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CANADIAN DEFENCE & FOREIGN AFFAIRS INSTITUTE

**A Canadian Primer to the G20 Summit
in St. Petersburg, Russia**

by Colin Robertson
September, 2013



POLICY PAPER

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Prepared for the Canadian Defence & Foreign Affairs Institute
1600, 530 – 8th Avenue S.W., Calgary, AB T2P 3S8
www.cdfai.org

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ISBN: 978-1-927573-19-8



On Thursday and Friday the leaders of the major economic nations, their finance ministers and central bankers will meet to discuss global economic and financial issues in St. Petersburg's Constantine Palace.

The summit takes place against the backdrop of the Syrian crisis and the recent coup in Egypt and this will inevitably spill over into informal discussions. On the economic front leaders face the challenges of joblessness, especially youth unemployment in Europe, the relative slowdown in the Chinese economy with its attendant effects on other developing economies, and the sluggish recovery in developing nations. We are also witnessing competitive devaluations and the creeping rise of protectionism.

Who and What is the G20

The G20, originally a meeting of finance ministers, their deputies and central bankers, was formed in 1999 in the wake of the Asian and Russian financial crisis with then Canadian Finance Minister Paul Martin playing a lead role. It was raised to the leaders level in the wake of the 2007-2008 financial crisis when President Bush convened a summit in Washington (November 2008) to address the economic crisis.

G20 leaders reconvened in London (April, 2009), Pittsburgh (October, 2009), Toronto (August, 2010), Seoul (November, 2010), Cannes (November, 2011) and in Los Cabos, Mexico (June, 2012). Next year's G20 will be hosted by Australia.

The leaders' summit is the culmination of a year-long process of meetings that in addition to the central bankers, finance ministers (whose meetings under Russian leadership also included labour ministers) and sherpas, includes sessions involving labour, business, thinktanks, youth, girls (Belinda Stronach was a driving force behind the Girls 20 summit) and civil society.

The member countries include the G8 nations: Canada, United States, Japan, France, Germany, Italy, United Kingdom and Russia as well as Argentina, Brazil, Mexico, Australia, China, India, Indonesia, Korea, Turkey, Saudi Arabia, and South Africa. With two-thirds of the world's population, their economies account for over 80 percent of world trade and global production.

The heads of the International Monetary Fund and World Bank participate as do the heads of the European Union and European Commission and the head of the European central bank. Other national leaders have also been invited to discuss particular topics such as development.

The G20's 'Standing' Agenda

The G20 has developed a de facto standing agenda.

First, the restoration of a multilateral trading system. Expect words from leaders but there is no sense the WTO Doha Round will soon be concluded. Today, movement on multilateral trade rests with the Trans Pacific Partnership and a series of smaller regional groupings.

Second, resistance of protectionism. The 2013 [Global Trade Alert](#) observes that over 3,330 new government protectionist measures ranging from trade remedies, to local content requirements, to discriminatory regulatory practices, have been reported since 2008. A record 431 measures were imposed in the last year in what the GTA calls a "a quiet, artful, wide-ranging assault on



free trade”. The G20 nations account for 65 percent of protectionist measures notwithstanding their pledge for [‘standstill’ at the London 2010 summit](#).

Third, promoting international investment. Barriers to investment continue to plague G20 economies. Governments need to further open their economies.

Fourth, achieving sustainable fiscal policy. This means saving in good times so you can spend in recession and then get back to balance as quickly as possible.

Fifth, supporting sustainable development. It is easy to look at the [Millenium Development](#) goals as a glass half empty. However, significant progress has been made including increasing the resources of the international financial institutions, building infrastructure, improved food security, financial inclusion and reducing the cost of remittances.

Developing countries now account for more than half of the world's economic activity and more than half of global exports. China is now the number one world exporter. In a recent report the [Lowy Institute](#) argues that development and global economic issues must be ‘mainstreamed’ into the G20’s core agenda.

What does the St. Petersburg summit want to achieve?

On the [website](#) created for St. Petersburg, President Putin said that he had two objectives for the summit - achieving balanced growth and job creation. The [‘watchwords’](#) of the meeting will be:

- Growth through quality jobs and investment;
- Growth through trust and transparency; and
- Growth through effective regulations.

Eight priority areas are identified:

1. Framework for strong, sustainable and balanced growth;
2. Jobs and employment;
3. International financial architecture reform;
4. Strengthening financial regulation;
5. Energy sustainability;
6. Development for all;
7. Enhancing multilateral trade; and
8. Fighting corruption.

What about deliverables from St. Petersburg?

Don’t expect a lot. Watch for action on the following:

1. *Implementation of the IMF's 2010 Quota and Governance Reform:* IMF Executive Director [Christine Lagarde says](#) that “completing the 2010 quota and governance reform is essential to the Fund’s legitimacy and effectiveness.” It requires a doubling of the IMF quota resources and reviewing the IMF quota formula in order to adequately reflect the current weights of its members.



2. *Resurrecting the Doha Round.* Currently on life support, a global agreement could result in GDP increases of approximately \$960 billion and create over 18 million jobs worldwide, according to a study by the [Peterson Institute](#)'s Gary Huffbauer and Jeff Schott prepared for the International Chamber of Commerce. At their April meeting in Doha, the [ICC argued for progress in five areas](#):
 - Conclude a trade facilitation agreement;
 - Implement duty-free and quota-free market access for exports from less-developed countries;
 - Phase out agricultural export subsidies;
 - Renounce food export restrictions; and
 - Expand trade in IT products and encourage growth of e-commerce worldwide.
3. *Exchange rate and incentives competition:* Governments competing for foreign investment by lowering their tax rates has increased. As [Martin Wolf recently observed](#), "Policies aimed at export-led growth impose contractionary pressure on trading partners, particularly in times of deficient aggregate demand and ultra-low interest rates. In the last decade, we have seen the largest and most persistent exchange rate interventions ever."
4. *Structural Reform:* The [OECD has encouraged](#) the G20 to embrace structural reforms and a switch in emphasis from politically-charged current account rebalancing to labour product market reforms for medium term growth and a growing consensus on fiscal frameworks.
5. *The division over how to deal with debt to GDP.* The USA and others favour a more flexible stance. They are not likely to agree on specific quantitative fiscal targets but rather reducing debt to GDP over the medium term.

Canadian Objectives

Prime Minister Harper wants the summit to result "in commitments for further action on key issues such as financial regulation and trade liberalization."

Our [main objectives](#) include commitments towards:

- Greater transparency: Canada and Russia have co-chaired the G-20 Anti-Corruption Working Group.
- Accountability: In tracking progress on commitments made at previous G-20 Summits and especially on the Development Working Group commitments established at the Toronto G-20 Summit.
- Financial sector reform: G20 members have agreed to implement the regulatory requirements of Basel III, the international standard for stronger regulation of the banking sector.

Beyond the summit agenda, a great deal of other business gets done at these meetings. Mr. Harper can be expected to discuss the Canada-Europe trade agreement with European leaders, progress on the Trans Pacific Partnership with Asian and Latin American partners as well as the ever-important Canada-US agenda with President Obama.



Do we really need a G20?

Yes. The G20 filled a gap in the architecture of top table meeting places.

The permanent members of the Security Council – Russia, China, France, Britain and the United States – represent the world of 1945 and the early Cold War. As we have seen over Syria and other crisis, getting the Security Council to act constructively is very difficult. Reform of the Security Council to make it more representative of today's geo-political situation has been an exercise in futility.

The G-8 group of leaders (USA, France, Britain, Germany, Japan, Italy, Canada) – created in 1975-6 in the wake of the economic crisis induced by OPEC and, since the fall of the Berlin Wall, Russia – is Eurocentric and does not include China, India or Brazil. So the G-20 made sense.

Like the G8 much of the value of the G20 is in its process. More people will work on the draft of the final communiqué than will actually read it but the process of getting there is what really matters. The ongoing meetings between central bankers and finance ministers (the original G20) now includes separate discussions with business, civil society, and think tanks.

At the summits what matters is not the prepared statements at the main table but the frank discussions and informal meetings that take place in the corridors and meeting rooms around the main conference. Winston Churchill, who popularized the word 'summitry; observed that 'jaw-jaw' between leaders is better than 'war-war'.

Further Reading

The best Canadian sources for G20 documentation with a chronology of past summits is at the University of Toronto's [G20 Information Centre](#) that has been managed for years by John Kirton. The Center for International Governance Innovation (CIGI) in Waterloo has done [excellent work on G20](#), especially its *Priorities for the G20* published for the St. Petersburg summit. This primer owes much to the [session recently held at the Rideau Club](#) moderated by CIGI's Fen Hampson with Canadian Council of Chief Executives CEO John Manley, Russian Ambassador [Georgiy Mamedov](#) and CIGI's [Domenico Lombardi](#) and Rohinton Medhora.

► About the Author

Colin Robertson is Senior Strategic Advisor for the US-based law firm of McKenna, Long and Aldridge. He writes on international affairs and is a frequent contributor and commentator on CTV, CBC and CPAC.

He is current President of the Canadian International Council's National Capital Branch. Mr. Robertson sits on the board of the Conference of Defence Associations Institute, Canada World Youth and he is honorary chair of the Canada Arizona Business Council. He is a Distinguished Senior Fellow at the Norman Paterson School of International Affairs.

A career foreign service officer from 1977-2010, Colin Robertson served as first Head of the Advocacy Secretary at the Canadian Embassy in Washington and Consul General in Los Angeles, with previous assignments in Hong Kong and in New York at the UN and Consulate General. In his final assignment he directed a project on Canada-US Engagement at Carleton University's Centre for Trade Policy and Law with private and public sector support. A member of the team that negotiated the Canada-US FTA and NAFTA, he is co-author of *Decision at Midnight: The Inside Story of the Canada-US FTA*.

He is a former President of the Historica Foundation. He was editor of *bout de papier: Canada's Journal of Foreign Service and Diplomacy* and President of the Professional Association of Foreign Service Officers. He has taught at Carleton University and the Canadian School of Public Service.

He indicates that his smartest decision was marrying his wife Maureen Boyd, a Vancouverite, former journalist and author. They have three children, Allison, Sean and Conor. Robertson reads voraciously, runs slowly, swims, cycles, and cross-country skis.



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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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