Good start to G20 but hard road to deliver results

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The meeting communiqué contained promising initiatives, but driving the reforms required will take a lot of work.

International meetings of finance ministers are largely seen by outsiders as a talk shop.

How did the G20 meeting in Sydney shape-up?

Accepting that the bar in terms of outcomes is low, the report card should read – good start, now make sure you deliver results. The Treasurer feels he has had a win, but the hard road lies ahead.

This was one of four meetings of G20 finance ministers and central bank governors that Australia will chair prior to the Brisbane Summit. The success of Australia's chairing of the G20 will not be judged by this meeting, but from what is achieved over the course of the year, culminating with the November summit.

The Sydney meeting did reflect how Australia is approaching its role as chair: business-like, some streamlining of processes, and a more focused agenda. This is reflected in the relatively short communiqué. A vast improvement from the lengthy, convoluted statements from past meetings. And the fact that events in Ukraine impacted on these meetings was another reminder that the G20 chair should prepare for the unexpected.

Joe Hockey achieved something that has been lacking from many past G20 meetings, and that is getting ministers singing from the same hymn sheet – they all seemed to recognise the same priorities for 2014, namely: lifting growth, boosting infrastructure investment, combating tax evasion and avoidance, and, advancing financial regulation.

Interest prior to the meeting was on an expected clash between emerging markets and the chair of the US Federal Reserve, Janet Yellen, over the tapering of quantitative easing. These meetings are conducted in a cordial manner and "clashes" are rare. But there was progress. The communiqué uses the language of past communiqués, referring to monetary policy settings being "carefully calibrated and clearly communicated". Importantly, it goes on to say "in the context of exchanging information and being mindful of impacts on the global economy." This is a significant advance, even if the US Federal Reserve is not specifically mentioned.

How significant is the target for global growth? Finance ministers cannot readily calibrate the levers of economic policy to increase global growth by

2 per cent over five years. But the discussion over a target has focused minds on the importance of lifting growth and has changed the dynamic away from sterile "growth versus austerity" debates. The G20 had previously failed to deliver a clear growth narrative.

It is one thing to have a target, but there needs to be a plan as to how it will be met. So the reference to countries presenting comprehensive growth plans at the Brisbane Summit is critical.

However, every G20 meeting has included a commitment to increase growth. The Toronto Summit also specified what extra growth and jobs could come from more ambitious policies. Many action plans have been produced, and countries have listed commitments. Yet the overall performance of the global economy has remained weak, with unemployment high. The growth plans presented at the Brisbane Summit have to be more than rhetoric. They will have to contain difficult reforms, and most importantly, countries will have to win the domestic political battles to implement the reforms. Will a target make it more likely difficult reforms will be tackled? Only if countries take the target seriously and it becomes part of their domestic political agenda. Australia still has to put some teeth into this exercise if it wants its G20 presidency to be a success.

On financial regulation, the focus is on "substantially completing" key aspects of core reforms. Financial regulatory reform is a long-term agenda. The implementation timetable runs for many years. It's hoped that ministers heeded the warnings by Axel Weber (UBS), and Gary Cohn (Goldman Sachs), that the current approach may represent over-regulation and is sowing the seeds for the next crisis. Hence in addition to completing some of the design aspects of the reform effort, Australia should also ensure ministers are providing more effective and strategic oversight of international financial regulatory reform. In particular, they should be assessing overall progress towards achieving not only a stable, but also an efficient financial system that supports economic growth.

The meeting reaffirmed the commitment to the automatic exchange of tax information and combating base erosion and profit shifting. The OECD says it is on track in producing the reports and recommendations as outlined in the action plan that had been endorsed by the G20. To have any impact, however, the reforms have to be implemented. This is, of course, the fundamental challenge facing the G20 and Australia's presidency – turning words into action.