

WORLD ECONOMY

UPDATE

November 22, 2013 | Vol.3 No. 51

G20 St. Petersburg Summit Outcomes and Future Tasks

ISSN 2233-9140

Deok Ryong Yoon, Senior Research Fellow, 02-3460-1068 (dryoon@kiep.go.kr)
Su Bin Kim, Researcher, 02-3460-1228 (sbkim@kiep.go.kr)

1. Outline of the St. Petersburg G20 Leaders' Summit

The 8th G20 Leaders' Summit was held in St. Petersburg, Russia on September 5-6, 2013. At this year's summit, along with the member countries, 6 invitees (Spain, Brunei, Kazakhstan, Ethiopia, Senegal, Singapore) and heads of 7 international organizations (UN, World Bank, IMF, FSB, OECD, WTO, ILO) were invited to participate in the premier forum. According to its troika system, Mexico (2012 chair), Russia (2013 chair), and Australia (2014 chair) have worked closely to draw up the agendas and produced the leader's declaration for this year's summit.

Substantial improvements have been made within the summit structure; the

'Financial Track' has been delegated to deal with the financial and fiscal challenges that grew with expanding agendas, which were becoming a burden for Sherpas. For the main agendas, the forum proposed the action plan (for each country) and will be monitoring each agenda via the accountability report. A detailed joint reports have been drafted by experts and working groups to settle the concern of summit being left as a mere 'talk shop'.

The main achievements entail the cooperation between G20 countries for job creation, fiscal consolidation, and tax justice. G20 Leaders stress the importance of bolstering G20's functions with the aim of creating strong, inclusive growth and jobs, as well as securing the sustainability of public finances.

2. Main agendas and agreements

The G20 St. Petersburg Summit was held in the midst of a gloomy world economic climate; where ameliorating the unemployment, especially youth unemployment, sat as the universal priority. Acknowledging this; the chair country, Russia, emphasized on; 'growth and job creation', and put together the Leader's Declaration, composed of 114 sections, and 11 annex documents with detailed contents of

agreement for each agenda.

To commemorate the 5th anniversary of the G20 Leaders' Summit, 'G20 5th Anniversary Vision Statement' was also announced. During which, leaders concurred that the collaborate work of G20 members was vital in recovering the world economy from the financial crisis in 2008. The statement also highlights the importance of inclusive growth, orderly global economy, market openness, and other factors which contributed to strong, sustainable, and balanced growth.

Table 1. The 8th G20 Leaders' Summit: Main Agendas

Main Agenda	Content	note
Macroeconomic policy cooperation	<ul style="list-style-type: none"> - Agreement on 'St. Petersburg Action Plan' for strong, sustainable and balanced growth - Necessity to work together on the QE strategy 	incumbent agenda
Qualitative job creation	<ul style="list-style-type: none"> - Preparation of public policies to tackle the youth unemployment and under-employment - Continuous cooperation between finance and labour ministries to share plans and policies 	new agenda
Long-term financing for investment	<ul style="list-style-type: none"> - Actions for the long-term financing - Seek measures for the improvement in domestic investment environment 	new agenda
Enhancing multilateral trade	<ul style="list-style-type: none"> - Extend standstill to prevent protectionism and to strengthen transparency - Support RTAs and I-TIP 	incumbent agenda
Fiscal consolidation and taxation justice	<ul style="list-style-type: none"> - Approved OECD's Action Plan on BEPS - Approved OECD's development plan for the model of 'Global Automatic Tax Information Exchange' 	new agenda
International financial architecture reform	<ul style="list-style-type: none"> - IMF quota and governance reform and strengthening the RFAs 	incumbent agenda
Financial regulatory reform	<ul style="list-style-type: none"> - Agreement on establishing the safe and credible financial system and broad financial reforms 	incumbent agenda
Financial inclusion, financial education, consumer protection	<ul style="list-style-type: none"> - Support the international partnership and strengthening of co-operation from relevant international organizations for financial inclusion 	incumbent agenda

Inclusive development	-Support the 'St. Petersburg Development Outlook' - Constructing new development agenda for the post-MDGs	incumbent agenda
Energy and Climate Change	- Cooperation for energy issues and switch to sustainable energy - Environment related cooperation for climate change, green growth, and GMEP - Support the operation of Green Climate Fund	incumbent agenda
Anti-corruption	- Support the 'G20 Anti-Corruption Action Plan'	new agenda

A. Macroeconomic policy cooperation

'St. Petersburg Action Plan' hopes to put world on a path to strong, sustainable and balanced growth. The leaders enlisted the actions for each country and displayed commitment to strengthen the monitoring process. 'St. Petersburg Fiscal Templates for Advanced/Emerging Market Economies' have been drawn up by the advanced countries of the G20, to break the rigidities of carrying out their fiscal strategies. Emerging countries are also determined to take actions and reached credible agreements to boost the economic fundamentals, build resiliency to external shocks, and strengthen the financial system; effectively dealing with increasing financial volatility.

The managing process of negative spillovers from advanced countries' exit strategies on the emerging countries was the primary task for macroeconomic policy cooperation. Normalization of advanced countries' monetary policies are typical symptoms of economic recovery, which is somewhat a good news. However, it must be implemented with great caution; transparent communication with the markets stand as the main criteria to successful implementation. One of the greatest achievement of this year's summit is the level of commitment G20 leaders have shown in continuously monitoring and managing the risks of QE and unintended side effects; critically seeking poli-

cies that can contribute to the world's economic growth and financial stability.

While Korea emphasized community spirit and successfully played the role of mediator, there are still clear differences among advanced and emerging economies in terms of their stance.

B. Qualitative job creation

Employment issues have been a part of a formal agenda since the 2nd G20 Leaders' Summit which was held in London in April 2009 with the theme of "Stability, Growth and Jobs". During this year's G20 summit, 'employment' was discussed in depth in separate sessions. The G20 members reached an agreement to jointly seek the solutions for inclusive growth, acknowledging the need to find integrated approach to macroeconomic and employment policy for job creation. G20 members shared concerns on the fact that the unemployment rate has been increasing since the global financial crisis, despite the recent recovery in world economy, and the fact that long-term, systemic unemployment has persisted even before the crisis. Especially, the leaders agreed that the issues of youth unemployment and long-term unemployment caused by the changes in industrial structure cannot be overlooked and need to be discussed through more integrated approaches at the G20 level.

In this context, job creation and inclusive

growth became the priorities at this year's G20 summit. In particular, the integrated plan for job creation was carried out. The Joint G20 Finance and Labour Ministers Meeting was held for the first time to discuss issues of employment with macroeconomic policy and labour supply and demand policy. Also, a mandate to the task force on employment was extended for another year to enable them to report progress on commitment implementation and to share the experience and effective policies.

Korea has exhibited intellectual leadership during the session, proposing plans to tackle the unemployment issue. During the lead speech, Korea received attention from the international community by pointing out that the current global unemployment state is not just a cyclical unemployment but one that is caused by the systemic problem, such as the polarization. The approaches of 'creative economy' and 'disciplined market economy', which were proposed by Korea to induce job creation, were supported by the G20 members and established a foothold to develop possible measures through continuous studies in the future.

C. Long-term financing for investment

The chair country is responsible for supplementing the existing agendas with a new initiative. Russia also proposed the topic of long-term financing for investment for discussion. Long-term investment such as the infrastructure investment is essential for economic growth and job creation, the overall investment has been decreasing ever since the financial crisis. To address these issues, Russia prepared a guideline at the G20 summit, highlighting the need to increase the investment in infrastructure and SMEs' access to finance to improve investment environment.

D. Enhancing multilateral trade system

As protectionism can reduce the volume of trade and weaken economic growth, the summit extended the standstill agreement on trade and investment until 2016. Also, the summit endeavored to enact the regional trade agreement at the G20 level, which can contribute to liberalization of trade and investment, transparent and harmonize with multilateral trade regulations.

E. Fiscal consolidation and taxation justice

The 15 Actions to Address BEPS (Base Erosion and Profit Shifting) is one of the major achievement of this year's G20 summit. In which, the G20 formalized its support for the OECD's borderless tax investigation initiative; as to modify the international taxation regulations and to successfully implement the action plan. Meanwhile, the leaders agreed to develop the new global standard for multilateral and bilateral automatic exchange of information for tax purposes which will begin its automatic sharing from the end of 2015. Measures and cooperation system for solving the international tax avoidance are expected to contribute to the construction of the fair tax system and secure tax revenue sources around the world.

F. International financial architecture reform

The forum urged the ratification of IMF quota and governance reforms that were agreed in 2010. Also, the scheme to complete the quota formula and the 15th General Review of Quotas by January 2014 was reaffirmed. The summit discussed the role of regional financial safety nets in reducing the volatility of the international financial market and agreed to strengthen the cooperation between IMF and RFA. Korea largely contributed in reflecting the role of RFA on the Leader's Statement. Korea stressed the need for regional financial cooperation as to prevent financial crisis and

to improve each country's crisis managing ability in financial markets. Korea persuaded advanced countries to alter their pessimistic attitude towards the role of RFA and successfully enlisted the matter on the statement. Korea requested that the process on RFA to be executed and be monitored at the G20 Finance Minister's Meeting, and draw sympathy from the leaders on constructing communication channels between IMF and RFA and within the RFAs.

G. Financial regulatory reform

Inadequate financial regulation was pointed out as the reason why the global financial crisis has occurred. Reforming the financial regulation has been an urgent matter ever since the 2008 G20 Leaders' Summit. The St. Petersburg summit's focus was on establishing the financial system that will support strong, sustainable and balanced growth. Accordingly, G20 countries agreed on actions to improve FSB's governance system, strengthening the resilience of financial institutions, requesting assistance from international organizations to dissipate the activities that go by the term of 'too big to fail', strengthening the shadow banking monitoring, and Basel III standard.

H. Inclusive development

Development is the agenda that Korea introduced at the 2010 Seoul G20 Leaders' Summit to enhance the G20's legitimacy; an agenda that received supports from not only the emerging and developing countries but also the non-member countries. This year's summit demanded the real outcome from the G20 development agendas and stressed the importance of continuous monitoring via the 'St Petersburg Accountability Report on G20 Development Commitments', which regards 'the 2010 Seoul Multi-Year Action Plan on Development'.

The summit presented the 'Saint Petersburg Development Outlook' to set a direction for development agenda, and prioritized food security, financial inclusion and remittances, infrastructure, human resource development, and domestic resource mobilization. In addition, the summit requested the work to specify the post-2015 development agenda.

I. Other agenda

Leaders demanded cooperation between private-public sectors and international organization to improve transparency in energy market and to increase investment in energy infrastructure. As a measure to respond to climate changes and to promote green growth, leaders supported the Green Climate Fund's operation. Also, the summit prepared guidelines for cooperation between G20 countries to eradicate corruption. Leaders expressed their supports for; the education programs to promote anti-corruption; UN Convention against Corruption; and transparency in transaction between private and public sectors.

3. Future G20 summits' tasks

A. Mutual exclusion from political issues

At the Russia G20 Summit, leaders discussed the issue of Syria's use of chemical weapon and 10 of participant countries announced the 'Joint Statement on Syria' together to express their stance. It seems highly possible that political issues will be brought up at the future summits and alter the characteristics of the summit, that is to discuss the ongoing economic matters.

B. Excessive agendas

There is a concern that the list of G20's agenda has become overloaded and is beginning to blur both the intentions and effectiveness.

Leaders need to clarify the priorities perhaps by introducing a 'sunset regulation'.

C. Collusion among the G20 countries

This has been a concern that existed even before prior to the G20 summit, which is that G7 countries will take the lead in discussion, or disharmony between G7 and BRICS countries will weaken the global cooperation. This problem will bring failure in overall capability to cooperate and disregard the role of the global governance, hence comprehensive efforts to overcome this particular problem is vital. 