

## **G20 'fails to drive economic reform': Cato Institute study**

David Uren, The Australian, 12:00AM August 30, 2016

The G20 has failed to stimulate international collaboration on advancing economic reform, with a study finding no relationship between countries signing up to G20 commitments and actually liberalising their economies. The study, by Cato Institute fellow Stephen Kirchner, says global growth is driven by national economic policies rather than by international policy co-ordination. "Most governments are already committed to promoting economic growth, subject to domestic policy constraints that international policy co-operation and co-ordination do little to alleviate," he says.

Ahead of next week's G20 meeting in China, the study draws on work by the University of Toronto, which has tracked how many of the commitments included in communiqués have been implemented since the G20 was established as a leaders' forum in 2008.

Britain has scored the highest, implementing 75 per cent of its commitments, followed by Australia at 65 per cent. Argentina and Saudi Arabia have come last, implementing less than 10 per cent of the commitments they have signed up to. The countries that have implemented most commitments are those with the most liberalised economies, with the advanced nations scoring much better than the G20's emerging nation members. The study measures this with an index of economic liberalisation compiled by US think tank The Heritage Foundation, which scores countries for their budget management, regulatory efficiency, open markets, respect for property rights and freedom from corruption.

The most striking finding in the study is that there is no relationship at all between a country meeting G20 obligations and any change in its ranking on the economic liberalisation index. For example, Indonesia has achieved greater gains in opening its economy than any other G20 nation but is the fourth worst nation in honouring G20 promises.

Britain's top billing in implementing G20 promises has not stopped it from falling further down the Heritage Foundation's index than any other G20 members, apart from the United States and Argentina. Dr Kirchner says this shows international economic and political co-operation is a symptom, not a cause of domestic policies and institutions. "Domestic policies and institutional settings contribute to advancing the G20's agenda, but these settings do not appear to depend on the G20 summit process in a measurable way."

The study says Australia's growth plan, submitted to the 2014 G20 summit in Brisbane, highlights the domestic, rather than international, origins of economic reform. "The proposed strategy was an inventory of longstanding policy commitments otherwise unrelated to the G20 process or the Brisbane summit," Dr Kirchner says. The study says the G20 was a compromise after the G7 group of advanced countries proved unequal to any response to the global financial crisis. Lacking common values or interests, the G20 has struggled for legitimacy when its priority should have been reforming the International Monetary Fund and the World Bank.