, Anti-Corruption and the Task Force on Employment.

⁵ Reuters News (February 16, 2013), “Growth needs more than FX adjustment — Russia.”

⁶ Novosti (February 16, 2013) “Russian Finance Minister Warns Countries on Monetary Policy.” Глесснер Сиан Кристина

⁷ Paris, Costas and Hannon, Paul, Dow Jones Global Equities News, (February 16, 2013), “G-20 Leaders Aim to Assuage Fears of Currency War.”

⁸ ITAR-TASS World Service (February 16, 2013), “G20 to determine IMF quota formula and distribution by yearend — minister.”

⁹ ITAR-TASS World Service, February 16, 2013), “G20 ministers, chief bankers create Study Group on Financing for Investment.”

¹⁰ Agence France Presse (February 16, 2013), “Climate change real economic risk, World Bank tells G20.”

G20 Finance Ministers, April 17-18, 2013, Washington, DC

G20 finance ministers and central bank governors held their second meeting on April 17-18, 2013 in Washington, D. C, as part of the semi-annual meetings of the IMF and World Bank (Kirton 2013b). The meeting featured relative newcomers from its three largest members: Jacob Lew, now confirmed as Treasury Secretary of the US, new Chinese Finance Minister Lou Jiwei, and Japan's new central bank governor Haruka Kuroda, attending his first such meeting, along with Japan's finance minister Taro Aso. Aso as Deputy Prime Minister also met on the sidelines with US Vice-President Joe Biden.

The meeting confronted the immediate aftermath of the latest installment of the European financial crisis. It centered on an initially miscalculated financial rescue package for Cyprus in March that had created the precedent that bank depositors would take a haircut along with shareholders and creditors and had produced capital controls that fractured the single Eurozone market. The meeting faced a slowing global economy, as a new version of the IMF's World Economic Outlook (WEO) downgraded projected growth in the world economy, including in both the G7 economies and in the long booming BRICS powerhouses of China and India as well. Participants had to reconcile a recessionary Europe emphasizing austerity with a United States and Japan engaged in substantial stimulus without an authoritative strategy for fiscal consolidation in the medium term. Japan's recent major new monetary policy stimulus, when added to that of the US and UK, sparked fears of negative spillovers onto emerging economies, competitive currency devaluation, asset bubbles, financial instability and inflation over the longer term. Participants also had to advance the ambitious agenda for the summit, notably on financing investment, public debt management, IMF reform and much else.

The meeting came to consensus on monetary policy and set specific deliverables for issues ripe for resolution. It reinforced the G8 summit priority of reducing tax evasion and supporting women. Yet the US and Japan rejected the proposed hard targets for government debt as a percent of GDP. China remained reluctant to free its exchange rate. Europe along with the US resisted complying with the overdue G20 commitment to reform voting shares at the IMF. Left largely unaddressed were trade liberalization, development, and the fossil fuel subsidies phase out.

On generating growth and jobs and strengthening the Framework, members agreed that "much more is needed" While Japan and Korea were complemented for their stimulus, participants identified specific steps to be taken in Europe, the US, and in large surplus countries. The latter were asked to "consider taking further steps to boost domestic sources of growth." Germany's preferred policy - to "continue to implement ambitious structural reform." – was also endorsed.

On monetary policy, participants concluded that "Japan's recent policy actions are intended to stop deflation and support domestic demand." They reiterated that "We will refrain from competitive devaluation and will not target our exchange rates for competitive purposes" while adding "We will be mindful of unintended negative side effects stemming from extended periods of monetary easing." Virtually no one complained about Japan's move.

On fiscal policy the hard-won G20 summit agreement at Toronto in June 2010 to have advanced members limit their fiscal deficits and debt by 2013 was due to expire without being met. Russia, supported by Germany, the UK and Canada, proposed that the pledge be replaced by a hard cap to limit countries' debt as a percent of GDP. Strong resistance came from the US and Japan, both of which had massive deficits and debt. Participants concluded only that "Advanced economies will develop medium-term fiscal strategies by the time of the St. Petersburg Summit in line with the commitments made by our leaders in Los Cabos. We will present and review our strategies at our next meeting."

On exchange rates, despite US criticism of China's policy in the lead up, participants agreed only to "reiterate our commitments to move more rapidly toward more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, and avoid persistent exchange rate misalignments."

On domestic financial regulation, members usefully agreed on a process and timetable across a wide range of items. These included calling for a July report on the comparability of risk weighted assets for banks, an FSB report to the Summit on ending the 'too big to fail' problem, a report with practical recommendation on cross border derivatives by their July meeting for resolution at the Summit, recommendations on shadow banking for the Summit, finalizing a single set of accounting standards by the end of 2013, a report on reforming interest rate benchmarks by July, and a report on credit ratings agencies by the Summit. On implementing the Basel 3 banking regulations, they agreed that the half of the members who had missed the deadline would act by the end of 2013.

On tax avoidance and evasion, members agreed on the need for automatic rather than "on request" exchange of tax information between jurisdictions. They declared: "We welcome progress made toward automatic exchange of information which is expected to be the standard and urge all jurisdictions to move towards exchanging information automatically with their treaty partners, as appropriate."

On reforming IMF voting shares, little was done. Participants agreed that completing the agreed reforms was "indispensable and "urgently needed," but only looked forward to having this done by the Summit. They affirmed that revised quota shares should "better reflect the relative weight of IMF members in the world economy." They agreed with the IMF to link the process of reaching final agreement on a new quota formula with the 15th general review of quotas itself.

On financing for investment and public debt management, members assigned tasks and specified due dates for their delivery. They highlighted women in financial inclusion. Yet on trade there was only a perfunctory pledge to avoid protectionism and nothing on how to liberalize trade or investment, at or outside the WTO. There was no attention to climate change control, fossil fuel subsidy phase outs, or reducing rising income and economic inequality throughout the G20.

Sherpa Meeting 3, May 18-19, 2013, Moscow

The third sherpa meeting was held on May 18-19, 2013 in Moscow. Since the second sherpa meeting there had been seminars on public debt management, on Financial Literacy and Financial Education, on International financial Architecture Reform, and meetings of the Working Groups on the Framework, on Anti-Corruption and on Development. At their meeting the sherpas discussed for the first time the B20, C20 and L20 recommendations. These recommendations were on employment, fighting corruption, energy and environmental sustainability, food security, financial inclusion, post-2015 Millennium Development Goals, international financial architecture reform, and investment and infrastructure. The sherpas defined which recommendations would be transmitted to the decision-making level of the G20 (G20 Presidential website, May 10, 2013).¹¹

Finance Ministers and Central Bank Governors Meeting, July 19-20, 2013

At the third G20 finance ministers and central bank governors meeting on July 19-20, participants will discuss the U.S. Federal Reserve's exit or "tapering" strategy. They will seek clarification from the United States on how the Federal Reserve will start unwinding its monetary stimulus, how this will be implemented and at what pace the central bank will start reducing its bond purchases (Reuters News, July 4, 2013).¹² More generally, they will discuss the spillover effect of monetary easing on their countries and the world at large. They will also act on tax avoidance and tax evasion, in part by developing new rules for multinational firms.

G20 Sherpas Meeting 4, July 25-26, 2013

The fourth sherpa meeting took place on July 25-26. It focused on reviewing how well the G20 was meeting previously agreed timetables, and refined the proposals for leaders to adopt at their summit.

G20 Sherpas Meeting 5 and Joint Meeting with Finance Deputies, September 2-5

The fifth and final sherpa meetings was held on September 2-5 in St. Petersburg. It included a joint meeting with the finance deputies.

Host Priorities on the Summit's Eve

The G20 will concentrate its efforts on agreeing and implementing actions aimed at boosting strong, sustainable, balanced and inclusive growth and stimulating job creation. It will continue to enhance its efficiency by delivering on the decisions made. It will ensure legitimacy through engagement with non-G20 countries, international organizations, business and trade unions, think tanks and academia, civil society and youth. Last but not least, the G20 will increase transparency. These ambitious objectives

¹¹ Russian Presidential website (May 10, 2013), "Program, G20 Sherpa's Meeting."

¹² Younge Lee, Se and Yoo, Choonsik (July 4, 2013), "G20 to seek clarity on U.S. policy at July meeting-S. Korea."

will not be attained within one presidency. However, each successive presidency, in close cooperation with the G20 partners can consolidate progress. Russia is committed to this approach. It has contributed to these objectives through a focused agenda and collaborative and results-oriented working process.

Since 2008, the G20 agenda has been consistently expanding and refocusing itself. The focal points of the Russian presidency includes several key forward-looking initiatives which build-on the legacy of the previous presidencies, respond to resistant and new risks and consolidate the foundations of the G20 collaborative efforts to restore robust growth.

Collaborating with the partner countries, international institutions, business, academia and civil society for implementation of the Framework for Strong, Sustainable, Balanced and Inclusive Growth, the G20 will perform its unique and natural role in forging new Global Partnerships.

Projected Outcomes

Based on these foundations, St. Petersburg promises to be a summit of substantial success. It will be marked by steady advances across a wide front rather than a big breakthrough on any one. The largest advances will come, in order, on financial crisis control, tax fairness, monetary policy co-ordination, employment, entrepreneurship and strengthening the summit process.

Syria

While many have predicted that no agreement will be reached on the issue of Syria at the G20 meeting, it should be recalled that at the recent G8 summit in Northern Ireland, Russia and the other members were able to reach a consensus on several key issues. Thus, what is more likely is that the G20 foreign ministers will produce a document that the G20 leaders will endorse condemning the use of chemical weapons, calling for a diplomatic solution to the situation in Syria through the Geneva II conference, and to take stronger measures against terrorist finance. Thus, the shock from Syria could spur an even more successful summit in St. Petersburg if progress is made.

Financial Crisis Control

The first achievement, of a defensive sort, will be to control the continuing euro crisis through its latest stage, following the banking collapse in Cyprus, the continuing struggles in Greece, Portugal and Spain and the outside assaults from slowing growth and rising financial fragility in the BRICS and key emerging countries beyond. It will do so by highlighting a message on prospects for the global economic that highlights strengthening growth in the US, Japan and even Europe, amidst the considerable risks that remains. It will reaffirm the key elements of the Los Cabos euro crisis control package, across its core components of fiscal and monetary policy, financial reform and IFI financial support.

Macroeconomic Policy

A second advance, contributing to the first, will be a macroeconomic message and an action plan that emphasises stimulus over fiscal consolidation, that promises a coordinated, careful and clearly communication approach to monetary policy tightening, and that adds country growth strategies.

Given that global growth remains subdued, the G20 will likely agree on policy actions that support near and mid-term economic growth, and allow for fiscal consolidation and stability. Striking the right balance will be critical.

Debt Management

The G20 will require more time and effort to produce major results on offering market-credible, country-specific medium-term plans to control the escalating government debt in the US, Japan and elsewhere.

Modernizing public debt management is an issue of pivotal importance. The underlying principles of the borrowing policy need to be revised. The process will not involve only the G20 members, but also all the IMF members. Assessing and amending the IMF and World Bank Guidelines for public debt management is intellectually and time demanding, and it is unlikely that the G20 will be able to agree on concrete amendments to these guidelines in St. Petersburg. However, key provisions will be discussed, and will be followed up at during the Australian summit.

Employment and Entrepreneurship

At the summit, the G20 will chart a new course on generating jobs by recognising the power of young entrepreneurship to create employment, innovation and productivity. An integrated approach to boosting employment by balancing labor supply and labor demand. On the demand side, the St. Petersburg Plan on Growth and Employment will focus on policies and actions, which create an enabling environment for entrepreneurship, innovations and SMEs, which play a central role in enhancing productivity and generating jobs. On the supply side, the G20 will focus on ensuring that education and training systems equip students with proper knowledge and competences, which meet the labor market demands. On both supply and demand sides structural reforms to reduce labor market rigidities, raise productivity, increase investment in human capital and enhance labor mobility and citizens' participation in the labor market will be pursued. These are comprehensive and formidable objectives, but they must be attained. The G20 will work with international organizations and business, trade unions and civil society to achieve these goals.

Inequality and Inclusiveness

The G20 will focus on how reducing growing economic and social inequality can be a new source of inclusive economic growth. Indeed, it may importantly broaden the Framework to have it target inclusive growth. In order to do so, the G20 will strengthen public policy and the role of the state to tackle inequality, through: 1) macroeconomic

policies promoting employment and boosting aggregate demand; 2) fiscal and monetary policies encouraging productive investment, stemming corruption, and implementing progressive taxation systems; and 3) reducing tax evasion and improving the effectiveness of public expenditure.

Financing for Investment

The G20 is likely to offer a new model for financing for investment. The G20 has made substantial progress in identifying long-term sources of investment financing. These include new bank business models and other sources, such as equity markets and institutional investors. This work will be supported by the Study Group on Financing for Investment and international organizations. A road map for long-term financing for investment will be developed at the Summit. It will serve as a solid foundation for the Australian presidency.

Financial Regulation

The summit will help implement overdue G20 commitments on financial regulation in the banking sector and extend them into new sectors such as insurance, derivatives, shadow banking and resolution regimes.

Tax and Transparency

The G20 will further tax fairness and transparency by approving the OECD's 15-point action plan that will make the automatic exchange of tax information among governments the global standard. This will help ensure that multinational firms pay taxes where their revenues and profits are actually produced.

Development

On development, the summit will present the vision that will powerfully shape the UN's post-2015 Millennium Development Goals. Prior to the St. Petersburg, the G20 presented an implementation report on the Seoul Multi-Year Action Plan on Development that was developed in 2010. A new action program for the 2014-2016 period will be endorsed at the summit. The core agenda the development action plan will focus on transforming economies for jobs and growth.

International Financial Architecture

The G20 will follow up the overdue promises to reform the voting shares at the IMF in order to give the emerging powers their fair share. Progress on this area will depend on a gridlocked US Congress.

Trade

On trade G20, leaders will again promise to renounce protectionism and ask the WTO to facilitate trade by reducing customs and administrative barriers at its ministerial meeting

in Bali in December. It will abandon any serious effort to successfully conclude the badly overdue Doha Development Round.

Summit Process

The leaders will once again strengthen the G20 process. It will remain committed to the troika system and to engaging and expanding its involvement with civil society. It will remain committed to accountability assessments. These issues will be taken up and strengthened by Australia in the lead-up to its summit in Brisbane in November 2014.

Other Issues

There will be modest advances on issues of corruption, energy, climate change and food security, and the newer needs such as social policy, gender equality and health.

Conclusion

The Russians are likely to achieve much of what they had hoped at the St. Petersburg Summit. Syria will not derail the economic agenda as many have predicted. However, it will be there in addition to the priority economic. On the issues of macroeconomic policies, development and energy advances will be made. The one area where advancements remain most uncertain is in relation to reforming the global financial architecture due to US congress. It is also unclear if the G20 will be able to take trade in a new direction.

In all, the leaders are likely to prevent the European financial crisis from going global, and incrementally advance a broader array of more difficult, domestically intrusive actions, as the G20 steadily shifts from serving as not just the central global economic crisis preventer, but also as the global steering committee as a whole. Its members will need to continue to work more intensively, cooperatively and creatively to cope with the growing problems that are compounding in a now intensely globalised world. Further because most of these issues require long-term solutions, much will remain for Australia to address in 2014. The Russians will continue to work with their Australian colleagues in order to ensure a successful transition and summit.

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Appendix A: G20 Summit Performance

	Domestic Political Management			Deliberation			Direction Setting			Decision Making	Delivery	Development of Global Governance			
												Internal		External	
	Attendance	# compliments	% members complimented	# days	# documents	# words	Democracy	Liberty	Total	# commitments	Compliance	# references	Spread	# references	Spread
2008 Washington	100%	0	0%	2	2	3,567	10	2	12	95	0.53	0	0	40	11
2009 London	100%	1	5%	2	3	6,155	9	0	9	88	0.42	12	4	116	27
2009 Pittsburgh	100%	0	0%	2	2	9,257	28	1	29	128	0.28	47	4	117	26
2010 Toronto	90%	7	15%	2	5	11,078	11	1	12	61	0.28	71	4	171	27
2010 Seoul	95%	3	15%	2	5	15,776	18	4	22	153	0.5	99	4	237	31
2011 Cannes	95%	11	35%	2	3	14,107	22	0	22	282	0.54	59	4	251	29
2012 Los Cabos	95%	6	15%	2	2	12,682	31	3	34	180	0.47	65	4	143	22
Total	N/A	28	N/A	14	22	72,622	129	11	140	987	N/A	353	28	1075	173
Average	96.42%	4	12.14%	2	3.14	10,375	18.43	1.57	20	141	0.43	50.43	4	153.57	24.71
2013 St. Petersburg															

Notes:

N/A=Not Applicable

a. Domestic Political Management: 100% attendance includes all G20 members and at least one representative from the European Union, excludes those invited on a year-to-year basis. Number of compliments includes all explicit references by name to the full members that specifically express the gratitude of the institution to that member. The % of members complimented indicates how many of the 20 members received compliments in the official documents.

b. Direction Setting: the number of statements of fact, causation and rectitude relating directly to open democracy and individual liberty.

c. Decision Making: the number of commitments as identified from all official documents by the G20 Research Group in coordination with the Higher School of Economics.

d. Delivery: measured on a scale from -1 to +1, -1 indicating no compliance and +1 indicating full compliance. A commitment is fully complied with if a member succeeds in achieving the specific goal set out in the commitment. *2012 score is from the interim compliance report.

e. Development of Global Governance: internal refers to the number of references to G20 institutions in the official documents; the spread indicates how many different internal institutions were mentioned. The number of external references includes the number of references made to institutions outside the G20 and the spread indicates how many different institutions were mentioned.

The overall performance of previous summits has been qualitatively assessed as strong at Washington (A-), very strong at London (A), strong at Pittsburgh (A-), strong at Toronto (A-), substantial at Seoul (B), substantial at Cannes (B), and significant at Los Cabos (B+).

Appendix B: G20 Meeting Schedule Critical Path 2013

December 2012

11-12 G20 First Sherpa Meeting, Moscow

January

13-14 Framework Working Group, Delhi

13-15 23-24 G20 Sessions at World Economic Forum, Davos

February

7-8 Energy Sustainability Working Group Meeting, Moscow

8-9 Task Force on Employment Meeting, Moscow

9-10 Anti-Corruption Working Group Meeting, Moscow (Canada & Russia co-chairs)

13 International Financial Architecture Working Group Meeting, Moscow

14-15 G20 Finance Deputies Meeting, Moscow

15-16 G20 Finance Ministers Meeting, Moscow

26-27 Development Working Group Meeting

March

8-9 G20 Second Sherpa's Meeting, Moscow

13-14 Seminar of Public Debt Management

26-26 BRICS Summit Durban

April

TBC Energy Sustainability Working Group Meeting

17 Seminar on Financial Literacy and Financial Education, Washington

17 Seminar on International Financial Architecture, Washington

18 Framework Working Group Meeting, Washington

18 G20 Finance Deputies Meeting, Washington

18-19 G20 Finance Ministers Meeting, Washington [at Bank-Fund semi-annual?]

TBC Anti-Corruption Working Group Meeting, Vancouver, Canada

May

11-12 G20 Third Sherpa Meeting, St. Petersburg

16-17 Development Working Group Meeting, Moscow

18-19 G20 Sherpa's Meeting 3, St. Petersburg

TBC Seminar on Trade Issues at the OECD, Paris, France

June

- 3-4 Task Force on Employment Meeting, St. Petersburg
- 4-5 Conference on "Rating Agencies in the International System"
- 5 Task Force on Employment Co-Chairs Meeting with G20 Finance Deputies
- 6-7 Anti-Corruption Working Group Meeting
- 6-7 G20 Finance Ministers and Central Bank Governors Deputies Meeting
- 13-14 (Civil 20 Summit)
- 18-21 (Y20, Youth Summit)
- 20-21 (Business 20 Summit, St Petersburg)

July

- 3-4 Framework Working Group Meeting, Moscow
- 8-10 Development Working Group Meeting
- 9-10 Energy Sustainability Working Group Meeting
- 17 (Meeting of Social Partners (B20 and L20))
- 17 Task Force on Employment Meeting
- 18 G20 Labour Ministers with Social Partners
- 18 G20 Labour Ministers Meeting
- 18 G20 Finance Ministers and Central Bank Governors Meeting**
- 19 Joint G20 Finance and Labour Ministers Meeting
- 25-26 G20 Sherpas Meeting**

August (No meetings scheduled)

September

- 2-5 G20 Finance Deputies Meeting, St. Petersburg
- 2-5 G20 Sherpas Meeting and Joint Meeting with Finance Deputies St. Petersburg
- 5-6 Summit**