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School of Economics, Moscow

present

2010 Seoul G20 Summit Interim Compliance Report

13 November 2010 to 8 June 2011

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Preface

Since 2009, the G20 Research Group at the University of Toronto and the International Organizations Research Institute of National Research University Higher School of Economics (IORI HSE) in Moscow have produced reports on the G20's progress in implementing the priority commitments issued at each summit. These reports monitor each country's efforts on a carefully chosen selection of the many commitments announced at the end of each summit. The reports are offered to the general public and to policy makers, academics, civil society, the media and interested citizens around the world in an effort to make the work of the G20 more transparent, accessible and effective, and to provide scientific data to enable the meaningful analysis of the impact of this important informal international institution. Previous reports are available at the G20 Information Centre at www.g20.utoronto.ca/analysis.

The G20 Research Group is an independent scholarly group that grew out of the G8 Research Group, which has been following the work of the G20 finance ministers and central bank governors since they began meeting in 1999. Founded as a separate group in 2008, the G20 Research Group is an international network of scholars, professionals and students with a mission to serve as the leading independent source of information and analysis on the G20. It is responsible for the G20 Information Centre, which publishes, free of charge, research on the G20 and the official documents issued by the G20. The G20 Research Group in Toronto has been working with a team at IORI HSE since HSE IORI initiated this G20 compliance research in 2009, after the G20 leaders met at Washington for the first time in November 2008. That initial report, covering only one commitment, tested the compliance methodology developed by the G8 Research Group and adapted it to the G20.

For the Seoul Summit the G20 Research Group is introducing its first interim report, assessing performance at the halfway mark between the 2010 Seoul Summit, hosted by Korea on 11-12 November 2010, and the 2011 Cannes Summit, hosted in France on 3-4 November 2011. The Seoul Interim Compliance Report covers priority commitments selected from all the commitments made by the G20 members at Seoul and assesses compliance with those commitments as of 8 June 2011.

To make its assessments, the G20 Research Group relies on publicly available information, documentation and media reports. To ensure accuracy, comprehensiveness and integrity, we encourage comments. Indeed, scores can be recalibrated if new material becomes available. All feedback remains anonymous. Responsibility for this report's contents lies exclusively with the authors and analysts of the G20 Research Group and its partners at IORI HSE.

The work of the G20 Research Group would not be possible without the steadfast dedication of many people around the world. This report is the product of a team of energetic, hard-working analysts led by Netila Demneri, chair of the 2010-11 student executive, and Sarah Ellis, Ivana Jankovic and Mila Khodskaya. It would also not be possible without the support of Dr. Ella Kokotsis, director of compliance, and Jenilee Guebert, former director of research of the G20 Research Group. We are especially indebted to our HSE colleagues: Professor Marina Larionova, Mark Rakhmangulov and Yuriy Zaytsev. We are also grateful for the contribution of Dr. Alan Alexandroff, co-director of the G20 Research Group and director of online research at the Munk School of Global Affairs and a member of the new Digital20 Project at the University of Toronto.

Professor John Kirton
Co-director, G20 Research Group

Introduction and Summary

The G20 2010 Seoul Interim Compliance Report, prepared by the G20 Research Group at the University of Toronto and the International Organizations Research Institute of National Research University Higher School of Economics (IORI HSE), analyzes compliance by G20 members with a selection of 13 priority commitments made at the Seoul Summit on 11-12 November 2010. The report covers actions taken by the G20 members during the period of 13 November 2010 to 8 June 2011. This timeframe allows for an assessment of compliance approximately at the midpoint between the 2010 Seoul Summit and the Cannes Summit, which will be hosted by France on 3-4 November 2011.

Methodology and Scoring System

This report draws on the methodology developed by the G8 Research Group, which has been monitoring G8 compliance since 1996. The use of this existing methodology builds cross-institutional and cross-member consistency and also allows compatibility with compliance assessments produced by the G8 Research Group.

The methodology uses a scale from -1 to +1, where +1 indicates full compliance with the stated commitment, -1 indicates a failure to comply or action taken that is directly opposite to the stated goal of the commitment, and 0 indicates partial compliance or work in progress, such as initiatives that have been launched but are not yet near completion and whose results can therefore not be assessed. Each member assessed receives a score of -1, 0 or +1 for each commitment. For convenience, the scores in the tables have been converted to percentages, where -1 equals 0% and +1 equals 100%.¹

Commitment Breakdown

The G20 made a total of 153 commitments at the Seoul Summit (the full list is available at www.g20.utoronto.ca/analysis).² These commitments are drawn from the official G20 Seoul Summit Leaders' Declaration and the Seoul Summit Document. They cover 14 issue areas ranging from finance to summit institutionalization. Most commitments fall in the realms of economics and development: 28 commitments (18%) address macroeconomic issues; 24 commitments (16%) relate to finance; 22 commitments (14%) fall under development; 17 commitments (11%) focus on trade; and 16 (10%) commitments cover IFI reform (see Annex for the complete breakdown).

Selection of Commitments

Because a communiqué contains so many commitments, it is difficult to measure compliance with each one. Therefore, for each compliance cycle (that is, the period between summits), the research team selects commitments that reflect the breadth of the G20 agenda and also reflect the priority of the summit's hosts, while balancing the selection to allow for comparison with past and future summits, following the methodology developed by the G8 Research Group.³ The selection also replicates the breakdown of issue areas and proportion of commitments in each

¹ The formula to convert a score into a percentage is $P=50 \times (S+1)$, where P is the percentage and S is the score.

² A commitment is defined as a discrete, specific, publicly expressed, collectively agreed statement of intent; a promise by summit members that they will undertake future action to move toward, meet or adjust to an identified target. More details are contained in the G8 Commitment/Compliance Coding and Reference Manual (available at www.g8.utoronto.ca/evaluations/compliancemanual-090909.pdf).

³ Guidelines for choosing priority commitments, as well as other applicable considerations, are available in the G8 Commitment/Compliance Coding and Reference Manual.

one. Primary criteria consider the comprehensiveness and relevance to the summit, the G20 and the world, as well as individual and collective pledges. Selected commitments must also meet secondary criteria of performance measurability and ability to commit within a year, as well as tertiary criteria of significance as identified by scientific teams and relevant stakeholders in the host country.

For the 2010 G20 Seoul Interim Compliance Report, 13 priority commitments listed in Table 1 were selected from the 153 commitments made at the Seoul Summit.

The Interim Compliance Scores

The assessment is based on relevant and publicly available information relating to action taken between 13 November 2010 to 8 June 2011. The interim compliance scores are contained in Table 2. Country rankings are listed in Table 3.

For the period from 13 November 2010 to 8 June 2011, G20 members achieved an average interim compliance score of +0.40, which translates to 70% on the percentage scale. This interim compliance score is a significant increase from the 2010 G20 Toronto Summit Final Compliance Score of 64% on the commitments G20 leaders made at the Toronto Summit in June 2010.

For comparative purposes, the final scores for compliance with commitments made at previous G20 summits are included in Table 4.

Compliance by Member

The United Kingdom and Australia hold first place with a score of +0.77, followed by Canada at +0.69, the European Union at +0.66, Mexico at +0.54 Korea, Japan and Italy at +0.54, and Russia at +0.50 (see Table 3). Turkey is at +0.17, Saudi Arabia at -0.17 and Argentina at -0.25.

The Compliance Gap Between Members

The difference between the highest and lowest G20 member compliance scores is 1.02. This is a moderate decrease compared to the Toronto Summit final compliance gap of 1.07.

G20 members that are also members of the G8 achieved a cumulative score of 0.54 (77%), whereas non-G8 members achieved a cumulative score of 0.29 (65%). This difference of 0.25 points has significantly decreased since 2009 as the performance of non-G8 members has increased. The gaps in compliance between G8 and non-G8 members have been narrowing steadily, if slowly: 0.55 for the London Summit in April 2009, 0.52 for the Pittsburgh Summit in September 2009 and 0.46 for the Toronto Summit in June 2010.

Compliance by Commitment

Overall compliance by commitment has been high, with scores almost uniformly distributed from 0 to +1. This is an improvement to the 2010 G20 Toronto Summit Final Compliance Report, where one commitment – corruption – had achieved a negative score. Of the 13 commitments assessed for the G20 Seoul Summit, eight scored between 0 and +0.50 and five scored above +0.50, with one achieving a score of +1. The Toronto report featured no 100% compliant commitments.

The highest scores were in the field of macroeconomics with a score of +1.0 on the commitment on fiscal consolidation and +0.80 on the socioeconomic commitment (see Table 2). The lowest scores were on the commitments on Basel III (+0.25) and the phase-out of fossil fuels (+0.1). The commitments on systemically important financial institutions (SIFIs) and international cooperation were assessed at 0, indicating partial compliance or work in progress.

Table 1: 2010 G20 Seoul Summit Selected Commitments for Compliance

Priority Area	Commitments
Macro economy	[40] We will move toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals and refrain from competitive devaluation of currencies.
	[48] Advanced economies will formulate and implement clear, credible, ambitious and growth-friendly medium-term fiscal consolidation plans in line with the Toronto commitment, differentiated according to national circumstances.
Finance	[51] In particular, we will implement fully the new bank capital and liquidity standards.
	[83] We endorsed the policy framework, work processes, and timelines proposed by the FSB to reduce the moral hazard risks posed by systemically important financial institutions (SIFIs) and address the too-big-to-fail problem.
	[90] [We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on] OTC derivatives
	[92] We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.
Socioeconomic	[61] [We will implement a range of structural reforms to boost and sustain global demand, foster job creation, contribute to global rebalancing, and increase our growth potential, and where needed undertake:] Investment in infrastructure to address bottlenecks and enhance growth potential.
Trade	[96] We therefore reaffirm the extension of our standstill commitments until the end of 2013 as agreed in Toronto.
Development	[122] We also reaffirm our respective ODA pledges and commitments to assist the poorest countries and mobilize domestic resources made following on from the Monterrey Consensus and other fora.
Energy	[127] We reaffirm our commitment to rationalize and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption, with timing based on national circumstances, while providing targeted support for the poorest.
	[135] We will take steps to create, as appropriate, the enabling environments that are conducive to the development and deployment of energy efficiency and clean energy technologies, including policies and practices in our countries and beyond, including technical transfer and capacity building.
Corruption	[143] We will lead by example in key areas as detailed in the Anti-Corruption Action Plan, including: to accede or ratify and effectively implement the UN Convention against Corruption and promote a transparent and inclusive review process.
International Cooperation	[152] We will increase our efforts to conduct G20 consultation activities in a more systematic way, building on constructive partnerships with international organizations, in particular the UN, regional bodies, civil society, trade unions and academia.

Note: Number in square brackets refers to the list of total commitments available on the G20 Information Centre website at <http://www.g20.utoronto.ca/analysis>.

Table 2: 2010 G20 Seoul Summit Interim Compliance Scores

Commitment	ARG	AUS	BRA	CAN	CHI	FRA	GER	IND	INDN	ITA	JPN	MEX	KOR	RUS	S.AR	S.AF	TUR	UK	US	EU	AVG
1 Macroeconomy: Exchange Rates [40]	0	1	0	1	0	1	1	1	0	1	1	1	0	1	0	0	0	1	1	1	0.6
2 Macroeconomy: Fiscal Consolidation [48]	n/a	1	n/a	1	n/a	1	1	n/a	n/a	1	1	n/a	1	n/a	n/a	n/a	n/a	1	1	1	1.00
3 Finance: Basel III [51]	-1	1	0	1	0	0	0	0	1	1	0	0	0	0	-1	1	0	1	1	0	0.25
4 Socioeconomic [61]	1	1	1	1	1	1	1	1	0	1	1	1	0	1	1	-1	1	1	1	1	0.80
5 Finance: SIFIs [83]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00
6 Finance: OTC Derivatives [90]	0	1	1	1	1	1	1	1	n/a	1	1	1	1	0	-1	0	-1	1	1	1	0.58
7 Finance: Sound Compensation [92]	-1	1	0	1	1	0	1	0	0	0	0	1	1	0	0	0	0	1	0	1	0.40
8 Trade [96]	-1	1	-1	1	-1	0	0	1	0	0	1	1	1	-1	1	1	1	1	0	0	0.25
9 Development [122]	-1	1	0	1	1	1	1	0	0	1	1	-1	1	1	0	0	1	1	0	1	0.50
10 Energy: Inefficient Fossil Fuels [127]	0	1	1	1	-1	0	-1	0	0	-1	0	1	0	1	0	1	-1	1	0	-1	0.10
11 Energy: Clean Energy Technologies [135]	0	1	1	0	1	1	1	1	0	1	1	1	1	1	-1	0	0	1	1	1	0.65
12 Corruption [143]	0	0	1	0	1	0	-1	0	1	1	-1	1	1	1	-1	1	1	1	0	1	0.40
13 International Cooperation [152]	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0.05
Country Average	-0.25	0.77	0.33	0.69	0.33	0.46	0.38	0.33	0.18	0.54	0.53	0.58	0.54	0.50	-0.17	0.25	0.17	0.77	0.46	0.54	0.40

Note: Number in square brackets refers to the list of total commitments available on the G20 Information Centre website at <http://www.g20.utoronto.ca/analysis>. n/a means not available.

Table 3: 2010 G20 Seoul Summit Compliance Members' Ranking

Rank	Member	Average Compliance Score	
1	United Kingdom	0.77	89%
	Australia		
2	Canada	0.69	85%
3	European Union	0.66	83%
4	Mexico	0.58	79%
5	Korea	0.54	77%
	Japan		
	Italy		
6	Russia	0.50	75%
7	France	0.46	73%
	United States		
8	India	0.42	71%
9	Germany	0.38	69%
10	China	0.33	67%
	Brazil		
	India		
11	South Africa	0.25	63%
12	Indonesia	0.18	59%
13	Turkey	0.17	5%
14	Saudi Arabia	-0.17	42%
15	Argentina	-0.25	38%

Table 4: G20 Compliance by Member, 2008-2010

G20 Member	Washington	London	Pittsburgh	Toronto	Seoul (interim)
Argentina	0	-0.60	-0.13	0.00	-0.25
Australia	n/a	0.60	0.50	0.56	0.77
Brazil	1.0	0.20	-0.63	0.29	0.33
Canada	1	0.60	0.63	0.78	0.69
China	0	-0.40	0.13	0.38	0.33
France	1	0.80	0.63	0.56	0.46
Germany	1	0.80	0.63	0.56	0.38
India	0	-0.40	-0.38	-0.29	0.42
Indonesia	n/a	-0.40	-0.63	-0.13	0.18
Italy	1	0	0.13	0.56	0.54
Japan	1	0.20	0.50	0.56	0.54
Korea	n/a	0	0.75	0.56	0.54
Mexico	1	0	0.25	-0.14	0.58
Russia	0	0.40	0.38	0.13	0.50
Saudi Arabia	n/a	0.20	-0.13	-0.13	-0.17
South Africa	1	0.40	0.63	-0.14	0.25
Turkey	n/a	0.20	-0.25	-0.14	0.17
United Kingdom	1	1	0.5	0.78	0.77
United States	0	0.4	1	0.33	0.46
European Union	1	0.6	0.38	0.57	0.66
G20 average	0.67	0.23	0.24	0.28	0.40

Considerations and Limitations

Several elements affect the findings contained in this report.

Regarding the commitment on fiscal consolidation, the text holds accountable the “advanced economies” of the G20. The G20 has identified those as Australia, Canada, France, Germany, Italy, Japan, Korea, the United Kingdom, the United States and the European Union. The average for this commitment was thus calculated based on this group of 10 and not the G20 as a whole. An argument can be made that this does not reflect compliance of the full G20. Nonetheless, all the members of the G20, regardless of the status of their economy, agreed to this commitment.

With regard to the commitment on SIFIs, each member has received a score of 0 for work in progress. The commitment calls for the endorsement of the policy framework, work processes and timelines proposed by the Financial Stability Board (FSB) to reduce the risk of moral hazard. However, neither the FSB’s recommendations nor the results of national supervisors’ assessments were made available between 13 November 2010 and 8 June 2011.

Similarly, with regard to over-the-counter (OTC) derivatives, one of the recommendations includes the production and publication of a roadmap with implementation milestones. However, the FSB did not release this material during the period under review.

Moreover, Indonesia declared that it has no OTC derivative market in its September 2010 response of Indonesia to an FSB survey on implementation of G20 financial regulatory reforms. It has only an “exchange derivatives market.”⁴ An April 2011 FSB report on OTC derivatives markets noted that derivatives markets in Indonesia are less developed than in many other jurisdictions, and “consideration of approaches to implementing OTC derivatives market regulation is at an early stage.”⁵ As a result, Indonesia cannot be assessed for this commitment.

Preliminary Conclusions

The G20 compliance performance has been improving incrementally since the April 2009 London Summit (0.23) through the September 2009 Pittsburgh Summit (0.24) to the June 2010 Toronto Summit (0.28) and now to the interim point for the November 2010 Seoul Summit (0.40) (see Table 4). There are two possible factors to consider with regard to this substantial increase for the Seoul Summit. One factor is that the G20 is transforming from a crisis management group into a steering committee for new global order. Another is that the G20 has gathered momentum for collaboration, with strengthened peer pressure and reputational sources of accountability. If the G20 can continue to improve its performance on delivering on its promises, it can validate its claim for legitimacy as a global governance institution.

Future Research and Reports

The information contained in this report provides G20 members and other stakeholders with an indication of their compliance in the period immediately following the Seoul Summit. This draft has been produced as an invitation for others to provide additional or more complete information on compliance before the finished interim report will be published in the coming weeks. In addition the 2010 Seoul Summit Final Compliance Report will be released before the Cannes Summit. Feedback should be sent to g20@utoronto.ca.

⁴ FSB-G20-Monitoring Progress – Indonesia September 2010, Financial Stability Board, 12 November 2010. Date of Access: 9 April 2011. http://www.financialstabilityboard.org/publications/r_110401j.pdf

⁵ OTC Derivatives Market Reforms: Report on Implementation. Financial Stability Board, 15 April 2011. Date of Access 25 April 2011. http://www.financialstabilityboard.org/publications/r_110415b.pdf

Annex: Breakdown of 2010 G20 Seoul Summit Commitments

Issue Area	Number of Commitments	Percentage of Commitments
Macroeconomics	28	18
Finance	24	16
Development	22	14
Trade	17	11
Reform of international financial institutions	16	11
Energy	14	9
Corruption	9	6
Climate change	8	5
Socioeconomics	6	4
Accountability	4	3
Food and agriculture	2	1
Environment	1	1
International cooperation	1	1
Summit institutionalization	1	1