Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

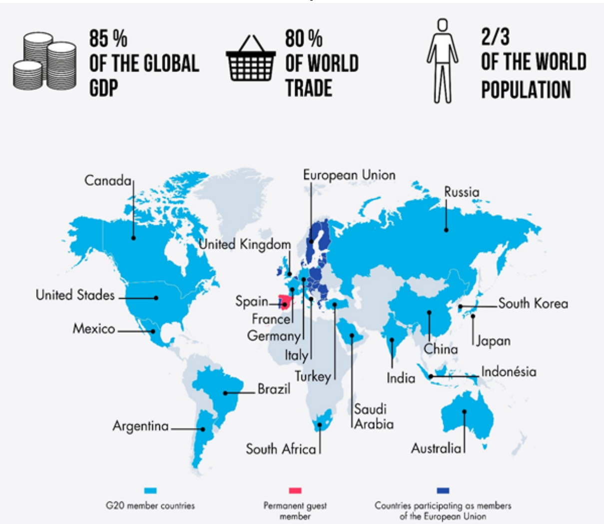
No. 192
March 2017

TRÉSOR-ECONOMICS

The G20's accomplishments, 10 years after the crisis

- The Group of Twenty (G20) was created to deal with international economic and financial challenges that require coordination that extends beyond the group of developed countries. After the 2007-2009 crisis, the G20 became the leading forum for multilateral economic and financial cooperation. The G20 initiated coordinated fiscal and monetary stimulus plans on a very large scale. It also decided to increase the IMF's resources vastly, along with the resources of the leading development banks. The G20 helped put the world economy back on the path to growth and provided impetus to several far-reaching financial reforms.
- The G20 has striven to enhance confidence in the financial system by undertaking thoroughgoing work on re-regulating the financial sector. The G20 set up the Financial Stability Board and entrusted it with a key role. The FSB's predecessor, the Financial Stability Forum, had much more limited functions and prerogatives. The G20 gave critical impetus to work on the Basel III Accord, which now requires increases in level and quality of banks' capital and better monitoring of their liquidity. A total loss-absorbing capacity was introduced to provide a better response to the problem of institutions deemed to be "too big to fail". The regulation of derivatives and of the shadow banking system was also strengthened.
- The G20 has progressively moved from being a crisis management body to becoming an informal steering committee for the world economy, providing the political impetus for setting standards and sharing best practices in an increasingly varied range of economic and financial areas. Its main objective is to establish consistent and fair ground rules for international economic activities that ensure a level playing field. The G20 spurred the OECD's work to promote the exchange of tax information and maintained strong pressure on tax havens and non-cooperative jurisdictions. In 2012, the G20 also provided the impetus for the OECD BEPS[1] plan, which was finalised in 2015, signalling an unprecedented boost for the work against aggressive tax planning by major corporate groups. A stronger role for the FATF[2] and a tightening of its international standards also boosted the fight against money laundering and terrorist financing. Finally, the G20 has addressed other international issues, including trade, the climate and development. The G20 has notably built on the lessons learned from the failure of the Doha Development Round to preserve multilateralism on trade under the aegis of the WTO. For the first time, collective principles on international investments were adopted in 2016. The G20 has also supported the political drive that led to the Paris Agreement on Climate Change in 2015, and the 2030 Agenda for Sustainable Development.
- Even though the world still faces many challenges, the dynamic created by the G20 has helped to make the world economy more resilient and enhanced our capacity to respond to burning issues. Several events illustrated this resilience and capacity in 2016, such as Brexit, the American elections, terrorism and the leaking of the Panama Papers. The G20's ability to cope with growing uncertainty surrounding the global economy and the future of multilateralism will be put to a decisive test.

The G20 represents....



Source: DG Trésor.

(1) Base Erosion and Profit Shifting.
(2) Financial Action Task Force.

MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

The subprime crisis started in August 2007, leading to the bankruptcy of Lehman Brothers one year later and plunged the world economy into its biggest financial crisis since 1929. The scale of the crisis led to a major overhaul of the mechanisms for multilateral economic and financial cooperation and coordination and consecrated the Group of 20 (G20) as the main international economic and financial forum. This means that the G20 has now become the frame of reference for all international economic and financial matters, ranging from examination of the global economic situation, to fighting illicit financial flows, to regulation of the financial system. What follows is a review of nearly 10 years of multilateral cooperation, which saw the G20 move from being a crisis management mechanism to being a sustainable tool for action on global governance.

1. The G20's action, with coordination on an unprecedented scale, helped to stem the spread of the 2007-2009 financial crisis, while strengthening the resilience of the financial system.

The subprime crisis triggered a series of failures within the international financial system. The bankruptcy of Lehman Brothers on 15 September 2008 and the American government's refusal to bail out the failed bank triggered panic on financial markets. The global economic crisis was entering its most critical phase.

Box 1: A brief history of multilateral economic cooperation, or how the G20 emerged as the "the premier forum for international economic co-operation"

The G20 was created to fill a need. The existing fora for multilateral economic and financial cooperation no longer provided a true reflection of the new configuration of the global economy that appeared towards the end of the 1990s. The global nature of the issues required moving beyond fragmented management at the national level to create a minimum core of rules to be shared by all to improve regulation of globalisation.

It all started in 1944, when the Bretton Woods institutions were established: the IMF was given responsibility for ensuring the stability of the new international monetary system, the World Bank for helping reconstruction and development in the regions affected by the war and the GATT for reducing barriers to trade. A first forum, the G10 was set up in the 1960s to work on providing extra resources for the IMF. But genuine multilateral cooperation between advanced countries emerged with the first oil shock in 1973 and the creation of the G5 in 1974, followed by the G6 in 1975, when the summit meeting was held at Rambouillet, then the G7 the next year. The G7 became the G8 in 1997 and then went back to the G7 format after 2014. For some twenty years, this format was adequate for coordination of the main international financial institutions, up until the 1997 Asian crisis and the 1998 Russian crisis, which made it clear that better dialogue with emerging countries was needed, since their level of integration into the multilateral financial system seemed increasingly out of step with their growing economic clout. At the time, the G7 accounted for more than half of global GDP and 10% of the world's population. It was also during this period that the first signs emerged that the existing multilateral system had stalled.

The change in the multilateral landscape led Canada in particular to act to bring about the first G20 meeting in 1999. The G20 is an informal sui generis creation, with no founding document or permanent secretary, that enables leaders to hold frank talks and respond to crises effectively. The leading emerging countries have joined the G7 countries. The European Union is a full member in its own right. The expanded format ensures a more representative group: the G20 members now account for 85% of global GDP, 80% of global trade and two-thirds of the global population. Up until 2009, however, G20 meetings were fairly rare and only included finance ministers, with one annual meeting of the ministers and some technical meetings.

It was the 2008-2009 crisis that made the G20 the leading forum for multilateral economic and financial cooperation, when it became clear that coordination at the highest political level was required. France was one of the members pushing for this change. The Leaders' summits were first held on an ad hoc basis, with two in 2009 and two in 2010. Starting in 2011, the summits became annual events and the principle of rotating the G20 chair each year was adopted from the practices of the G20 meetings of finance ministers held between 1999 and 2008. The communiqués are adopted by consensus and set out the political agreements reached at a given time. They create the power to drive policies, which includes tasking international organisations (IMF, OECD, BIS, FSB, FATF, etc.) and drafting guidelines for technical discussions on standards to be finalised by other bodies (e.g. Basel III Accord, OECD tax standards, IMF reform, etc.) Peer-pressure mechanisms have been established to ensure better compliance with international standards by all. Working groups on specific issues have emerged. These groups develop common roadmaps, principles, action plans and best practices.

1.1 The G20 has primarily acted as a coordinator for national fiscal and monetary stimulus plans, supported by multilateral financial action

A first wave of bailout plans for the banking sector was urgently implemented in September 2008, in the wake of the Lehman Brothers bankruptcy. On 18 September, Henry Paulson, the Secretary of the United States Treasury, announced a USD700-billion bailout plan for the financial sector, while France provided a government guarantee of approximately EUR320 billion for banks' transactions. Germany put up EUR400 billion and the United Kingdom GBP250 billion, on top of capital contributions to banks[1]. Acting on the lessons learned from the 1929 financial crisis[2], central banks cut their rates massively: the Bank of England cut its rates from 4.5% in October 2008 to 2% in December, the ECB cut is rates from 3.75% in October to 2.5% in December, while the Fed cut its rates from 1.5% in October to practically 0% in December.

The worsening financial crisis led France, which then held the European Union Presidency, to call the first meeting of heads of State and government of the G20 countries, along with Spain and the Netherlands. The

(1) EUR40bn from France, EUR-80bn from Germany and GBP37bn from the United Kingdom (source: Natixis, *cited by http://www.assemblee-nationale.fr/13/cr-cfiab/08-09/c0809063.asp*).

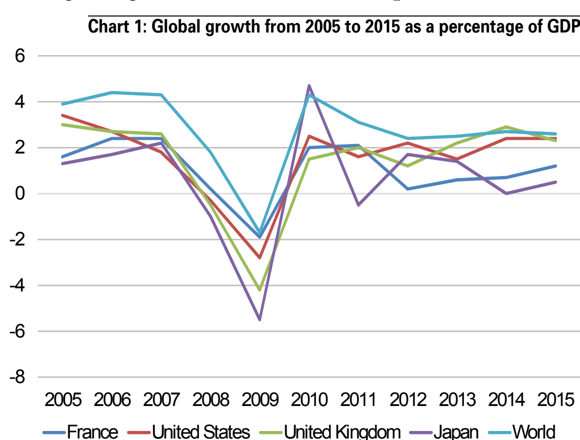
(2) Central banks raised their rates to prevent speculation, which was thought to be the main cause of the Wall Street crash. This action caused liquidity to dry up.

meeting was held in Washington on 15 November 2008. The G20 agreed to redouble stimulus efforts, while recognising "the importance of monetary policy support, as deemed appropriate to domestic conditions[3]". This led to large-scale coordination of macroeconomic policies dealing with both fiscal and monetary matters. Another summit meeting was called for early 2009, with plans to work on reforming the international financial system, strengthening the IMF and multilateral banks and monitoring stimulus efforts in the meantime.

The London summit of 2 April 2009 agreed to an unprecedented plan for regulating the financial system, fighting tax havens, historic increases in the IMF's resources and strengthening the contra-cyclical tools for development banks. In contrast to 1929, the international community chose cooperation to respond to the financial crisis.

Following the London summit, the macroeconomic indicators, which had severely plunged in the fall 2008 and in the first quarter 2009, started to rise again (see Chart 1), and, by 2010, global growth had bounced back up to 4.3%.

Chart 1: Global growth from 2005 to 2015 as a percentage of GDP



Source: World Bank.

1.2 The G20 also launched a major drive to regulate the financial sector

In addition to driving macroeconomic policies designed to stimulate global growth, the G20 urged its members to address the root causes of the crisis in order to enhance the resilience of the international financial system, meaning its capacity to absorb economic and financial shocks To this end, the G20 acted at the London summit held in April 2009 to transform the Financial Stability Forum into the **Financial Stability Board** (FSB), expanding its membership to all G20 members and broadening its brief to include the identification of vulnerabilities in the global financial system, establishing financial regulation principles and standards, coordinating international technical standard-setting bodies' work and overseeing implementation of their standards by participating jurisdictions.

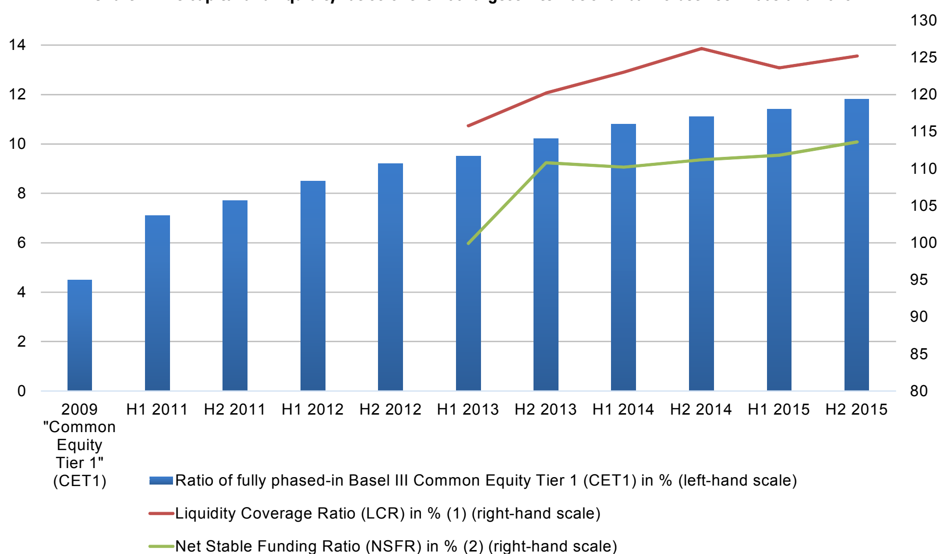
At the instigation of the G20, the FSB's work focused on several key areas:

- **First of all, the FSB worked to strengthen the resilience of banking institutions**, in particular by urging implementation of the "Basel III" prudential rules. Today, the 24 countries belonging to the FSB have implemented measures that reinforce the relevant solvency and liquidity ratios (see Chart 2).
- **The FSB has also worked to solve the "too big to fail" problem:** Systemically important banks have been identified and subjected to tighter prudential requirements, particularly with regard to the capital cushion and resolution[4]. In addition, annual lists of systemically important insurers have been published using classification methodology that is still under development[5].
- **It has worked to make the derivative markets safer:** derivatives are now traded on regulated markets or electronic trading platforms, with central counterparties[6] and trade reporting to trade repositorie[7].
- **The FSB has started work on transforming the shadow banking system into resilient market-based finance:** the FSB created a surveillance framework to assess the risks related to shadow banking, meaning financial activities taking place outside the conventional banking system;
- **It also built on the lessons learned from the crisis in many areas with the aim of making the financial sector accountable:** the FSB introduced its Principles for Sound Compensation Practices[8], with a particular focus on how bonuses are determined and paid. In addition, rating agencies are now subject to regulations on registration and supervision.
- **The FSB continues to analyse the impact of reform on financing for the global economy**, particularly the effects on market liquidity, growth and emerging economies. The FSB also assesses the impact that tighter rules on fighting money laundering and terrorist financing and international sanctions policies have on international financial flows[9].

(3) Communiqué by G20 Leaders, Washington, 15 November 2008.
(4) These requirements introduce specific capital cushions for Global Systemically Important Banks (GSIB), which were extended to Domestic Systemically Important Banks in Europe, and adopt the Total Loss-Absorbing Capacity that enables a bank to absorb financial losses in the event of a crisis and to rebuild its capital without a government bailout.
(5) They are subjected to an enhanced resolvability assessment and their capital requirements may be increased, in accordance with procedures that have yet to be defined.
(6) Central counterparties are market infrastructures that are designed to mitigate risks in the financial system. They act as a counterparty to both parties in a market trade or an over-the-counter trade, assuming the contractual obligations of each party vis-à-vis the other. This arrangement reduces each market participant's risk exposure to their "net" exposure to the central counterparty.
(7) According to the FSB, reporting requirements are now in force in 19 jurisdictions accounting for more than 90% of trades on derivatives markets.
(8) FSB, *Principles for Sound Compensation Practices* (2 April 2009).
(9) More specifically, in many countries, there has been a notable decline in correspondent banking business, in which a bank uses another bank for foreign currency payments and banking services, and in the related financial flows.

This range of work is starting to show results. At the global level, **banks are now more resilient to shocks than they were before the crisis**. More specifically, their financial structure is more robust with larger capital cushions. In France, the largest French banking groups more than doubled their core capital (Common Equity Tier 1 - CET1) between 2008 and 2015, from EUR132bn to EUR275bn and they have nearly doubled their liquidity reserves since 2011[10].

Chart 2: The capital and liquidity ratios of the 100 largest international banks between 2009 and 2015



Source: Basel III Monitoring Report, September 2016.

The 2009 figure is based on the initial Basel III proposal and there is no figure for 2010.
(1) Stock of high-quality liquid assets/total net cash outflows over the next 30 calendar days.
(2) Available amount of stable funding/Required amount of stable funding.

The enhanced resilience was achieved, while striking a balance with the financing of the economy. Interest rates were low when the reforms were introduced and the FSB reported that the expansion of credit and bank lending was steady everywhere in the world, but with varying growth rates. Financing costs have remained low and sources of financing for the economy have continued to become more diverse. In France, outstanding business loans increased at an average annual rate of 2.6% after 2010 to reach EUR911bn at the end of 2016, while the interest rates on these loans remained among some of the lowest in Europe[11] .

1.3 The G20 also worked to strengthen the international financial architecture for more effective prevention and management of financial crises and to protect the poorest countries.

In addition to stimulating the economy and dealing with the weaknesses in regulation of financial actors, the third pillar of the G20's action after the crisis was strengthening international financial architecture.

The response to the crisis initially led to changes in international financial institutions. At the instigation of the G20, a decision was made in 2009 to **triple the IMF's resources**[12], as well as to increase the capital of the multilateral development banks substantially (see Charts 3 and 4), thereby enabling these banks to help finance global trade by offsetting the contraction of private sector trade financing seen in 2009. Furthermore, changes in the ownership structure of these institutions gave more representation to emerging economies, following the reform of voting rights at the IMF and the World Bank in 2010. In 2016, the basket of currencies for the IMF's Special Drawing Rights was changed to include the renminbi, when the 2010 reform of the IMF finally came into force.

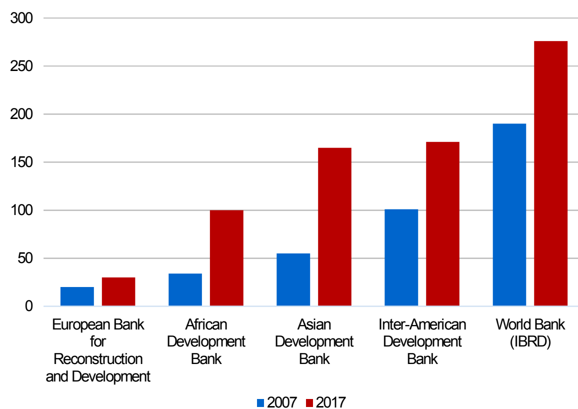
At the instigation of the G20, the IMF also strengthened its tools for macroeconomic surveillance and response to financial crises. Existing surveillance tools, such as the "Article IV" report and the Financial Sector Assessment Programme (FSAP), were improved. New measures were introduced to ensure early detection of crises and risks (Early Warning Exercise, IMF Fiscal Monitor), including risks that result from interactions between countries (Spillover Reports). At the same time, various international organisations (IMF, FSB, BIS, OECD, etc.) launched initiatives, such as the G20 Data Gaps Initiative, to enhance knowledge and management of capital flows. The IMF's crisis management and prevention instruments were expanded. The **precautionary instruments** introduced in 2010 enable countries with sound fundamentals to apply for an IMF liquidity line to cope with cyclical financial stress. The proceeds from the partial sale of the IMF's gold reserves strengthened the Poverty Reduction and Growth Trust that provides concessional loans for the poorest countries and increased the resources allocated to the borrowing countries.

The G20 has also dealt with **sovereign debt matters** since 2013, adopting new collective action clauses for bonds in

(10) Speech by François Villeroy de Galhau, Governor of the *Banque de France*, 23 May 2016 (figures from ACPR).
(11) Furthermore, *Banque de France* surveys on credit access for small and medium-sized enterprises and very small enterprises in the fourth quarter of 2016 show that 95% of SMEs applying for investment loans were lent 75% or more of the amount requested. The figure for VSEs was 85%.
(12) Ultimately, the IMF's resources have been increased fourfold in several stages since 2008.

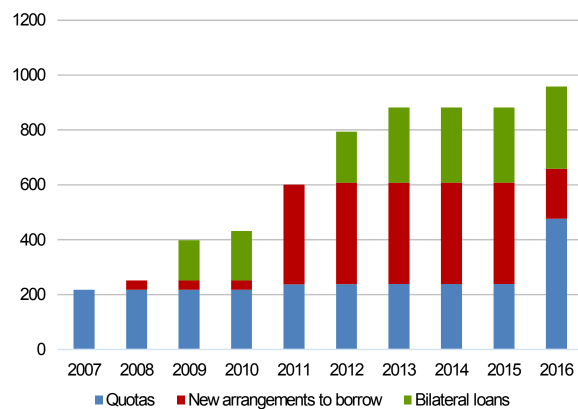
2014 to prevent a repeat of the stalemate seen during the restructuring of Argentina's debt[13]. The G20 is also working on defining sustainable borrowing and lending practices, especially in low-income countries. A highlight of 2016 was the G20's consecration of the Paris Club as the "principal international forum for restructuring official bilateral debt" and the Club's expansion to include several emerging lenders.

Chart 3: Capital of the leading multilateral development banks between 2007 and 2017 (USD billions)



Source: DG Trésor.

Chart 4: IMF resources between 2007 and 2016 (SDR billions)



Source: IMF.

2. In addition to crisis management, the G20 achieved progress on several critical issues to define equitable ground rules for better regulating globalization

2.1 Fighting tax fraud, tax evasion and aggressive tax planning is one of the G20's main achievements

Up until 10 years ago, a number of countries and territories refused to share tax information, even though they were accepting massive amounts of offshore investment, using their sovereignty and their domestic laws to justify their non-cooperation. Their attractiveness was based specifically on a lack of financial regulation and the provision of financial and legal services that ensured a high level of secrecy[14]. At the initiative of the G20, acting with the support of the OECD and its Global Forum on Transparency and Exchange of Information[15], **substantial progress has been achieved on international taxation in recent years**.

First of all, **transparency requirements have been tightened up significantly**. Standards for exchange of information for tax purposes were consolidated with increasingly strict requirements: in 2012, Article 26 of the bilateral Model Agreement on Exchange of Information on Tax Matters **on request** was updated, and an international standard was developed for **automatic** exchange of information about bank accounts in the wake of the agreements entered into under American FATCA[16] legislation. This standard must be applied by countries and territories, including offshore financial centres, in 2017 or 2018 at the latest. It should *de facto* contribute to the abolition of banking secrecy[17] .

Furthermore, the **Global Forum will monitor the commitments made by countries and territories to comply with the standards**[18], with a particular emphasis on ensuring that jurisdictions requesting information receive relevant and rapid responses. The G20 also wished to draw up **international lists of non-cooperative jurisdictions** to ensure that the ratings have consequences and to put pressure on jurisdictions to comply with the standards. Following the leak of the Panama Papers, the G20 asked the OECD to publish an international blacklist in July 2017 made up of non-cooperative jurisdictions that could be the object of retaliatory measures. The G20 also asked the FATF and the Global Forum to work on the transparency of beneficial ownership of legal persons and legal arrangements.

The G20's action led several countries to make substantial changes. In 2007, some 70 jurisdictions restricted access to bank information for exchange of information purposes. In 2016, only 5 jurisdictions[19] out of the 123 members examined by the Global Forum still did so. Several important offshore financial centres (Switzerland, Singapore, Luxembourg, Hong Kong, Panama) have improved their

(13) See Cailloux G. (2014), "Argentina, the vultures and the debt", *Trésor Economics*, No. 136, September.

(14) Banking secrecy for a country means not gathering information about non-residents' bank accounts and, more especially, not sharing such information with its partners. This secrecy enables bank customers to hide assets and income from the tax authorities in their country of residence. Ending bank secrecy requires the administration of the country where the bank is established to have access to the information and a legal obligation to share it.

(15) First established at the initiative of the G7 in 2000, but strengthened substantially at the initiative of the G20 in 2009.

(16) Foreign Account Tax Compliance Act.

(17) More than 100 territories have committed to implementing automatic exchange of information for tax purposes in 2017 or 2018 and are parties to the multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC).

(18) Following the first round of member assessments completed in 2016, the Global Forum launched a second round based on tighter criteria, especially with regard to beneficial ownership. However, at this point, only the standard for exchange of information on request has been subject to a peer review and the assessments of automatic exchange of information will not start until 2019.

(19) Guatemala, Indonesia, Kazakhstan, Federated States of Micronesia, and Trinidad and Tobago (however, these countries have started the process to achieve compliance).

compliance. According to the Global Forum, the number of bilateral and multilateral relationships on exchange of information has increased from some 2,500 in 2009 to nearly 7,000 in 2016. International pressure helped ensure implementation of more than 800 Global Forum recommendations to improve financial transparency. The number of offshore companies and trusts has decreased significantly[20]. In Switzerland, the number of private bankers and foreign-controlled banks has decreased sharply since 2010[21]. The gross earnings of medium-sized private banks in Switzerland and Liechtenstein fell by 23% between 2011 and 2015[22]. It is now increasingly difficult to hide assets.

These actions have a direct impact on public finances. The prospect of automatic exchange of information spurred more than 500,000 people to declare their offshore accounts and, according to the OECD, countries that introduced voluntary disclosure programmes and similar initiatives have identified an extra EUR80bn in tax revenues. France's Offshore Disclosure Unit[23] has found more than EUR30bn in offshore assets held by 47,000 taxpayers since it opened in 2013 and collected EUR6.3bn in taxes.

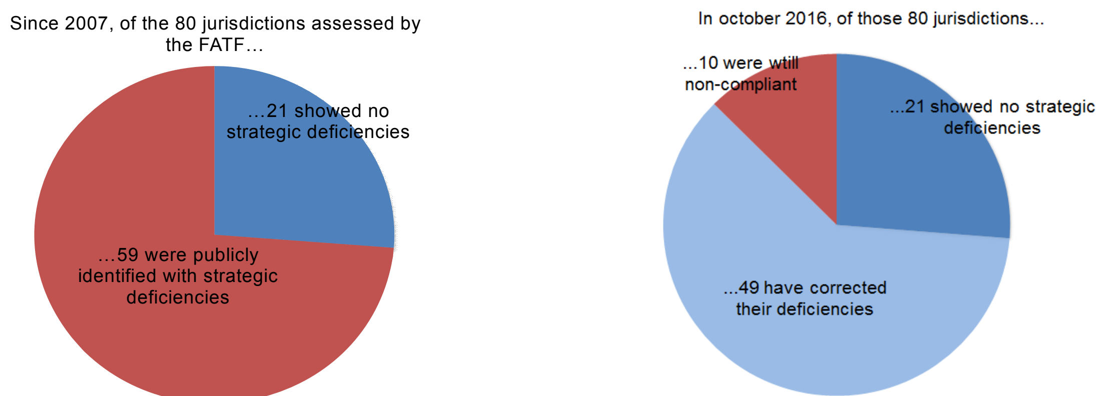
In addition to fighting tax fraud and tax evasion, the G20 started work on **aggressive tax planning by major groups** in liaison with the OECD through the Base Erosion and Profit Shifting (**BEPS**) Project. The BEPS plan consists of reports on 15 actions. It was adopted at the G20 Antalya Summit in November 2015 with the aim of addressing a revenue loss for governments that the OECD estimates at between USD100bn and USD240bn. This is equivalent to 4% to 10% of total corporate income tax revenue at the global level each year. The challenge since 2016 has been to ensure broad and coordinated implementation of this project.

2.2 The G20 also help to enhance the integrity and transparency of financial flows significantly, particularly in the fight against money laundering and terrorist financing

Recent events have shown the need to step up international coordination to fight financial crime more effectively. The **Financial Action Task Force (FATF)**, which was founded on the initiative of the G7 in 1989, has seen a large increase in its workload driven by the G20 over the last 10 years.

The 40 "FATF Recommendations" **on fighting opaque financial arrangements** have been strengthened over time[24]. More specifically, the G20 has advocated paying special attention to implementing the FATF standards on **transparency of beneficial ownership** of legal persons and legal arrangements and exchange of information between countries for this purpose. The FATF adopted new recommendations on **countering terrorist financing** following the 2001 attacks, but more particular emphasis has been put on this subject since 2015, with more stringent thresholds for due diligence and suspicious transaction reports, an extension of the financial flows deemed to be terrorist financing offences and a call to implement targeted financial sanctions without delay.

Chart 5: How the FATF spurred countries and jurisdictions to achieve compliance



Source: FATF.

(20) According to the *Conyers Dill* firm, only 450,000 of the 850,000 companies incorporated in the British Virgin Islands are still active (https://www.conyersdill.com/publication-files/Article_205_Bank_Secrecy_is_Over.pdf)

(21) The number of private bankers in Switzerland fell from 13 to 7 (46%) between 2010 and 2015 and the number of foreign-controlled banks fell from 122 to 85 (30%) (PwC, "*Private banking in Switzerland and Liechtenstein: are its days numbered?*" October 2016).

(22) Roland Berger, *Quo vadis, Private Bank?* (August 2016).

(23) The unit enables taxpayers with undeclared offshore accounts to clear up their tax situation.

(24) Financing of weapons of mass destruction, risk-based approach, cooperation between financial intelligence units, etc.

To date, **198 countries and territories have made commitments to comply with the FATF Recommendations** through the global FATF network and nine regional member organisations. As is the case for the Global Forum on Transparency and Exchange of Information for Tax Purposes, the FATF assesses compliance with these commitments not only in terms of incorporation of the standards into domestic regulations, but also in terms of actual enforcement. Since 2007, the FATF has worked on **identifying high-risk and non-cooperative jurisdictions**. It has assessed more than 80 countries and jurisdictions for this purpose. Of the 59 countries and jurisdictions publicly identified as having "strategic deficiencies"[25] since 2007, 49 have introduced reforms to correct their failings[26]. Only 10 countries[27] were still on the blacklist in October 2016. The FATF called for counter-measures to be applied to North Korea[28]. The FATF reviewed the regulations on terrorist financing from 194 jurisdictions and found weaknesses that needed correcting with regard to criminalising terrorist financing[29] or applying targeted financial sanctions[30].

In view of the major expectations raised by the FATF, the G20 asked for more operational resources in 2016 and increased the FATF's capacity to drive policy with regard to regional organisations to fight money laundering and terrorist financing to ensure that the standards are applied worldwide.

2.3 The G20 also worked to stimulate multilateral trade

As the stalemate in WTO negotiating rounds led to more regional and plurilateral trade deals, and with the shift in public opinion about the benefits of free trade and the fair distribution of the resulting gains, the G20 has sought **to give trade multilateralism renewed impetus** in recent years.

The G20 leaders have repeatedly signalled a **clear rejection of protectionism**[31]. The G20 has worked to support effective enforcement of the existing rules and to restart the stalled WTO negotiations, for example, by providing the political impetus to complete the Bali Agreement on Trade Facilitation in 2013[32]. As a reminder, the Bali Agreement has been the very first agreement concluded within the WTO framework since the creation of the Organization in 1995. Under the Chinese G20 Presidency in 2016, the G20 adopted a **Strategy for Global Trade Growth** and, in a first for the G20, G**uiding Principles for Global Investment Policymaking**[33]. The G20 also reasserted the importance of fair competition in trade and investment. Problems such as industrial overcapacities were also recognised. A Global Forum on steel excess capacity was set up in conjunction with the OECD for discussions between the leading steel producers on developing solutions.

2.4 Finally, the G20 has gradually expanded the scope of its action to encompass other issues that require international coordination, such as agriculture, employment, climate change, development and health.

As it has grown, the G20 has addressed new issues. It started expanding its scope to agriculture and employment, particularly during the French presidency of the G20 in 2011.

It then worked hard to advance the signature, ratification and, now, implementation of the **Paris Climate Agreement**, encouraging international organisations to mainstream climate action into their policies and developing green finance markets in the private sector[34]. The G20 countries have also committed themselves to phasing out inefficient fossil fuels subsidies and now use the G20 forum to share best practices with regard to energy transition.

The G20 also supports the **2030 Agenda for Sustainable Development** and the **Addis Ababa Action Agenda**, ensuring that the problems of developing countries are given due consideration[35].

The G20 has recently taken on **global health challenges** that had previously been handled by the G7, addressing challenges in three main areas: rapid response to health crises[36], innovative drug prices and fighting resistance to antibiotic drugs.

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(25) Countries that show a number of major deficiencies or failings with regard to key FATF Recommendations, when it comes to translating these Recommendations into domestic legislation, are publicly identified and subject to special monitoring by the FATF.

(26) Source: FATF.

(27) Afghanistan, Bosnia Herzegovina, Iraq, Iran, Laos, North Korea, Uganda, Syria, Vanuatu, Yemen.

(28) The call for counter-measures against Iran was suspended for twelve months in June 2016, with fresh talks slated for June 2017.

(29) Only 17% of the countries have convicted anyone of a terrorist financing offence (source: *Terrorist Financing; FATF Report to G20 leaders, Actions taken by the FATF* (November 2015)).

(30) 67 % of the jurisdictions have never taken any such actions (source: *FATF Terrorist Financing Report to G20 Leaders* (November 2015)).

(31) According to the OECD (*Impact of investment restrictive measures on investment*, June 2015), the G20 countries have eased restrictions on FDI since 2009, with more than 200 amendments to foreign investment policies. Some 40% of the amendments dealt with foreign direct investment (85% of which resulted in greater liberalisation), while the other amendments dealt with capital flows in more general terms.

(32) This agreement is designed to simplify and clarify international import and export procedures, customs formalities and transit requirements.

(33) The G20 countries agreed on open, non-discriminatory and transparent investment policies, within a framework that ensures legal certainty and gives governments the power to regulate investment on legitimate public policy grounds.

(34) See Boissinot J., Huber D., Camilier-Cortial I. et Lame G. (2016), "The financial sector facing the transition to a low-carbon, climate resilient economy", *Trésor Economics*, No. 185, November.

(35) The problems of countries that rely on commodity exports, the cost of migrants' remittances, capacity strengthening for tax administrations, mobilising domestic resources, support for investment in Africa, etc.

(36) International strategy, WHO governance reform, setting up financial facilities.

3. As the multilateral dynamic slows down and could even be called into question, the G20 must continue to play its role in coordination and as a driving force

The reforms implemented within the G20 framework have enhanced our capacity to absorb shocks to the global economy, but we still face challenges. The G20 has enabled more intense discussion of macroeconomic policy coordination, but the talks regularly founder on the issue of how to prioritise structural reforms and policies to boost demand. The G20's diagnosis of the global economy is often limited to a catalogue of risks with no real order of priorities. Setting growth targets has mobilised governments, but raises the question of follow-through over time. For example, in 2014, the G20 Leaders agreed to the target of increasing their collective GDP by 2% between 2013 and 2018 compared to the 2013 forecasts. This did help to boost global growth, compared to a situation where governments took no measures, but other shocks occurred and made interpreting the data a complicated task[37]. Similarly, full compliance with the reiterated commitments to stop engaging in protectionism has not been possible[38]. The round of financial regulation reform initiated after the crisis also revealed the importance of combining action to achieve stability and security for the financial sector, thus ensuring sustainable long-term growth, with support for economic activity.

Working within these limits, the G20 still has many challenges to meet. The challenges to be met in the coming years include providing support for the shift to a digital economy and anticipating the impact of changing technology on financial stability and inequality, strengthening the FATF and promoting greater transparency of beneficial ownership of legal persons and legal arrangements, keeping up the pressure on tax havens, developing rules for all G20 countries to promote fairer competition, particularly with regard to export credits, social standards and environmental requirements, continuing work on climate change (monitoring implementation of the Paris Agreement, designing and linking carbon markets, etc.) and development (monitoring implementation of the 2030 Agenda, multilateral development banks' activities, etc.). These challenges will test the G20's capacity to drive policy. And yet, the G20 is still the only body where the leading countries can coordinate their action, discuss their experiences, share information and analyse problems, decide on and initiate actions that, in most cases, are then taken up by specialised bodies that are better versed in the technical aspects. As such, the G20 plays a role in driving, guiding and coordinating action to improve regulation of globalisation.

Flavien DUPUIS, David NAHOUM

(37) This target was set at the Brisbane Summit in November 2014. It was based on each G20 country developing growth strategies that include a number of structural and macroeconomic measures. International organisations estimate that full implementation of the commitments made by the G20 countries would generate growth of 1.5% in practice, which is less than the 2% target. All else being equal, Global GDP would be 1.5% less today than if these growth strategies had never been implemented.

(38) According to the WTO (*Report on G20 trade measures*, November 2016), of the 1,671 trade-restrictive measures recorded for G20 economies since 2008, only 408 (25%) had been removed by mid-October 2016.

Publisher:
Ministère de l'Économie
et des Finances

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139, rue de Bercy
75575 Paris CEDEX 12

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English translation:
Centre de traduction des
ministères économique
et financier

Layout:
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ISSN 1962-400X
eISSN 2417-9698

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