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G20: On Behalf of the Rest?

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Abstract

Major developments in the last three decades have set the scene for the rise of novel problems on global scale. The unprecedented level of interdependence and interconnectedness between countries, firms and institutions has paved the way for the emergence of, both, novel practices that increase the quality of life and intriguingly complicated issues of global governance. The relationship between global actors are so intertwined that striving for predictability is barely feasible. In spite of the enhanced capabilities gained through involvement in the economic and financial value creation process, there are perils ahead for better global governance. Major issues pose global actors in terms of credibility, building and ensuring sustainability, erosion of capacity to fulfill promises and increasing fragility of financial markets as well as issues regarding depleting energy resources, environment and security. G-20 emerged as a remedial governance structure in the wake of the 2008 financial turmoil making sure that the prominent dynamic emerging countries are seated around the table. The expansion of G-8 into G-20 including the new global powerhouses has many positive implications. However, ongoing debates regarding this structure oscillate between hope and contestation. This conceptual paper intends to draw a general framework regarding the representative capability of G-20 members and discuss the hybrid quality of this so called steering committee given the era of turbulence that the world is heading towards.

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1. Introduction

The group of 20 has emerged in the wake of a global financial turmoil in 1999 with an attempt to prevent further contamination through utilization of reforms in the institutional landscape. Group of Twenty countries (the G-20), consists of 19 countries—Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States—and the European Union. The Managing Director of the International Monetary Fund (IMF) and the President of the World Bank, along with the chairs of the International Monetary and Financial Committee (IMFC) and the Development Committee (DC), also participate in G-20 meetings of finance ministers and central bank governors ex officio (G20, 2008).

This conceptual paper intends to draw a general framework regarding the representative capability of G-20 members and discuss the hybrid quality of this so called steering committee given the era of turbulence that the world is heading towards. The following part provides a brief history of G20. The next section discusses the functionality of G20 and also presents pros and cons. The final part points the concluding remarks.

2. A Brief History of G20

What once started as an informal meeting of five finance officials in 1973 has grown into a summit with an attempt to tackle the problems of global economic governance (WSJ, 2009). In March 1973, following the devaluation of the dollar finance ministers of the U.K., France, Germany and Japan were invited to meet informally in the White House library. In November 1975, first summit of G5 convened to bring the leaders of these five countries and Italy gathered under the hosting of French President Valery Giscard d'Estaing. G-5 finance ministers followed their routine and continued to meet periodically in secret though Canada had attended a summit in San Juan, Puerto Rico in June 1976.

Table 1. Phases of Development of the G20 (adapted from Hajnal, 2014)

Phase – I	**Phase – II**	**Phase – III**	**Phase – IV**
(Dec.1999 – Oct.2008)	**(Nov.2008 – Oct.2009)**	**(Sept.2009 – Oct.2010)**	**(Nov.2010 – present)**
G-20 finance ministers and central bank governors' meetings. These continue parallel with the leaders' summit after November 2008.	Beginning of G-20 leaders' summit meetings.	At the September 2009 Pittsburgh summit the leaders declared the G-20 to be 'the premier form for their international economic cooperation', placing the G8-G20 relationship into a new framework.	The Seoul summit added development to the agenda, marking the beginning of expansion from the G-20's theretofore strictly economic and financial focuses.

In February 1987, G-5 ministers and central bankers have reached to an consensus on the Plaza Accord, by which depreciation of an overvalued dollar was accomplished. In July 1994, Russia joined political discussions at the G-7 summit in Naples for the first time. Ergo, G-7 had become G-8 by the inclusion of a new member, namely Russia. In May 1998, the G-8 was formally created at a summit in Birmingham-England, notwithstanding the fact that the meetings of G-7 members on financial and economic issues endured. In December 1999, the Group of 20 was created to discuss on the fallout from the Asian and Russian financial crises, and included the G-8 countries and 11 new members of emerging economies, as well as the European Union. The root reason of the emergence of the G-20 could be described as follows:

> The main motivation for launching a new international group was the crisis in emerging economies that had begun in Thailand in mid-1997, and which widened and intensified through the next two years, touching other important Asian economies, before spreading to Russia and Latin America. The birth of the G-20 also reflected the "tectonic" shifts in the global economy over the previous 20 years, shifts that continue today. While it had been possible for major industrial countries to address most global economic problems among themselves—through the G-5 or subsequently the G-7—during the 1970s, and even to a large extent during the 1980s, this had become increasingly difficult by the late 1990s, as the weight of the G-7 countries in the global economy declined, owing largely to the rapid growth of emerging economies, especially those in Asia (G20, 2008).

3. Functionality of the G20

Both the Group of 20 and its elder sister, the Group of 8 was born of crises (Hajnal, 2014). The G-20 brings together systemically important advanced and emerging economies that represent roughly 85 per cent of global GDP and two-thirds of the world's population. (G20, 2008). The G20 was established to serve as a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system to extend the scope of discussions on key economic and financial policy issues between the major contributors of global economy and encourage co-operative actions to accomplish stable and sustainable economic growth (G20, 2008). Kirton (2013) draws a framework of the G20 governance and notes:

The particular course of G20 governance has been driven in the first instance by shocks, initially from finance from 1997 to 2001 and again from 2007 to 2010, from terrorism since 2001, and, finally, from energy and the environment since 2007. These shocks grew in their speed of eruption and contagious spread, their geographic and policy scope, and their scale of impact within sovereign states, up to those at the very top of the relative capability scale. The sources and targets of such increasingly non-state initiated shocks changed, from an emerging Asia in 1997, to a once hegemonic but now highly vulnerable America and Europe by 2007–10. The sequence and shift showed that globalization had transformed the world, socially as well as materially, into a complex, adaptive system characterized by compounding interconnectedness, complexity, and uncertainty.

Nevertheless, the G20 was an emergent phenomenon that aimed to ameliorate the financial scene caused by one of the most severe turbulence burst since 1929 and has proven its credentials as a crisis committee, the road ahead is a knotty one. Cooper (2010) notes that a deeper structural crisis was inherent in the international political system, which eroded the credibility in the pattern of global governance, widened the gap between rule-makers and rule-takers, capacity of the international mechanisms to get things done were trimmed and the array of institutions commonly thought to be necessary to instill an advanced mode of global governance proved to be part of the problem rather than the solution. Meanwhile, the poorly regulated financial institutions and the lack of financial transparency in those economies called for a superior framework of financial rules and regulations ithroughout G7 (Cammack, 2012). It seemed beyond G-7's capacity to cope with a crisis at that magnitude without including the emerging powerhouses around the table. However, main question remains intact. Will the coordination achieved on the stimulus packages spill over to cooperation on other global governance problems?

Table 2. Phases of G20 Governance (adapted from Kirton, 2013)

Phase – I	**Phase – II**	**Phase – III**
The Crisis-Catalyzed Canadian-American Co-creation 1997 – 2001	**The Emerging Countries' Club 2002 – 2007**	**The Core Crisis-Catalyzed Central Summit Club**
During that time the world was struck by three unprecedented sequences of shocks: the Asian-turned-global financial crisis, the 9/11 terrorist attacks and their aftermath, and the financial shocks in Turkey and Argentina. The G20 was formed to cope with these financial shocks and rapidly expanded into a group with an economic, social and security agenda too. However these crises catalysts were transformed into the specific G20 governance result among the many international institutional alternatives available, largely due to two G7 finance ministers, Paul Martin and Lawrence Summers.	Hosting and chairing responsibilities and rights moved to non-G7 members, which became more attached and influential as a consequence and cause. The agenda shifted to these countries' priorities of development and IFI reform. Germany and China became G20 enthusiasts and leaders. The group produced its initial architecture achievement by giving rising powers a larger institutionalized place through an agreement on the first stage of IMF voice and vote reform an achievement that had eluded other forums. This outcome was driven less by new shocks than by the slow response and shortcomings of the G7/8 and other international institutions in accepting as equals the rapidly rising economies.	The third phase of G20 governance saw the G20 rise to the leaders' level to become, in self-proclamation and in practice, the premier forum for its members and thus the world's economic governance as a whole.

Rejectionist emerged in response to the first G20 summit insisting that the leaders fell short of their objectives due to a misdiagnosis of the financial crisis, denial of their own culpability for it and failure to deliver what they had promised at prior ministerials (Kirton, 2013). Supportive references stating either explicitly or implicitly that the G20 should serve as a steering committee became widespread under the post-crisis circumstances (Cooper, 2010). G20 has been deemed as an effective steering committee to deal with the rising issues in multifarious aspects of global governance. Acclamation of the G20 as a steering committee usually refers to the acceptance criteria. The acceptance criteria for the G7 were based eco-political grounds, whereas the acceptance criteria for the G20 depend on the economic weight of the member countries in the global whole (Cooper, 2010). Adaptability appears as an important ingredient regarding the positive interpretations of the G20. Cooper (2010) notes:

The key ingredient in all of these positive interpretations is adaptability. The G7 leaders' summit held some core merit beyond its role as an informal steering group for the world economy. Such advantages hinged on the G7's like-mindedness, connecting in a single club not just 'rich' countries but countries that shared common attributes in political systems and values. In the galvanizing circumstances of the financial/economic crisis, these characteristics were subordinated to other attributes, most prominently size and stake in the economic system. Right of entry into the 'steering committee' was based not on political acceptability but on economic weight.

Table 3. Pros and Cons of the G20 (adapted from Cooper, 2010)

G20	
Pros	***Cons***
The G20 does have both symbolic and instrumental advantages in its 'bridging' function between the established North and the 'rising' powerhouses of the global 'South.'	G20 is as much self-selected forum as the G7/8.
Notwithstanding its elite design, with connotations of 'self-aggrandizement' by a new concert of the powerful, the G20 breaks out of the grip of the G8 and the status quo, and points towards a structure that mirrors the global and regional realities of the twenty- first century.	There is an explicit bias towards big members at the expense of other countries.
At a time of crisis the G20 was able to make a seamless transition from a forum of finance ministers (established in the aftermath of the last major wave of financial shocks during the Asian crisis of the late 1990s) to a summit of leaders. Its wider composition—inclusive of China, India and Brazil as well as other significant countries from the global South—was deemed superior to the composition of the G7/8 for systemic problem solving.	Reforming from the top. The composition of the G20 around the old and new 'bigs' is faulted for its exclusionary principle and practices. A concentrated club of states.

It is undisputable that G20 must demonstrate the capacity to deliver. Patrick (2010) points out that the complaint of past G8 summits seemed to be uneven follow-through on ambitious commitments. The challenge of accountability appears to be even more challenging when it comes to the G20, which has a much shorter track record and includes developing states with fewer resources to ensure national implementation of collective commitments. Indeed, the early indications are not promising. In April 2010, John Kirton, head of the Munk Center for International Studies, estimated that the G8 is meeting approximately 75 percent of its pledges, while the G20 is meeting only 25 percent. Cooper (2010) highlights the fact that the G20 passed the first stress tests in synchronized fashion; however, this provides no guarantee of comprehensive success. On the other hand, Cammack (2012) states that searching for perfection in terms of international institutions is the enemy of finding the good. "If one looks to the G20, as many have, for solutions to the problems besetting the advanced economies, one will inevitably be disappointed. But if one looks instead for the signs of an emerging alternative approach to global economic governance based on the leadership and interests of the emerging economies themselves, a rather different picture emerges." (Cammack, 2012).

4. Concluding Remarks

This conceptual paper intends to draw a general framework regarding the representative capability of G-20 members and discuss the hybrid quality of this so called steering committee given the era of turbulence that the world is heading towards. It is clear that G20 must demonstrate its capacity to deliver the practice of decisions made through summits. Besides, the accountability of G20 appears to be even more challenging for including a few developing states.

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