

Give the World Hope: G20 Leadership for People-Centered Inclusive and Sustainable Growth

A Blue Report for the G20 Presidency 2016

Views from *Vision 20: International Summit on Global Governance's New Frontiers*

Public release: July 21, 2016

CO-EDITORS

YVES TIBERGHIE

DIRECTOR, INSTITUTE OF ASIAN RESEARCH, THE UNIVERSITY OF BRITISH COLUMBIA

YVES.TIBERGHIE@UBC.CA

YU JIANXING

PROFESSOR AND DEAN, SCHOOL OF PUBLIC AFFAIRS, ZHEJIANG UNIVERSITY

YUJIANXING@ZJU.EDU.CN

GUO SUJIAN

PROFESSOR, SCHOOL OF PUBLIC AFFAIRS; DIRECTOR, ENVIRONMENTAL AND ENERGY POLICY CENTER, ZHEJIANG UNIVERSITY

SGUO@ZJU.EDU.CN

ADVISORY GROUP TO THE VISION 20 WORKING GROUP:

Jack AUSTIN, Honorary Professor and Co–Chair, UBC China Council; former Canadian Minister of State; former Leader, Government in the Senate

Bertrand BADRÉ, Visiting Fellow Peterson Institute for international Economics; former Managing Director and CFO, World Bank Group

Michael CALLAGHAN, nonresident Fellow and former Program Director, G20 Studies Centre, Lowy Institute for International Policy; former G20 Finance Deputy of Australia; former Executive Director, International, Australian Treasury; former member, Financial Stability Board; former Prime Minister’s Special Envoy, International Economy, Australia

Pascal LAMY, President Emeritus, Jacques Delors Institute; former Director-General, World Trade Organization; former European Commissioner for Trade

Justin Yifu LIN, Professor, Peking University (PKU); former Chief Economist and Senior Vice President, World Bank Group; founder and first director of the China Center for Economic Research, PKU; Honorary Co-Chair of Presidential Advisory Council on China (PACC), the University of British Columbia

Paul MARTIN, former Prime Minister of Canada; “Father of G20”; Honorary Co-Chair of Presidential Advisory Council on China (PACC), the University of British Columbia

Mahendra SIREGAR, former Indonesia’s G20 Sherpa, former Deputy Minister for International Affairs, former Chairman and CEO Indonesia Eximbank, former Vice Minister of Trade, former Minister of Finance, former Chairman of Indonesia Investment Coordinating Board (BKPM)

Stephen J. TOOPE, Director, Munk School of Global Affairs, University of Toronto; President, Canadian Federation for the Humanities and Social Sciences

CTHE VISION 20 WORKING GROUP¹:

Alan ALEXANDROFF, Director, Global Summitry Project, Munk School of Global Affairs, University of Toronto

Amar BHATTACHARYA, Senior Fellow, Global Economy and Development Program, Brookings Institution; former Director of the Group of 24; former Senior Advisor and Head, the International Policy and Partnership Group, World Bank

¹ Views expressed in this report represent individual positions, not institutional positions. They are the product of the Working Group members reporting on the V20 Conference.

Colin BRADFORD, nonresident Senior Fellow, Global Economy and Development, Brookings Institution; former Chief Economist, U.S. Agency for International Development

Benjamin Jerry COHEN, Professor, International Political Economy, University of California, Santa Barbara

Andrew COOPER, Professor, the Balsillie School of International Affairs and the Department of Political Science, University of Waterloo; Associate Senior Fellow, Centre for Global Cooperation Research

Miles KAHLER, Senior Fellow for Global Governance, Council on Foreign Relations; Distinguished Professor, American University

Homi KHARAS, Senior Fellow and Deputy Director, Global Economy and Development Program, Brookings Institution; former Chief Economist, East Asia and Pacific Region, World Bank Group

GUO Sujian, Professor, School of Public Affairs; Director, Environmental and Energy Policy Center, Zhejiang University

LIM Wonhyuk, Director of Policy Research, Center for International Development, Korean Development Institute

Jona Widhagdo PUTRI, Lecturer, International Relations, Faculty of Social and Political Sciences, Universitas Indonesia

Yves TIBERGHEN, Director, Institute of Asian Research; Co-Director, the Master of Public Policy and Global Affairs; Executive Director, China Council; Associate Professor of Political Science, the University of British Columbia

WANG Yong, Professor, the School of International Studies, Peking University; Director, the Center for International Political Economy Research

XUE Lan, Dean, School of Public Policy and Management, Tsinghua University

YU Jianxing, Professor and Dean, School of Public Affairs, Zhejiang University

ZHANG Haibing, Director, Institute for World Economy Studies, Shanghai Institute for International Studies

ZHANG Yanbing, Associate Professor, School of Public Policy and Management, Tsinghua University; Deputy Director, Institute of International Strategies and Development, Tsinghua University

“Now, all eyes are on the G20. As an important forum for cooperation among developed countries, emerging markets and developing countries, the G20 plays a key role in leading and advancing international economic cooperation. It should act with a broad vision and deliver concrete outcomes.”

–President Xi Jinping, December 1st, 2015

AN URGENT NEED FOR GLOBAL LEADERSHIP: China’s G20 Presidency

The global economic, environmental, and development systems exist today in a time of uncertainty. The financial crisis of 2008 and its consequences are still with us. For most people in the world, their lives, economic security, incomes, and livelihoods have been disrupted, perhaps permanently. There is an urgent need for global leadership. However, for too many people, global governance and the G20 Leaders Summits are seen as too technical and controlled by bureaucrats and officials. The Working Group (WG) believes it necessary to reinforce the role of the G20 as the pivotal vehicle for ensuring the stability, and welfare-enhancing capability of global interdependence. Giving credence to this approach is the ability of the G20 to enhance the integration of emerging powers into the global governance architecture.

In 2016, under China’s presidency, the G20 can send credible signals that will reassure global decision-makers and global publics alike. The G20, hosted by China, can initiate a number of meaningful reforms for a people-centered global governance architecture. The WG also believes the G20 can improve the operation of the global economy. China can offer leadership in this setting: G20 leaders can enhance the connections with their publics through a ‘people-centered’ strategy; investment for macro-economic growth policies in the short run; and equality-enhancing and sustainability initiatives for all in the long run.

In this context, Zhejiang University hosted a major international conference, “Vision 20: International Summit on Global Governance’s New Frontiers: How Can the G20 Take a Proactive Role in 2016”, from March 31 – April 1, 2016, co-sponsored by the University of British Columbia (UBC), and the Munk School of Global Affairs at the University of Toronto. The conference organizers brought together over 50 senior government officials, prominent policy analysts, and academics (including Pascal Lamy, Bertrand Badré, Justin Yifu Lin, Paul Martin, Mahendra Siregar, Michael Callaghan, He Yafei, and Masahiro Kawai, as well as policy leaders from CCIEE, Shanghai Institute of International Studies, Tsinghua University, Peking University, Fudan University, and Zhejiang University) from China, Canada, the United States, Australia, Japan, South Korea, the United Kingdom, India, Indonesia and other countries. After the conference, a working group and an advisory group were created to draft this short report. What is presented below is a brief Blue Report based on the groups’ ideas and insights and is now reported to the Chinese leadership.

ACTION PLAN FOR CREATING PROGRESS AT G20 2016

The G20 is sometimes constrained in its capacity to initiate change. Nonetheless, it possesses two powerful tools:

- Together, G20 leaders can make clear and powerful statements which can signal the path of economic progress to all actors around the world. *What matters is for G20 leaders to take ownership of these statements.* Instead of laying out a set of technical recommendations by G20 officials, what is needed is a political commitment by the highest level of national leadership.
- The G20 encompasses the most important stakeholders of the key international economic institutions. Thus, G20 leaders can issue influential recommendations to international institutions across many policy areas and organizations.

I. A NEW STYLE

The WG believes that Leaders at G20 Summits can strengthen their connection with their publics by devoting more attention to the content and the modes of communications from the summit platform. Several innovations could be made including:

- **A new style of G20 Communiqué:** A parsimonious brief announcement, written for the public and with a public presentation of the declaration by the G20 leaders.
- **A statement targeting the global situation in clear and accessible language.** Key ideas could be summarized and Leaders could speak in more direct ways to their publics. The WG believes that G20 leaders understand that globalization requires fair and updated rules that can elicit trust, a sense of fairness, and certainty. We believe G20 leaders can communicate in ways that will increase the stability of the global economy, and improve distribution of the benefits of globalization to the majority of the world's citizens.

II. CREDIBLE COMMITMENTS

The WG believes the G20 in 2016 could provide recommendations on a number of inter-related core issues:

1. People-Centered Growth

Fiscal capacity in many countries is limited, and monetary and exchange rate policies can have less than optimal global outcomes. The WG anticipates that an action plan focused on channeling global public and private investment can be growth-enhancing and encourage infrastructure and structural reforms.

G20 Commitment: new innovative sources of growth

- The G20 could launch green innovation initiatives through technical cooperation and joint research.
- The G20 in 2016 could put together a fund (\$US100 Million), to lead a worldwide competition in high schools, universities and cities for new innovative ideas in three domains: green technology; green infrastructure; and green transportation. The G20 can announce measures showing financial commitment to the many actors and initiatives of the Lima-Paris Action Plan.
- The G20 could take steps that acknowledge the call by the public for the better sharing of the ‘benefits of globalization’ and for social justice. The G20 Leaders might consider the creation of a ‘wise-person’ commission that G20 Leaders could announce at Hangzhou. Such a Commission might be tasked with collecting best practices and successful public policy experiments around the globe, in order to share and disseminate such practices. The WG recognizes that these technical assessments must ultimately lead back to national political actions to achieve better social outcomes that the G20 are seeking.

2. A universal effort toward implementing Agenda 2030

- **G20 Commitment:** The WG recommends that the G20 Leaders take steps affirming the Leaders’ firm support for Agenda 2030 and the outcomes of the COP 21 – The Paris Agreement, along with the Addis Ababa Action Agenda.
- Agenda 2030 is ambitious in the breadth and depth of its goals. Achieving these goals will require innovations to depart from business-as-usual and focus instead on scaling-up impact.
- **G20 Commitment:** One lesson from the experience of global collective action in implementing the Millennium Development Goals (MDGs) is that sustained political will is needed to keep a focus on long-term targets. The WG anticipates that Leaders could commit to provide the leadership required and to raise awareness (among the various publics) for the need for transformations towards inclusive and sustainable growth in the global economy. This could be achieved individually in their own countries and collectively in global forums. The WG suggests the following recommendations:
 - Leaders could link domestic priorities with the long-term sustainability goals of Agenda 2030. This could be done by aligning resources and efforts in order to chart new pathways to sustainability over the next fifteen years.
 - Leaders could commit to national deliberations about achieving sustainability, prioritizing national objectives, and considering means by which each of our countries can achieve sustainability by implementing Agenda 2030, resulting in national vision statements specifically for 2030.

- Leaders could commit to appointing in each of their governments a senior official with ministerial rank whose responsibilities would include: (i) catalyzing societal engagement in forging a national strategy for sustainability for 2030; (ii) mobilizing private and public finance from all sources sufficient to meet the scale-requirements for investment in infrastructure; (iii) coordinating multi-sectoral, multi-ministerial programs, plans and resources necessary to meet sustainability objectives by 2030.
- Leaders could also commit to the development of effective monitoring mechanisms to enhance the implementation of the national goals.
- Leaders might request that the international organizations participating in the G20 could jointly provide an annual report on the progress in achieving the commitments and the identifying the impact the reforms are having toward progress on the quantitative targets agreed upon.
- Leaders might restructure G20's Development Working Group (DWG) to become a focal point for work on implementing aspects of the sustainable development agenda. To this end, Leaders could rename the group the G20 'Sustainable Development Working Group', and task it with coherently bringing together recommendations from other G20 working groups on infrastructure, investment, energy, climate finance, and green finance.
- Leaders should consider efforts to implement Agenda 2030 domestically and internationally, making these initiatives fully transparent and accessible to civil society and other advocates. Leaders might also be willing to listen to these actors' assessments of the progress G20 Leaders are making. The WG urges that G20 Leaders undertake efforts to provide better development cooperation with civil society.

3. Large-Scale Investment in Infrastructure

G20 Commitment: The WG recommends a globally coordinated effort toward mobilizing scaled-up investment in sustainable infrastructure programs that remove bottlenecks to growth.

- The Paris Climate Change Agreement implies *an unprecedented, massive scale of infrastructure investment* required to achieve the COP21 Paris Agreement's Intended Nationally Determined Contributions (INDCs). Mobilization of all financial actors and sources is essential. Initiatives need to be brought together.
- Each of the seventeen Sustainable Development Goals (SDGs) requires investment in infrastructure. For instance, Goal #9, specifically targets innovation and infrastructure. These goals are a means to achieving integrated economic, social and environmental sustainability, which meet people-centered needs for food security, health, education, gender equality, water and sanitation, energy, decent work, and environmental balance in their communities and for the planet.

- For the WG, these goals are people-centered priorities, addressing every day issues experienced by all people. The WG believes national efforts endorsed by G20 leaders at the Hangzhou G20 Summit could emphasize and reinforce the connection of leaders with their publics in meaningful ways.
- **G20 Commitment:** G20 leaders might consider charges to the Multilateral Development Banks (MDBs) to mobilize governments, commercial banks, national development banks and institutional investors to join forces in generating projects and funds for financing the infrastructure investment required. The G20 Leaders could consider requesting from the community of global and regional MDBs the creation of both a council of MDBs and a joint coordination task force that draws upon staff from all existing MDBs (Task Force). The Task Force will be requested to propose coordination guidelines to the G20 in 2017.
- **G20 Commitment:** The WG believes that to achieve these goals, all participants must work toward standardization of procedures for contracts, procurement, disbursement, reporting and implementation of investment projects and plans. Scalable, replicable platforms for streamlining procedural processes for greater efficiency and timeliness would be vital to realizing the scale horizons involved in mobilizing investment in infrastructure from all sources. The MDB infrastructure Task Force might be requested to propose a first draft of such scalable procedures by the next G20.

III. OTHER NEW CREDIBLE ACTIONS: Issues on which G20 Leaders might convey new signals for revived global leadership

Trade:

The WG believes that the G20 leaders could support a declaration that would send a strong signal to global economic actors that the global economy is not heading toward a fragmented world trade system. The WG believes that such a declaration could demonstrate united leadership. The declaration could represent a collective commitment to universal trade rules and to the World Trade Organization's (WTO) regime. The WG believes that recent advances in regional Free Trade Agreements (FTAs), such as the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP), support, in fact, a global trade regime. The G20 Leaders further could commit to ensuring coordination and eventual convergence among the so-called mega-FTAs. The G20 Leaders could also request that the WTO form a database of best domestic practices that will prove helpful in communicating evidence of a broad and fair diffusion of gains from trade.

International Monetary System Reforms:

The WG sees that the possible development of the Special Drawing Rights (SDR) can be an anchor for a smooth, cooperative, and evolutionary process of reform of the international monetary system. The WG believes that a renewed commitment to cooperation and leadership among the world's major currencies, including in particular the five currencies that have been designated to define the value of the SDRs, will be critical to this development. The G20 Leaders might commit to a strengthened process of surveillance of exchange rate policies and to the avoidance of competitive devaluations.

International Financial Reforms:

The WG believes that the G20 and the Financial Stability Board (FSB) have made significant progress in appropriately regulating the financial sector, making the system more resilient and stable. The FSB continues to have an ambitious agenda and this work remains, it would seem, a global priority. This agenda includes: full and consistent implementation of post-crisis reforms; ongoing improvements to the stability of the financial system; and, tackling new and emerging vulnerabilities. Furthermore, the FSB is monitoring the impact of these changes to ensure that they are meeting the stability objective without imposing unacceptable costs on the financial sector or unintended consequences on countries, particularly among emerging markets and developing economies. While appropriate, the WG believes the FSB could further develop measures to guard against regulatory pullback.

Global Governance Reforms:

The WG anticipates that the G20 Leaders are committed to good, meritocratic, transparent, sustainable, diversity-respecting governance in all global and regional institutions. We believe that G20 Leaders share a common belief in the need for highly competent and trusted leadership of the regional and global institutions. The WG believes this step is essential in earning the trust of citizens and markets, and suggests that:

- Old and new institutions should follow a set of common-shared principles.
- The institutions could be urged to take a transparent and meritocratic process of selection for leaders of regional and global institutions.

Illicit Financial Flows:

The WG recognizes that the spreading of legal and financial tools around offshore financial centers or tax havens have contributed to unfair and corrupt practices that are undermining the legitimacy of the global economic system. While the WG recognizes the importance of development in small (often island) states, it also recommends the need to accelerate international and national efforts to tackle this problem.

CONCLUSION

The WG believes that the G20 is committed to people-centered global leadership, and that G20 Leaders can acknowledge their responsibility in setting the appropriate examples and in exercising vigilant collective supervision. Only by working together will G20 Leaders be able to build a community of common destiny for the benefit of future generations.

Current world challenges require concerted, serious, and purposeful efforts to improve ordinary citizens' lives. More than ever, leadership is essential to deal with pressing global problems. The G20 is a unique forum with the capacity and legitimacy to act towards this goal. This is the moment, the WG believes, for G20 Leaders to rise to the challenge and lead the way.

ACKNOWLEDGEMENTS

The Institute of Asian Research and Blue Paper Drafting Team are very grateful to support received from our sponsors who made this work possible.

Platinum Sponsor:



Blue Report Sponsor:

