

# tepaav

Economic Policy Research Foundation of Turkey

## How are we thinking about the G20 agenda in Ankara?

Güven Sak

Moscow, 29 August 2013

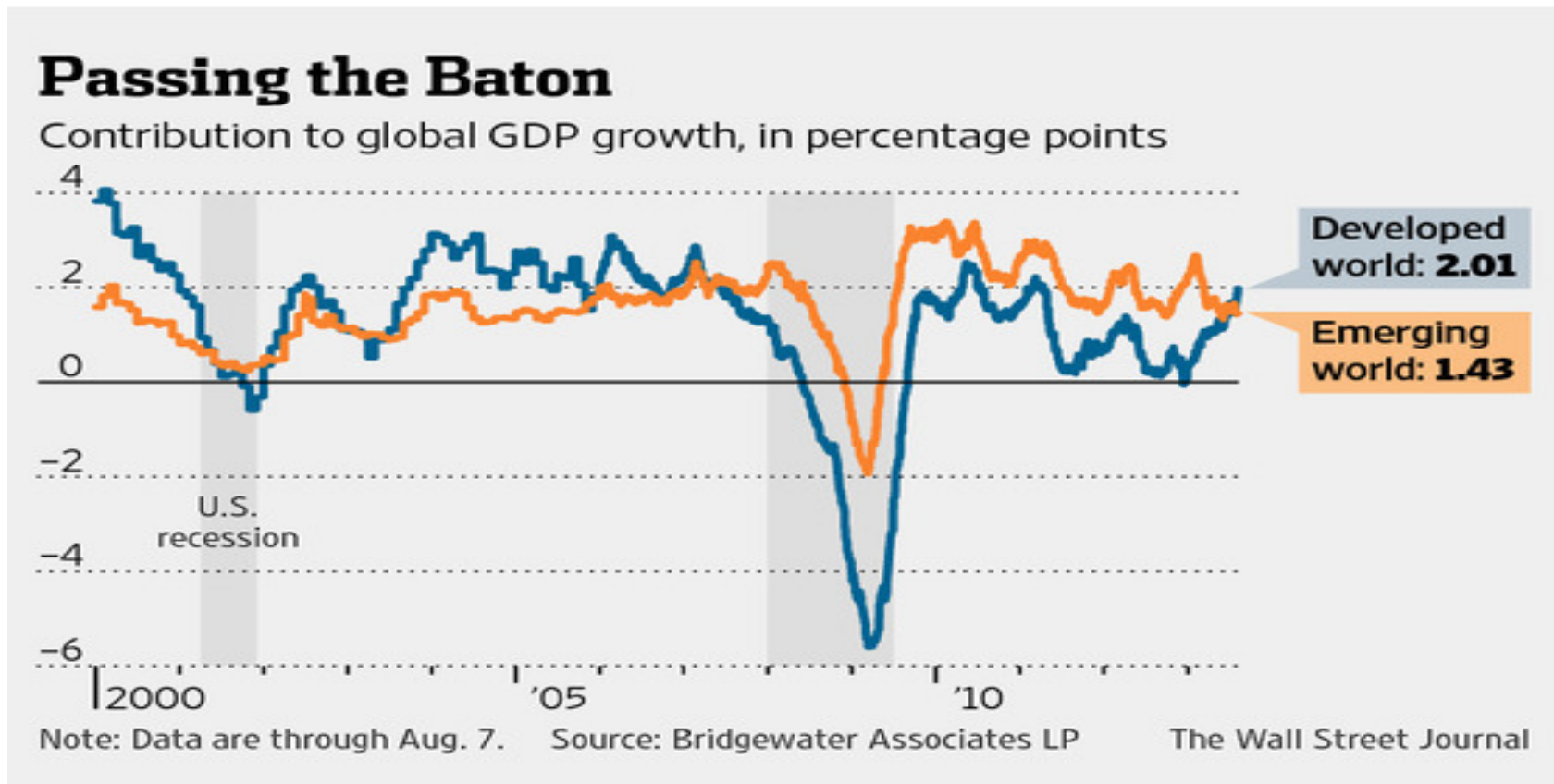
# Framework

- Still a brave new world?
- How G20 countries are different from each other?
- How Turkey might deal with the «common agenda» issue?
- How to prioritize the Agenda?
- Concluding comments

# Power shift, The Economist



# Emerging World Loses Lead in Economic Growth, WSJ



# Post-QE world is still a rather brave new world

- Impossibility Trilemma in the past,
  - Impossible to have free capital flows, fixed exchange rates and an independent monetary policy at the same time
  - Recipient/emerging countries are bad after 1997, then portfolio managers are the culprits.
- Today we have only a dilemma,
  - Either control the flow of capital or let the FED manage your economy
  - We do not even elect the chairman of Fed.
- G20 still has a mandate for consensus building in crisis management.
  - With a change in circumstances as emerging growth less than developed.
  - From damage control in the west to orchestrating consensus building for a new world. (from “don’t do anything” to “let’s build together” phase.)

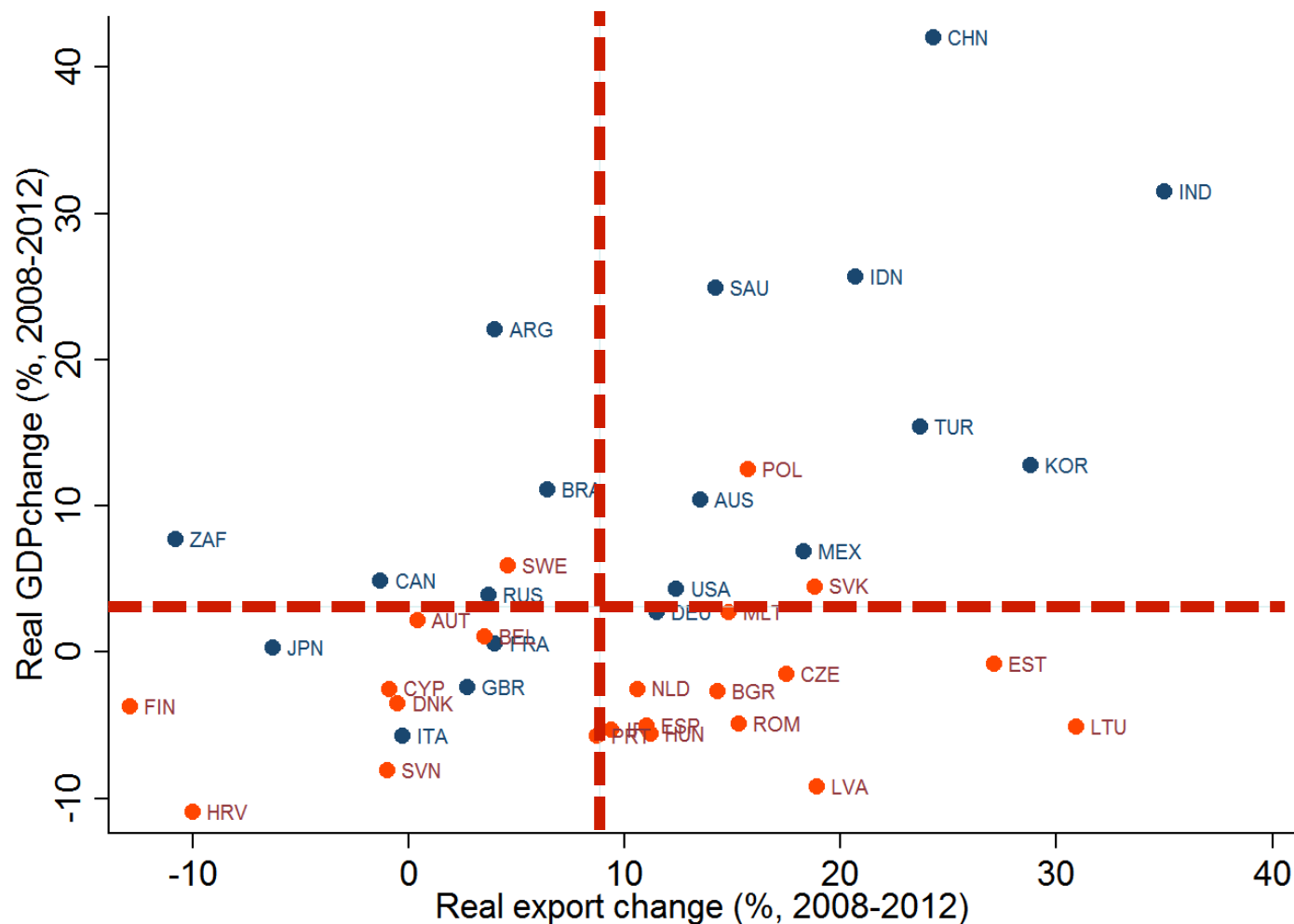
## It is easier to build consensus at the outset of a crisis to control damage

- 2008 – Washington DC
  - Measures to stabilize financial system
  - Use of fiscal measures to support domestic demand
  - IMF's new short-term liquidity facility
- 2009 – London
  - Additional \$750 billion resources to IMF
  - At least \$100 billion additional lending by the MDBs
  - \$250 billion support for trade finance
- 2009 – Pittsburgh
  - Launch of the Framework and the MAP
  - Bank regulation that will not allow a return to banking as usual
  - Global financial architecture reform

## But now things are rather complicated

- Not damage control but orchestrating consensus building for a new future/ financial-commercial architecture
- Different countries, Different needs, Different priorities
  - Not all countries affected same from the crisis
  - Countries are in different stages of the recovery process
  - Some of them just started recovery
  - Some of them just experiencing slowdown
- Production capabilities differentiate significantly
  - Some of them are highly dependent on resources
  - Some of them have the capability to produce sophisticated products

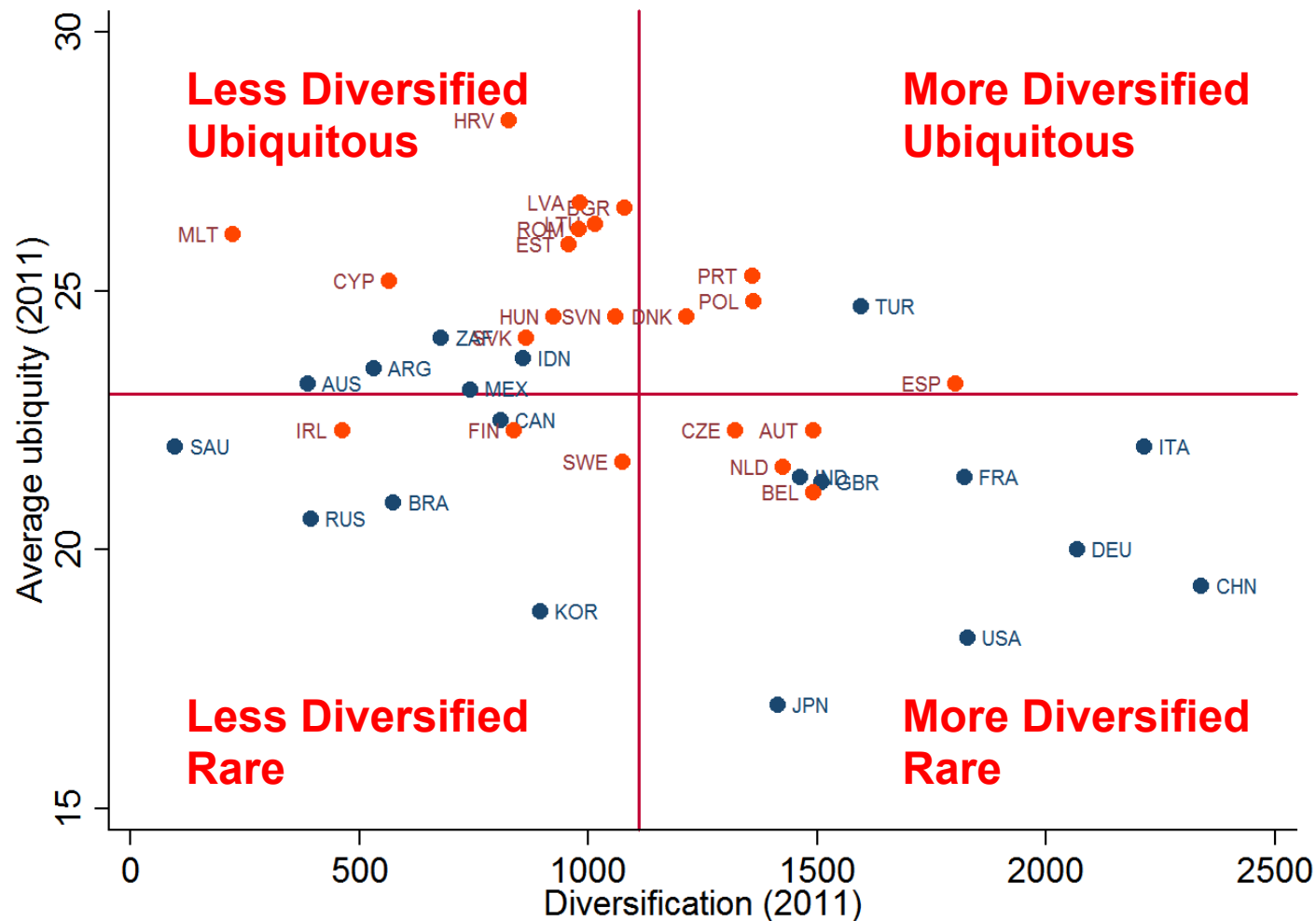
How? G20 has so many different countries in terms of output and export recovery



Source: EIU, TEPAV calculations



# How? G20 has so many different countries in terms production capabilities



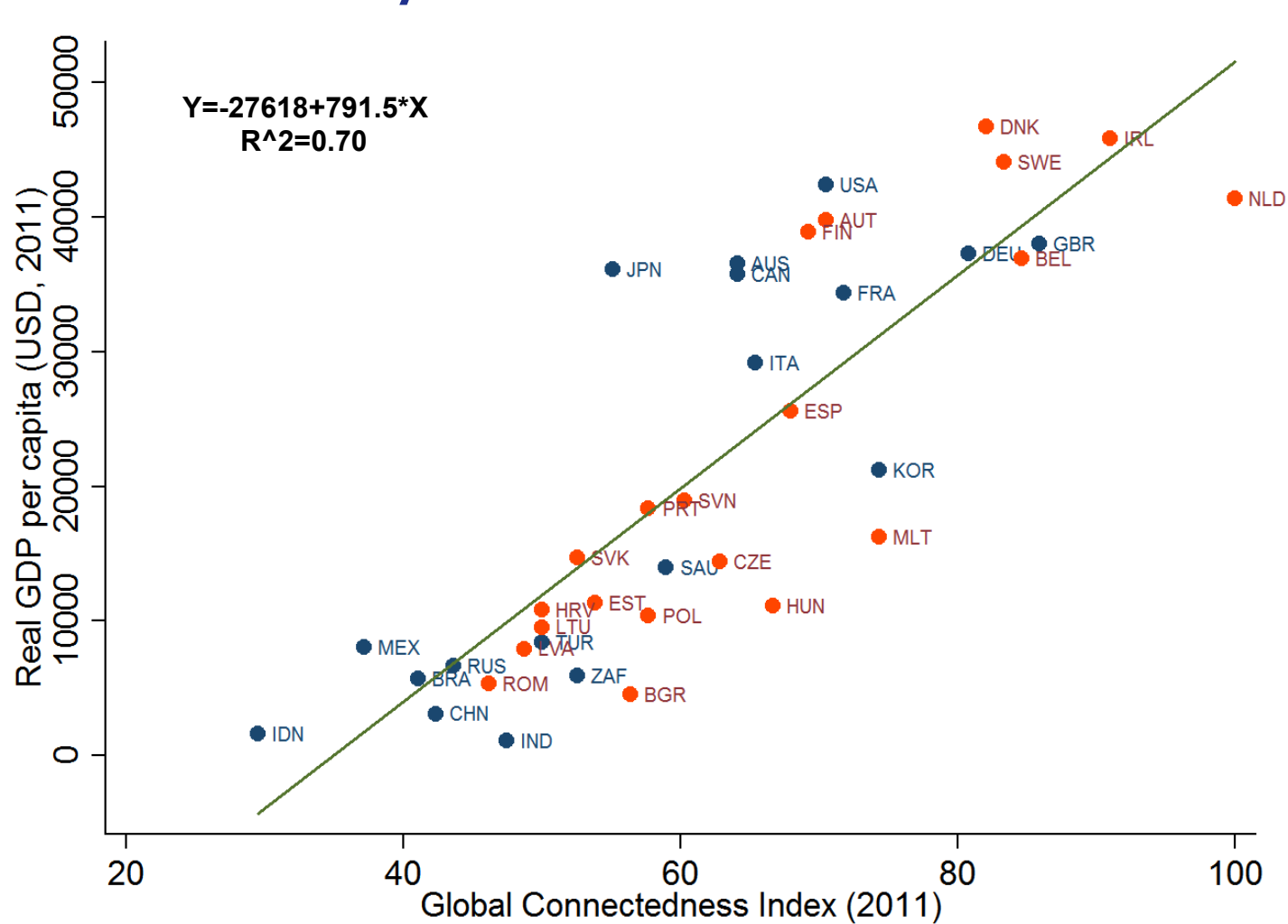
## A common G20 agenda for growth coordination harder

- Different countries, different priorities
- Every host country reschedules the agenda according to its own needs
  - Adding new items
  - Shunting some subjects
- Three main problems of this agenda management experience;
  - Lack of continuity
  - Lack of collective prioritization
  - Agenda fatigue

# How can Ankara deal with this common agenda problem?

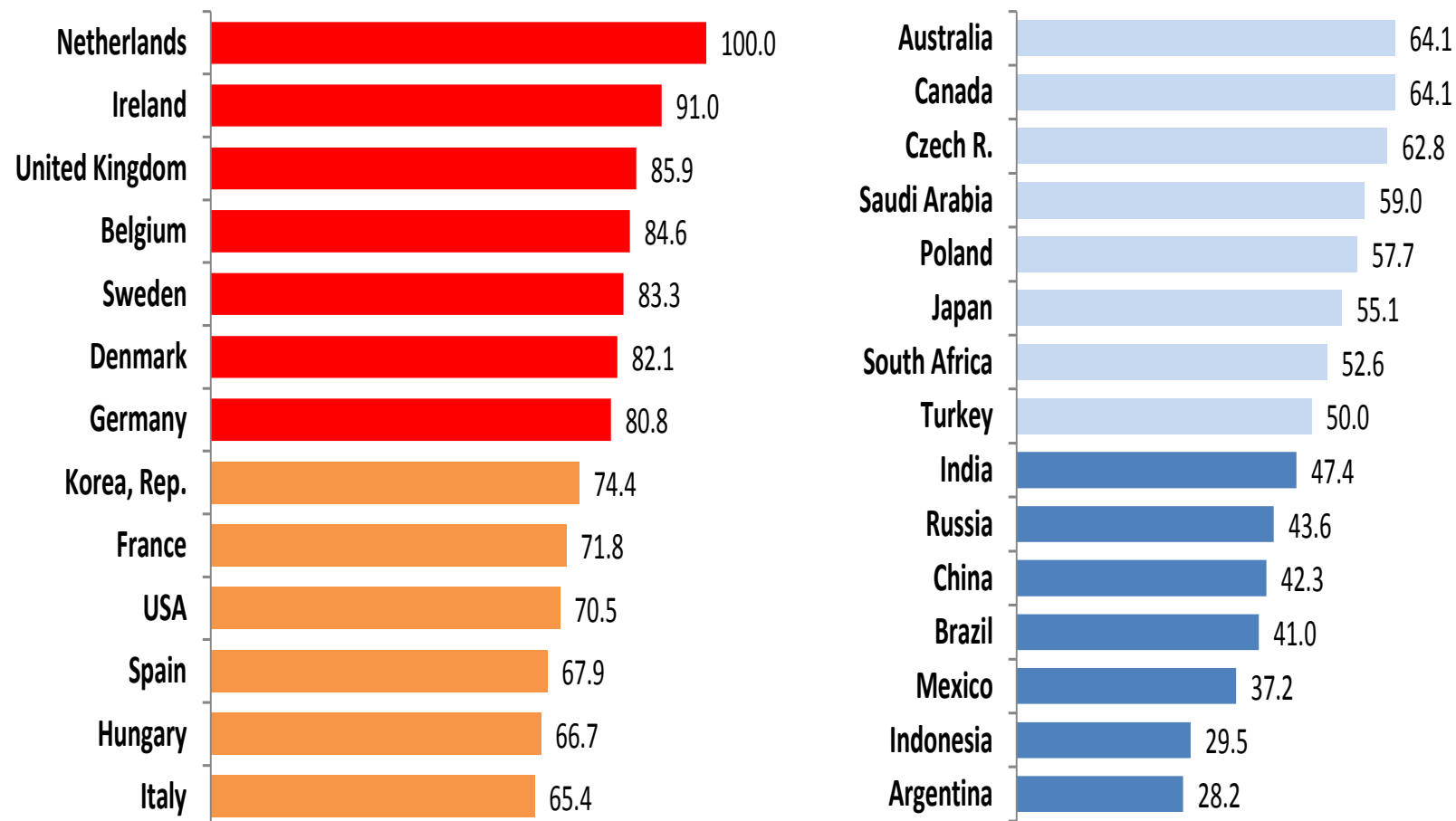
- Two domestic bodies for effective coordination
  - G20 Steering Committee / Intra-governmental
  - G20 Research Centre / PPP
  
- A new look at the existing agenda: Prioritization of all topics under two pillars
  - Growth and jobs
  - Inclusiveness
  
- Finding common themes and focusing on action-based projects
  - Connectivity might be one of those issues

# Positive correlation between income and connectivity



# So many countries face with the connectivity problem

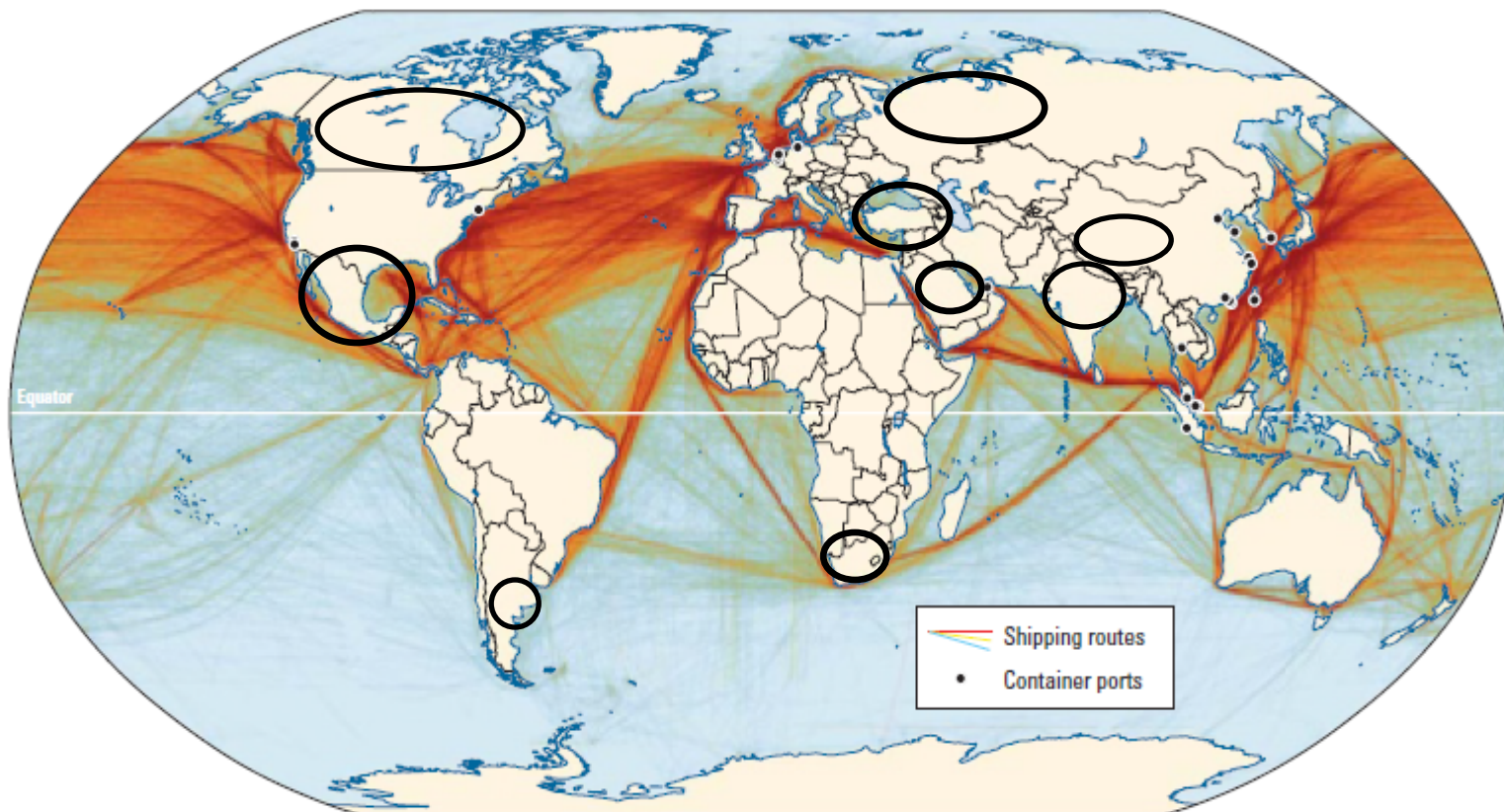
## DHL Global Connectedness Index, 2012 (Netherlands=100)



Source: DHL Global Connectedness Index 2012 , TEPAV calculations

## Many G20 countries are less connected....

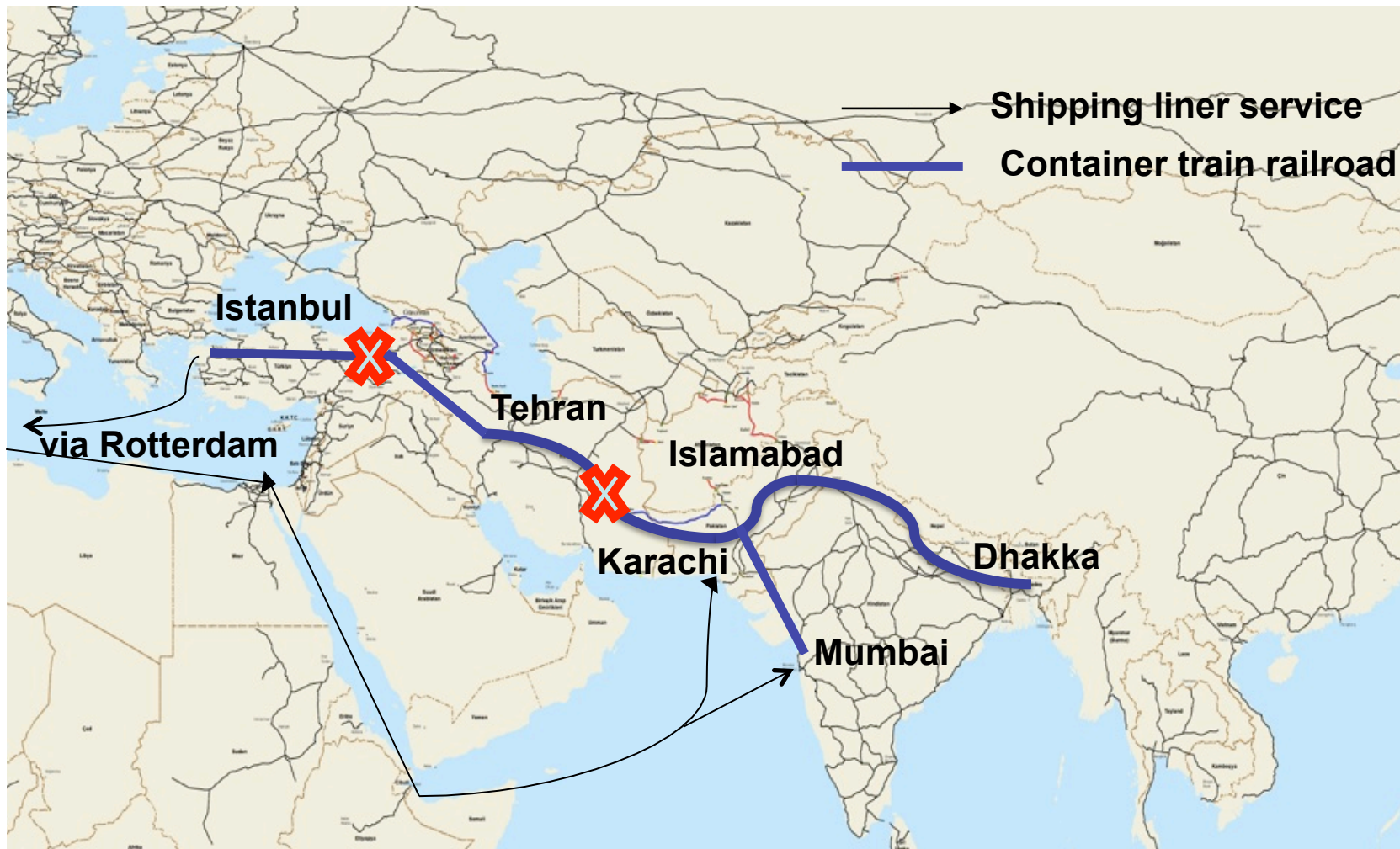
### Shipping routes and densities (2008)



Sources: Data from the World Meteorological Organization (WMO) Voluntary Observing Ships' (VOS) scheme, processed by Halpern and others 2008.  
Note: Container ports shown are the 20 largest by TEU of total containers handled in 2005 (Heideloff and Zachcial 2006).

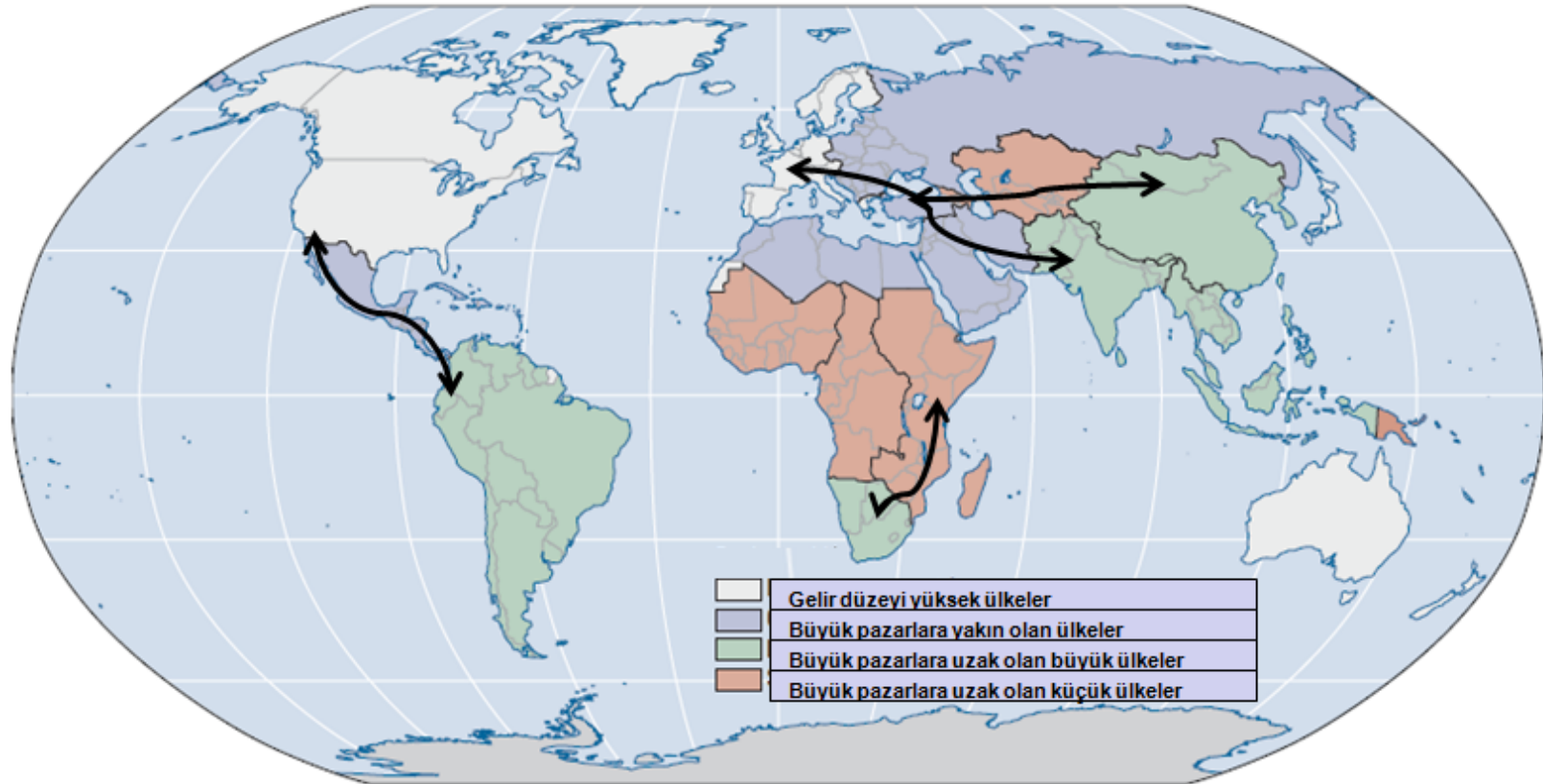
## Existing trade routes do not take power shift into account

How would you ship your cargo from Istanbul to Karachi or Mumbai?





## G20 countries can also become a regional hub in order to connect weaker developing countries to the global economy



Source: WDR 2009 team.



# So what can be done?

- Need to think of about alternative transport corridors
  - Trade complementarity is low among emerging countries, largely due to low connectivity
  - FDI is affected adversely with connectivity
- Transport corridors can easily be turned into projects for a more action based agenda for G20
  - New land routes?
  - Standardization of border crossings?
  - Cross border cooperation among countries?
- Transport corridors is a cross-cutting theme for various G20 agenda items
  - Trade and investment
  - Infrastructure & Investment finance
  - Development
  - Inclusiveness

# Conclusions

- G20 is the best network available for consensus building for a new global future
  - A brief common agenda and brief common goals are needed
- Growing consensus in Ankara for two pillars with action based projects
  - Growth and jobs
  - Inclusiveness
- Connectivity might be one of those common issues
  - New trade corridors and more railways might be the way forward turning G20 emerging countries into hubs connecting LDCs to world markets