Final Report

The G20's Role in the Post-Crisis World

Seoul, Republic of Korea

FRIDE
A EUROPEAN THINK TANK FOR GLOBAL ACTION

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SEOUL, REPUBLIC OF KOREA

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1 The views expressed in this report and its policy-briefs do not necessarily reflect the opinion of the aforementioned institutions. If you have any comments or suggestions please contact us at clubmadrid@clubmadrid.org.

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The international economic crisis has accentuated existing deficiencies in the global governance system, accelerating realignments of influence and highlighting the need to work on the design of a system capable of responding to the challenges of the 21 century. The G20's expanded role and renewed vigour could be the engine of a process leading to the establishment of a new, more universal, legitimate and practical global governance system capable of responding to the systemic causes and effects of the crisis.

Through this project, the Club of Madrid and FRIDE have begun to focus on how the crisis will impact on geopolitics, particularly as it affects the reform of the global governance system. The reconfiguration of the latter will become one of the most challenging questions on the international agenda both at the level of policy responses and the provision of good quality predictive analysis. Our two organisations are well positioned to address these issues.

As the world's largest forum of former Presidents and Prime Ministers dedicated to strengthening democratic values and leadership around the world, the Club of Madrid and its more than 70 Members offer current leaders an unequalled body of knowledge and practical political leadership experience on a broad range of governance related issues. FRIDE, on the other hand, a major Madrid-based European think-tank, is actively engaged in influencing policy-making and informing public opinion through its research on democracy, the international system, security and conflict and development cooperation.

While the G20 was designated as the premier forum for international economic cooperation at the Pittsburgh Summit, its stated ambition is to extend its role into wider issues of governance reform and international coordination. It must, therefore, be supported in this process to ensure that it serves as an effective transition mechanism, taking us from the 'informal' to the 'institutionalised' multilateralism required to better address the needs and challenges of the 21st century.

Throughout 2010, the Club of Madrid and FRIDE, with the support of the German Marshall Fund of the US, the Friedrich–Ebert Stiftung and the Korean Institute for Economic Policy, have engaged with the Korean G20 Presidency to analyse the crucial questions to be addressed by the G20 as it tries to fulfil its role as economic crisis fire-fighter whilst simultaneously defining its role in the post crisis world.

In this process eight policy briefs were elaborated and presented in a preparatory workshop held in Seoul on 15-16 July 2010. These policy briefs centred on the role of the G20, the development agenda for the G20 and the reform of the international financial institutions (IFIs). The participation of high level scholars, researchers and policy makers from relevant multilateral institutions helped set the basis for the political discussion that followed in Seoul from 1-2 September and that revolved round four G20-related issues - legitimacy and efficiency; accountability; development agenda and; reform of the international financial institutions. This Conference counted on the participation of 11 Club of Madrid Members and a broad range of representatives from G20 governments and multilateral institutions. Through this exercise, a set of key messages and recommendations, firmly grounded on the practical, political experience of the Club of Madrid Membership, was developed, as reflected in the Executive Summary hereby attached, and personally submitted to the President of the Republic of Korea, Lee Myung-bak, for his consideration in shaping the agenda for the November G20 Summit in Seoul.

The world will not be the same after the current economic and systemic crisis. Neither will the G20. The Korean Presidency will thus play a crucial role in this process and we wish it great success for the good of global welfare.

Wim Kok
President
Club of Madrid

Pedro Solbes
President of the Executive Committee
FRIDE

Executive Summary

Executive Summary

The November G20 Summit, chaired by the Republic of Korea, will be the first one overseen by a non-G8 country. This represents a unique opportunity to enhance this leadership forum's effectiveness and credibility and to broaden the confidence and momentum that the Korean Presidency has already generated and that needs to be maintained.

The Korean Presidency should be ambitious but also pragmatic. The G20 must first show it can deliver on existing commitments. It is in delivering that the G20 will ensure its legitimacy. The Korean Presidency needs to strike a delicate balance: it must encourage the G20 to begin thinking and acting long-term, beyond the exigencies of crisis management; but also make sure that such strategic foresight does not divert efforts from short-term imperatives. The Toronto summit was billed as a 'post-crisis' meeting but was forced to narrow its focus to questions of fiscal retrenchment. Barring further instability and crisis, Seoul will provide an opportunity for the G20 finally to deliberate on its role beyond reactive crisis fire-fighter.

We welcome the Korean Presidency's initiative to include development in the agenda. There is a case for adding some new items to the agenda; but this should be done in a way that facilitates progress on economic cooperation and governance issues and not distract from them.

Even an eventual slow down in global economic recovery should not shake the political resolve of G20 leaders in the compliance of commitments and the pursuit of their agenda.

Against this background the following recommendations were put forward for the Seoul Summit and the G20 in the years to come:

Legitimacy and Efficiency:

Recommendation 1: Reinforce the G20's role in global economic governance in the post-crisis world.

Recommendation 2: Frame the agenda and institutionalise the relationship with relevant multilateral organizations and actors in order to avoid duplication of mandates and foster complementarities.

Recommendation 3: Focus on its current agenda and deliver on its commitments in order to ensure legitimacy.

Recommendation 4: Ensure the G20s efficiency by maintaining a manageable size, a valuable process, a workable agenda, and adequate cost management.

Reform of Quotas at International Financial Institutions:

Recommendation 5: Grant greater voting power to emerging economies and developing countries in the IFIs by ending the US veto right and Europe's overrepresentation.

Recommendation 6: Consider the reform the IMF quota formula by including other relevant indicators. To date, around 80% of this formula is based on GDP. Other elements such as population and reserves could also be considered.

Recommendation 7: Implement the decision to select the President of the World Bank and the Managing Director of the IMF on the basis of merit and regional representation.

Recommendation 8: Address future international financial challenges, such as, international monetary reform and the need for a global financial safety net.

Accountability Mechanisms:

Recommendation 9: Define the role of the G20 as the premier leadership forum that can provide political guidance on issues of concern for economic cooperation and governance.

Recommendation 10: Strengthen the accountability of the G20 through the application of results measurement, commitment monitoring and mutual assessments.

Recommendation 11: Foster transparency to enhance people's ability to trust the quality of its decision-making.

Recommendation 12: Define and establish an outreach strategy that allows for two-way accountability with relevant institutions and non G20 countries.

Development priorities for a G-20 Agenda:

Recommendation 13: Enhance national capacities and create an enabling international environment for the development of sustainable global growth and wellbeing. The experience of the Republic of Korea can serve as an inspiring reference for developing countries.

Recommendation 14: Promote green and inclusive economic growth, employment creation and investment in human capital, all principles that apply to global efforts for development, including within G20 Members.

Recommendation 15: Take a more determined and creative stance on global free trade. This is an opportunity for the G20 to take concrete steps to conclude the Doha Round and fulfil the commitments of the Doha Development Agenda.

Recommendation 16: Address the existing contradiction between freedom in capital movements and the still significant barriers in the movement of labour in order to avoid asymmetric globalization.

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Introduction

The November G20 Summit will be the first one chaired by a non-G8 country –a unique opportunity to enhance the body's credibility and broaden its appeal.

The Korean government has been bold yet meticulous in its preparations for what is bound to be one of this year's most significant gatherings and deliberations by world leaders on the challenges raised by the world economic crisis. Korea will now have to pilot these deliberations and strike a delicate balance. It must encourage G20 leaders to think and, most importantly, to show they are acting long-term, beyond the exigencies of crisis management, while ensuring that such strategic foresight does not divert efforts from the short-term imperatives and delivery of commitments to date.

The Toronto summit was billed as a 'post-crisis' G20 meeting but it was forced to narrow its focus to questions of fiscal retrenchment. Barring further instability and crisis, Seoul will provide an opportunity for the G20 to finally address the issue of its role beyond that of reactive crisis fire-fighter and act on it.

This being said, care should be taken not to add new issues to the G20 agenda in a way that may reduce pressure to implement existing core promises. There is a case for adding some new issues to the agenda but this should be done in a way that relates specifically to the G20's primary business. New issues should facilitate progress on economic governance issues, not distract from them.

Against this background, we put forward the following ideas for shaping the Seoul summit agenda:

I. Legitimacy and Efficiency

Recommendation 1: Reinforce the G20's role in global economic governance in the post-crisis world.

This question goes to the heart of the G20 and raises concerns about whether the ad hoc grouping would be able to assume a coherent leadership role as a multilateral body for global governance while, at the same time, ensuring and enhancing the necessary legitimacy and efficiency. Although the G20 adds up around 85% of the global GDP its members are only twenty.

This clear lack of global representation means that its legitimacy should be found not through different equations seeking evasive schemes of just representation, but rather through its efficiency in addressing multilateral challenges it has committed to tackle. The capacity and momentum of a G20 agenda will largely depend on the ability of G20 Presidencies to engage and attract other G20 leaders and the population at large to its causes.

Within the heated debate that revolves round the G20, there are some arguments which consider that there is no need for a G20. According to these, by its nature of one country – one vote the UN General Assembly is the best body to decide upon global affairs , and, the International Monetary Fund and the World Bank could also have been bestowed with the responsibility of identifying the best responses to the financial crisis.

However, one must not forget that the G20 is an informal coordinating body without binding mandates or obligations. It is precisely because of this informal nature that the G20 is uniquely positioned to coordinate and respond in a rapid manner to emerging global challenges. It has demonstrated a capacity to bring leaders together and, unlike many other international forums, create a focal point of understanding, policy deliberation and authority to take decisions.

For many, one of the assets of the G20 is precisely its informal nature, so distant from the one country – one vote system that many of the participants in this initiative perceived as too glacial and rigid to respond to 21st century challenges. Once clearly defined, the role of the G20 needs to be unmistakably communicated and shared with the citizens to ensure there is an accurate understanding of this role and particularly of how this informal leadership body can help improve global welfare around the globe.

In fulfilling this role, it was suggested that the G20 could establish a steering committee or group of experienced former leaders with the necessary knowledge, political experience and expertise to be able to advice G20 leaders on rapid response mechanism and policies. All this, combined with a transparent decision making process can help enhance the legitimacy to the G20.

"Structure is never a solution for strategy, and strategy is the responsibility of leaders",

Jennifer Mary Shipley
Former Prime Minister of NewZealand.
Member of the Club of Madrid

In this regard, and taking into account the commitments taken to date by the

G20 in the Summits held under the current crisis (Washington, London, Pittsburgh, Toronto), and its track record, it is essential for the G20 to fulfil all its commitments regarding financial and monetary reforms in response to the crisis.

"Efficiency is crucial in justifying the existence of the G20. It is through its efficiency in responding to our global challenges that the G20 can ensure legitimacy"

Philip Dimitrov
Former Prime Minister of Bulgaria.
Member of the Club of Madrid

<u>Recommendation 2</u>: *Frame the agenda and institutionalise the relationship with relevant multilateral organisations and actors in order to avoid duplication of mandates and foster complementarities.*

Today's challenges – political, environmental, social or economic – are interconnected and they should be addressed through a coherent and multilateral approach avoiding segmentations. This calls for a broader G20 agenda that should contemplate interdependent issues such as development and climate change. Consequently, this means that cooperation with the broader multilateral family of organizations, with the official mandates, the knowhow and expertise, is essential. Here again, the role of the G20 providing consensus and guidance could be very useful.

This kind of approach would entail the regularisation of the relationship with various international organizations, starting with the United Nations. This can be done in various ways but it was suggested that one of the most productive means could be to regularly invite the Secretary General of the United Nations as observer to G20 Summits and establish customary reporting by G20 Presidency representatives to relevant UN agencies, including ECOSOC, and regional bodies.

"Financial globalisation has been very messy"

César Gaviria
Former President of Colombia.
Vice-president of the Club of Madrid

The concept of constituencies was also strongly proposed by participants as a mechanism to increase legitimacy, efficiency and accountability. Regional constituencies could more easily facilitate the articulation of regional interests by G20 member states as opposed to the exclusive pursuit of their own national interests. In this regard, Mexico, Argentina and Brazil could, for example, convoke a regional gathering prior to the Summits to ensure the three are properly briefed on the concerns of the region as a whole. The same would be applicable for G20 member States in other regions. This methodology would broaden the concept of responsibility of G20 member States drawing it away from the satisfaction of national interests to the responsibility of G20 member states to promote global welfare. The concept of constituencies does not need to be limited to sovereign states but could be extended to include regional multilateral agencies such as regional development banks and economic and social commissions.

The strengthening of regional constituencies could also serve to pave the way for greater learning through comparative case studies of crisis solving between countries and especially between regions.

<u>Recommendation 3:</u> Focus on its current agenda and deliver on its commitments in order to ensure legitimacy.

The G20 will find a way to perpetuate itself beyond its crisis fire-fighter role, but it will only do so if it fulfils its commitments. This makes it all the more necessary for the G20 to remain focused on its current agenda and deliver on its commitments to date. Ineffectiveness must be avoided as it would position the G20 in an unhealthy competition with all other forms of economic governance, as an under-delivering G20 would be ineffective and useless for all nations. In order to achieve this, the G20 should frame the best possible agenda and, as mentioned above, use its moral authority to regularize the relationship with other multilateral bodies and global society sectors

"Accountability is being able to measure the capacity to deliver by each of those countries"

Ricardo Lagos
Former President of Chile.
Member of the Club of Madrid

In other words, before embarking on new commitments it must first fulfill those it has already assumed, especially regarding the reform of the IFIs and the successful conclusion of the Doha Round. The latter will be a real test of the political muscle of the G20.

"We have to find a more balanced position from which we can continue to maintain the G20 as a useful instrument to provide political impulse…while recognizing that the G20 cannot cover everything. It must clearly decide to be efficient in those aspects on which we can pay more attention"

Pedro Solbes
President of the Executive Committee of FRIDE. Former Vice-president and Minister of Economy and Finance of Spain

<u>Recommendation 4</u>*: Ensure the G20's efficiency by maintaining a manageable size of membership, a valuable process, a workable agenda, and adequate cost management.*

The G20 has the added value of being a leaders' forum with the ability to take rapid decisions and engage in concrete discussions through intimate dialogue, informality and familiarity. In this sense, it is important to have the practicalities that make a forum like this actually work very clear. Some participants raised the importance of having a manageable size of membership as this affects the ability to have deep conversations as well as the costs of all activities. This is a reason why representatives of multilateral institutions would be best invited as observers and why other forms of discussion such as regional constituencies are proposed to ensure more voices are heard in the G20 decision making process.

Additionally, the G20 needs to have a manageable, working and focused agenda. This is critical to maintain the engagement and interest of G20 leaders and citizens at large. Bearing in mind that political leaders are often more worried about domestic rather than international matters, it was advised by many that the G20 should consider the possibility of establishing a form of managerial and organizational support. To date the managerial aspects of the G20 have been developed through a troika system whereby the three consecutive G20 Presidencies have coordinated their programmes and activities but this is a system that can easily lead to discontinuity and inefficiency.

The idea of a Secretariat sparked much debate. In this regard, the views of the participants can be divided in two main lines, informality vs. formality. Those who advocate for informal mechanisms believe that a Secretariat could represent further risks to the G20 by high jacking agendas and further clouding the decision making process. On the other hand, those who advocate for formal mechanisms believe that a Secretariat would help forge a sense of identity, respond to day to day matters, facilitate follow-up on the fulfilment of commitments, and provide substantive, technical support. Either way there was a solid consensus that called for the implementation of internal G20 report cards to follow-up on the fulfilment of commitments by each G20 member state. This was considered essential for all purposes of accountability.

As a result, a convenient option could be to establish smaller support units for concrete areas of policy cooperation rather than focusing excessively on the Secretariat. This option is best reflected in the alternative “transformer” formula which would combine two parts converging in a single body, working together and effectively. Continuing what has been done up to now, troika management would deal with agenda setting and communications between G20 governments whilst a small Secretariat could deal with archive keeping, commitment fulfilment and assessment.

It was also highlighted that the G20 Presidency should be very cautious about cost management and that the price of Summits should also be contained avoiding extravagant and unnecessary costs that go beyond the working agenda of the Summits.

“The G20 does not have to have every voice there, but every voice needs to be heard in some way along the process”,

Kim Campbell
Former Prime Minister of Canada.
Member of the Club of Madrid

II. Reform of quotas at international financial institutions

<u>Recommendation 5</u>: *Grant greater voting power to emerging economies and developing countries in the IFIs by ending the US veto right and Europe’s overrepresentation.*

The IMF and the World Bank must be made more legitimate, effective, and accountable, and this must be done by granting a greater voice to the developing world. This lack of representation is at the root of their lack of responsiveness. Accordingly, the existing economic governance structure limits the effectiveness of the IFIs, as they do not adequately respond to the needs of developing countries. Priorities in the IFIs are set by boards in which developed countries are overrepresented, causing a serious problem of accountability.

In order to properly address this issue and give more power to developing countries, the US veto and Europe’s overrepresentation at the IMF must be unequivocally addressed. Currently the US has the 15% of voting power and the majority rule was established at 85%. Reducing this majority rule to 70% or 75% could resolve this problem facilitating a more responsive decision-making process. Europe is overrepresented within the Bretton Woods institutions and with the current crisis some EU countries have actually become IMF borrowers, as is the case of Greece. This might be seen as illegitimate and may lead to problems in the future.

“The balance of economic powers has changed; the distribution of financial capacities, savings and reserves is no longer what it used to be”

Lionel Jospin
Former Prime Minister of France.
Member of the Club of Madrid

<u>Recommendation 6</u>: *Consider the reform of the IMF quota formula by including other relevant indicators.*

The current formula privileges Gross Domestic Product, which accounts for approximately 80% of the total formula. In this sense, some of the participants suggested the introduction of new elements in the determination of these quotas, elements such as population, reserves and money. These proposals whilst helping address the under-representation of Asia do not really deal with the underrepresentation for Africa. Therefore more creative formulas are still encouraged.

<u>Recommendation 7</u>: *Implement the decision to select the President of the World Bank and the Managing Director of the IMF on the basis of merit and regional representation.*

Although this issue has already been raised in previous G20 Summits, it is an important one to emphasize in order to ensure efforts in this direction continue. There is criticism around the current system in which the IMF Managing Director is European and the World Bank President is American.

In this sense, and aiming for a better global representation, it is necessary to choose both the Heads, and all staff, on the basis of merit and contemplate regional criteria.

<u>Recommendation 8</u>: *Address future international financial challenges, such as international monetary reform and the need of a global safety net.*

Once the crisis has been overcome, the G20 should tackle critical matters which some participants defined as the "black holes" of the system, such as the excessive volatility of energy and commodity prices, the control of hedge funds, fiscal paradises and speculation due to the instability of exchange rates. The French G20 presidency will take up some of these issue in its agenda, although proposals regarding the stability and equity of the global monetary system have already been presented by the Chinese government and the UN "Stiglitz Commission".

Regarding the reform of the IFIs some scholars believe that a significant reform of the existing IMF Council would be enough. Others think that it is necessary to transform the IMF Council into a new International Monetary and Financial Board, with broader decision-making powers, for instance, in the selection of the Managing Director and strategic aspects of global surveillance. In any case, the idea of a broader council covering all international financial institutions remains on the table. The G20 should indicate which kind of global economic coordination council it prefers, taking into account the stability and equity of the system that is sought.

As a result of the experience of the 2007 crisis, a number of Asian economies have to date accumulated vast amounts of trade surpluses, which means foreign reserves but also global imbalances that have helped them to overcome the crisis. Based on this experience and the sovereign debts accumulated by many to rescue banks in difficulties, some participants suggested the convenience of developing mechanisms to reduce vulnerabilities during future systemic crises. In past summits, such as Toronto, the G20 recognized the need of increasing regional and international efforts in this sense and asked finance ministers and central bank governors to consider this issue in greater depth. In Seoul a more defined stance on this matter is expected through the proposal on 'global safety nets' which will simultaneously require the still lagging reform of IMF's. The G20 should seriously consider this issue, as the creation of a 'global safety net' mechanism would increase protection against future financial crises and help reduce global imbalances as developing countries would no longer be tempted to accumulate foreign reserves.

Likewise, the matter of emergency financing and the recapitalization of regional development banks came late to the agenda, so most of them were neither ready nor useful during the crisis. The G20 should seriously rethink about new mechanisms that could result in almost automatic recapitalization of the regional development banks in order to increase their response capacity.

III. Accountability Mechanisms

<u>Recommendation 9:</u> *Define the role of the G20 as the premier leadership forum that can provide political guidance on issues of concern for economic cooperation and governance.*

The G20 should serve as a leadership forum for the development of strategies that will capture the imaginations of world leaders and citizens. In this sense, G20 members should consider communicating to non-G20 members that the process, which should be transparent in order to not to undermine G20's credibility, will respect national sovereignty while requiring their collaboration and engagement.

There are a number of international institutions that could help with global governance, but at the same time, some of them have certain deficits of political leadership. For this reason, the G20 should define its role as a soft power institution, providing political guidance on issues of concern for global governance, in order to strengthen global economic architecture and enabling an atmosphere for global development. However, it must be noted that some matters are quite complex, often inter-disciplinary and technical in nature. The G20 would require the proficient advice of existing relevant multilateral institutions. That specific support can be an asset for G20 leaders as they look for continuity and accountability in the G20 deliberative process.

<u>Recommendation 10:</u> *Strengthen the accountability of the G20 through the application of results measurement, commitment monitoring and mutual assessments.*

In the case of the G20, accountability refers to credibility. Some Club of Madrid members underlined the need of making sure that the G20's commitments are accountable in order to increase the relevance of its decisions. In other words, the G20 has to demonstrate that it is willing to be accountable.

It is important to differentiate between short term and long term decisions. Regarding short term commitments, it is important to say that the G20 is the best body to deal with, for instance, the reform of the multilateral institutions. First, the G20 must deliver on short term commitments, and then create an internal or autonomous body in order to observe how many G20 members really stick to these commitments. On the other hand, long term commitments are much more critical, not only because of their importance but also because of the difficulty to reach consensus. By definition, these kinds of commitments require considerable legwork and probably a number of G20 summits to agree on terms and conditions, all of which could take several months, even years.

Equally important is the need of securing accountability vis-à-vis non G20 members, preferably through constituencies as already discussed above.

Recommendation 11: Foster transparency to enhance people's ability to have faith in the quality of the decision-making.

The more citizens are aware of the role of the G20 and its decision making process the more momentum the G20 will be able to carry.

Recommendation 12: Define and establish an outreach strategy that allows for two-way accountability with relevant institutions and non G20 countries.

As the debate with the G20 Secretariat, this discussion revolved around formality and informality. First, formal constituencies in which the G20 Presidency would establish a plan whereby it would reach out to all regional groups to ensure that their concerns and perspectives are taken into account. This would allow for wider input to be included in the deliberation process.

"I believe the G20 must see itself as the bridge between the original G8 group and the rest of the world which tends to be voiceless"

John Kufuor
Former President of Ghana.
Member of the Club of Madrid

On the other hand, regarding the relationship between the G8 and the G20, most believed they will both coexist for the short to mid-term , but that eventually the G20 should prevail if all its commitments are handled successfully. Although the G8 and the G20 have overlapping agendas, the G20 is a more representative body than the G8, not only because its members represent approximately 85% of the global GDP but, also because some of its members have fresh experiences of the challenges faced by developing countries. In this respect, some interesting options were raised during the discussion: non G8 members among G20 members could be invited to G8 meetings as special guests to ensure constructive and beneficial information sharing and exchanges; Sherpa meetings between the G8 and the G20; and third, the standardization of accountability mechanisms between the G8 and the G20.

"Is the G20 the ideal? No, it will never be, but it is a lot better than the G8 because we have developing countries that understand what it was like to be a poor country"

Jorge Quiroga
Former President of Bolivia.
Member of the Club of Madrid

IV: Development Priorities For A G20 Agenda

Recommendation 13: *Enhance national capacities and create an enabling international environment for the development of sustainable global growth and wellbeing.*

The Republic of Korea, as the first non G8 country to lead the G20, has taken the initiative to include "development" as a new item in the agenda for the next G20 summit to be held in Seoul in November. The context here is very important. Korea has experienced significant development and economic growth during the last decades and this allows it to bridge the divide between G20 and non G20 countries and even within the latter for the challenge of poverty reduction stretches within and beyond the national boundaries of G20 members. In addition, this role could serve as a linkage building mechanism between traditional and new emerging donors, creating a dialogue distinctly different from the typical one of north-south that characterizes many development discussions.

Taking all this into account, the actions or inactions of the G20 can be determining in the creation of an 'enabling environment' for human development progress understood as global welfare that is not limited to national ends. The crux of the matter is how the G20 should address development in order to ensure the development agenda is not weakened or fragmented but strengthened by a re-enforced momentum to existing development principals, even if there were to be a slowdown in global economic recovery.

"There cannot be global economic stability while a few islands of wealth are surrounded by poverty"

Joaquim Chissano
Former President of Mozambique.
Member of the Club of Madrid

Recommendation 14: *Promote green and inclusive economic growth, employment creation and investment in human capital, all principles that apply to global efforts for development, including within G20 Members.*

The G20 should encourage development through green and inclusive economic growth in order to make a significant complementary contribution to the attainment of the Millennium Development Goals and poverty reduction. Undoubtedly, the Korean experience is an important reference. Several decades ago, the Korean Government set up a number of pragmatic reforms which led the country in a strong path of economic development. In other words, its efficient management of investments in human capital, domestic resource mobilization, domestic governance and the development of a powerful industry oriented towards exports, made the country able to compete in the Globalization era.

Matters like economic growth, wealth creation or investment in human capital are principles that apply to global efforts in development, including, of course, in the economies of G20 members. Consequently, the G20 must have a very clear and focused agenda that should reinforce existing concerns such as local ownership, good governance, reduced fragmentation, South-South trade, policy coherence and the rising importance of the private sector.

Regarding aid fragmentation, changes and power shifts in the realm of international relations have led to the emergence of some new donors amongst G20 countries that are acting as free-riders in the development assistance framework. The incorporation of these countries to the Development Assistance Committee (DAC) guidelines, or even the creation of new more appropriate guidelines, should be done through the adoption of a standardized aid architecture and globally accepted norms.

On the other hand, local ownership is crucial. Some Club of Madrid members highlighted the convenience of consulting developing countries about their needs and priorities, so that the necessary and correct decisions may be taken.

Equally important is private investment, given that it helps the informal economy to become formalized and encourage the growth of small and medium enterprises (SME) thus playing a very important role in restoring global aggregate demand, along with greater consumption in emerging markets. In this sense, the G20 must contribute to an infrastructure development agenda strengthening the role of private sector markets for economic growth.

<u>Recommendation 15:</u> *Take a more determined and creative stance on global free trade.*

The failure of the G20 to fulfill its promises on the Doha development round has done much to undermine its credibility. Even the various 'standstill' promises not to erect new barriers to trade have only been partially respected.

The year 2011 represents a window of opportunity in which relatively few big elections in key G20 member states fall due. This opportunity must be seized before any agreement on Doha becomes a rapidly diminishing prospect. The G20, to put it in another way, cannot afford a new devising of the agenda whenever there is an election in a major country. Therefore, it must seize this unique opportunity for the sake of its own credibility.

A way forward could be for the G20 to focus discussion on core problem areas; to engage with business groups on such issues; to assess the impact of the huge and fast-rising number of bilateral free trade agreements; and to explore how trade-off linkages might be made between the trade agenda and other issues of economic governance under the G20's purview.

<u>Recommendation 16:</u> *Address the existing contradiction between freedom in capital movements and the still significant barriers in the movement of labour in order to avoid asymmetric globalization.*

The integration of the global economy requires the attention of the G20. Benefits from globalization such as cross-border trade or remittances, opposed to restrictive migration policies, reflect the existing contradiction between free capital movements and labor barriers.

Policy Briefs

The G20: Panacea or window-dressing?

By Giovanni Grevi
Senior Researcher at FRIDE.

The short answer to this question is: neither. Much ink has been spilled over the last two years on the role and potential of the Group of 20 leading economies meeting at leaders' level. Since its launch, the relative success of the G20 in fighting the global financial crisis and averting a long economic recession has grabbed the headlines. Unregulated markets and reckless national policies had created unsustainable imbalances that sparked the crisis, but a new summit prototype had been designed; able to trigger collective action, coordinate stimulus packages and regulate finance. The G20 has indeed proven to be an effective crisis-management mechanism.

One year after its launch, as danger of a global financial meltdown receded and economic recovery picked up notably in emerging markets, the G20 boldly established itself at the 2009 Pittsburgh summit as the 'premier forum for our international economic cooperation'. This self-appointment simultaneously raised expectations and scepticism regarding the ability of the new format to achieve the tall order it had set for itself. After the Toronto summit of June 2010, the expectations-reservations gap has narrowed: the former have fallen and the latter have risen. The modest Summit Declaration has been treated as evidence that it is not the G20, but its main stakeholders, that make the difference. In other words, a crisis response committee is not necessarily fit to steer the course of global economic governance.

In fact, it would be inaccurate to portray the G20 as the panacea of deep-rooted structural problems; just as it would be ill-advised to dismiss it as a window-dressing exercise. A balanced assessment of the role of the G20 requires a distancing from summit meetings and setting the new format in the broader, evolving framework of global governance – the collective management of common problems.

The international system: A moving target

Far-reaching change in the international system requires the adaptation and innovation of global governance frameworks. Two fundamental trends are driving change, namely power shifts and existential interdependence. First, power is shifting away from the West to the rest of the world – notably the East – as well as spreading to a range of non-state actors including business, civil society and epistemic communities. In a more heterogeneous system, where old and new power centres assert diverse world views, norms are often contested. A deficit of authority and responsibility looms ahead in setting the international agenda and the priorities therein.

Second, deepening interdependence is generating a new set of interconnected challenges. The emergence of economic powerhouses including China, India and Brazil has altered trade and investment patterns and contributed to global economic growth, but it has also aggravated the imbalances between deficit and surplus countries. Interdependence goes well beyond the economic dimension to encompass energy, environmental and resource issues. The struggle for resources and the impact of climate change compound security challenges such as state fragility, organised crime and nuclear proliferation. In short, the interconnection of transnational risks is a core feature of contemporary interdependence, which threatens the security and prosperity of large countries and of the international community alike.

The conjunction of these two momentous trends on a global scale has triggered the transition towards a new configuration of the international system. The emerging international system can correctly be defined as multipolar, as a growing number of states are acquiring major power assets. However the definition is partial, given that nothing is said about the nature of relations between these countries. There is some evidence that the ongoing transition will lead to an interpolar system, where deepening interdependence shapes multipolarity in unprecedented ways. Under such a configuration, major powers may compete and differ on a range of issues, but do not regard their strategic interests as fundamentally different to those of others. Instead, they accept the imperative of cooperation in preserving global public goods and global commons, as well as in responding to transnational asymmetric threats.

Global governance: Work in progress

An interpolar system engenders demand for the collective management of common problems. Global governance has entered a stage of incremental adaptation to a changing international agenda and balance of power. Effectiveness and legitimacy are the two terms of the new equation that global governance reform needs to resolve. In a world of interconnected risks, segmented institutions will not suffice. In a system where the growing power of emerging countries amplifies their influence, frameworks where they are not adequately represented will lose relevance.

However, agreement on the process and substance of international cooperation is increasingly hard to achieve and is likely to remain so for the foreseeable future. First, in a post-hegemonic world, no individual country or coalition is in a position to lead the reform of the multilateral architecture and for it to embody their values and interests, as was largely the case for the US and its Western allies after World War II. Instead, it will be a matter of permanent compromise between countries with different historical experiences, levels of socio-economic development and internal political systems.

Second, domestic politics impose growing constraints on multilateral negotiations. Advanced and emerging economies alike are turning inwards as they deal with the impact of the financial and economic crisis or focus on sustaining high rates of economic growth and poverty reduction. Limited progress in adopting relevant legislation at the national level – for example on reducing CO_2 emissions – narrows the scope for compromise at the multilateral level.

Third, most powers vocally uphold, to a greater or lesser extent, the principles of sovereignty and of non-interference in domestic affairs. They are reluctant to delegate powers to multilateral institutions, take a selective approach to cooperative frameworks and favour the loose coordination of national policies over the adoption of common binding rules.

Under these circumstances, the reform of global governance frameworks is more likely to proceed by means of small steps, including a reasonable amount of trial and error, than by grand deals or designs. At the same time, the need for effective management of common challenges is perhaps greater than ever. It is therefore essential that progress to strengthen the multilateral order consistently pursues intersecting methods for effective cooperation. These include trust and confidence-building among leaders and officials; promoting awareness of the common challenges and a shared diagnosis of the priorities in addressing them; knowledge-based decision making grounded on improved data collection and information exchange; and stronger monitoring and verification of national measures applying common rules or guidelines.

The G20: Charting a new path

The G20 is an eminent example of the efforts to adjust cooperative frameworks to fit a new global context and deliver results. It responds to the pragmatic approach of the current US administration and other major actors to set up different formats to bring together those countries that matter in the solution of distinctive challenges, from nuclear security to climate change. In the face of the clear and present danger of global financial meltdown, gathering the countries representing over 85 per cent of global GDP, 75 per cent of global trade and 66 per cent of global population made sense and, up to a point, worked.

The broader point is that, if the G20 and other instances of 'informal minilateralism' constitute part of the answer to the challenges of interdependence, they can hardly provide lasting solutions on their own. Instead, they should be regarded as a new, major component of the larger multilateral system. This is a matter of both legitimacy and effectiveness. Even a grouping as large as the G20 is unlikely to win the allegiance of the G172 of outsiders, including some pivotal regional players. Additionally, the G20 is already exhibiting the serious limitations that have undermined the performance of other informal groupings in the past, including the G7/8. It cannot take binding decisions and it has no tools to ensure the implementation of its recommendations.

In short, the G20 cannot aspire to take the driving seat of global economic governance and even less so of other critical domains of collective action, such as development or climate change. The vocation of the G20 is not to sideline traditional multilateral institutions such as the UN, its agencies and the international financial institutions, but rather to complement their work. Informal groupings of leading countries can bring considerable added value to multilateral undertakings as lynchpins of collective action, pathfinders of new policy options and engines of reform in broader multilateral frameworks.

As noted above, the Toronto summit has helped to check excessive expectations of the G20's ability to overcome deep-seated political divides. The members of the club have agreed to paper over their differences on the merits of 'growth-friendly plans to deliver fiscal sustainability'. However, summit dynamics have failed to engender a significant convergence of national positions on the issue of the day – how to sustain fragile growth without wrecking public finances. With a view to the forthcoming summits in South Korea and France, such a standstill can be converted into an opportunity to better link the G20 to other dimensions of global governance and of reform therein, while drawing on its comparative advantages.

In an interpolar world, the strategic objectives of major powers – among others, sustaining growth, benefiting from globalisation, mitigating climate change, enhancing energy security but also promoting development and improving global health – do not essentially diverge, although their tactics occasionally clash. Pursuing these goals cannot be realistically framed as a zero-sum game. Cooperation is a critical condition for success, and the engagement of major powers is a key factor, albeit not the only one, to make or break cooperation. There lies the unique contribution of the G20 and of other informal clubs. In charting new paths for multilateral cooperation, an indicative 'code of conduct' for these informal groupings can be sketched out, including six main guidelines:

- Establish a two-way street outreach process to broader constituencies of countries and to cooperative frameworks;
- Develop structural links with existing multilateral institutions and, where relevant, consistently support their reform;
- In setting the summit agenda and during implementation, focus on the links between connected issues so as to rationalise global governance mechanisms and enhance systemic coherence without encroaching upon the competences of others;
- Perform as a knowledge-leader and a policy venture-capitalist: command authority through the quality of your statements, grounded on the best data and on inter-institutional reports addressing complex risks;
- Engage non-state actors on a regular basis, in particular networks of expertise and public-private partnerships. Where possible, unlock resources to support them and foster their structural links with multilateral institutions;
- Strengthen the process underpinning summit meetings. Build the capacity to manage more information and a larger agenda, as well as multiple linkages with other bodies and the structured coordination of members of the club. Instead of setting up a permanent secretariat, the creation of small support units embedded in existing international bodies to oversee separate initiatives could be a viable option.

Conclusion

Global governance is approaching a critical juncture. As the international agenda is growing more complex and demanding; the resources of multilateral bodies are dwindling and the redistribution of power engenders competing narratives on respective priorities and responsibilities. And yet, the launch of the G20 and the proliferation of other informal groupings and coalitions prove that all key stakeholders accept the imperative of cooperation to manage risks and anticipate crises. Power shifts and interdependence are arguably shaping an interpolar system.

In this new context, there is no quick fix for global governance. Cooperation is – and will remain for the foreseeable future – a question of 'learning by doing'. The overarching purpose, however, should be to build mutual trust, bring more coherence to what has been defined as 'messy' multilateralism and harness the political capital and resources of major powers while doing so. The G20 has a major role to play to this end. It is neither a panacea nor a mere window-dressing exercise. If its members invest the necessary political will, it can become the lynchpin of collective action on global economic issues and related matters, in structured cooperation with multilateral bodies and networks of non-state actors. Innovation will lie at the interface between these different dimensions of global governance rather than in the isolated reform of any one of them.

The G20 and broader multilateral reform

By John Kirton
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The Group of 20 (G20), at the level both of finance ministers and of leaders, is but one of several international institutions that have arisen to govern the 21st-century world. Its task is not to compete with established multilateral organisations, or to rival or replace the newer informal, plurilateral bodies that have emerged. Rather, it is to cooperate with such institutions to govern an interconnected, complex, uncertain world.

In these tasks, the G20 has performed best in its relationship with the old Group of Eight (G8) major market democracies. The G8 is a body that has served as the parent of, model for and ongoing source of leadership within the G20. The G20 has also done well in forging a working relationship with a growing array of functional organisations to help analytically support and implement the decisions it has made. It has, however, been less successful in reforming those organisations, above all the international financial institutions (IFIs) that have been central to the G20's core mission of providing financial stability and restoring broadly shared recovery when global financial crises erupt. In addition, the G20 is still struggling to forge an adequate relationship with the United Nations, let alone reform that body to meet the needs of the new age.

The G8–G20 relationship

There continue to be the assumption and argument among some analysts that the new G20 will – or at least should – replace the old G8, due to the former's inbuilt advantages of representativeness, diversity, concerted power and the legitimacy and effectiveness that presumably flow from these. However, the two bodies are far more likely to coexist and cooperate for many years to come. The G20 is a creation and extension of the G8, having been established formally by the G7 finance ministers and G7 Summit in 1999. The two have followed a similar institutional trajectory, starting at the level of finance ministers and leaping to the leadership level in response to the global crisis. Both have reached out to embrace additional participants, with the G20 adding Spain and the Netherlands as ongoing participants when G20 summitry began in 2008 and inviting other countries on an ad hoc basis to increase the global representativeness of the forum.

Moreover, G8 members served as host and chair of the first three G20 finance ministerial meetings from 1999 to 2001, and hosted and chaired or co-chaired the first four G20 summits: Washington 2008, London 2009, Pittsburgh 2009 and Toronto 2010. Both the G8 and G20 have made extensive references to one another in their communiqués, always in supportive ways.

They have explicitly divided the policy universe, with the G20 focusing on finance and economics and the G8 on security, development and social concerns. However, the agendas of the two have overlapped in several areas

– notably development, trade, labour and social protection, terrorist finance, food and agriculture, climate change, environmental protection, corruption and even health. Indeed this list includes macroeconomic policy coordination, which dominated the opening lunch among the leaders at the 2010 Muskoka G8 Summit on June 25 as well as the Toronto G20 Summit on the following two days. In these areas the two bodies have reinforced each other rather than competing for control or seeking to govern in different ways.

The recently completed G8 and G20 summits, held in tight tandem in June 2010 in Canada, showed that the two groups can work together very well. The decision to hold both a G8 and G20 summit in France in 2011, with the G8 on its usual late spring or summer schedule and the G20 in the fall (as has been the traditional timing for the finance ministerials), shows that all members agree that the two forums are needed for the foreseeable future. On other issues, particularly a global bank levy, the outcome has been different because the issue was dealt with at the broader G20, rather than at the narrower, more European-dominated G8.

In order to strengthen the relationship between the G20 and the G8, in ways that make the G8 work more for the G20, it would be useful to have the chair of the G20 summit participate as an invited guest in all appropriate sessions of the G8 summit each year. More broadly, the G20 could usefully develop a relationship with its fellow plurilateral summit institutions where leaders of developed and developing countries gather regularly as equals, notably the Commonwealth, la Francophonie, the Organisation of the Islamic Conference and the Asia Pacific Economic Cooperation Forum.

There are also clear cases – such as money laundering – where the G20 has succeeded in providing effective global governance in an area where the G8 had long tried and largely failed.

The G20's relationship with functional organisations

Over its four summits, the G20 has also forged a strong and productive working relationship with an increasing array of multilateral organisations across several functional domains. Building on the precedent of the G8 in 1996 and more frequently since 2001, the G20 has included the International Monetary Fund (IMF) and World Bank as core members. When it leapt to the leaders' level in November 2008, the G20 added the UN. The G20 summits have since included a widening range of increasingly diverse organisations, almost equalling the G8 summits in this regard. In June 2010, nine international organisations participated in the G20 summit, while only two – the African Union and the New Partnership for Africa's Development (NEPAD) – took part in that of the G8.

There are certainly limits to the participation of multilateral organisations, especially in a group where the leaders of 20 systemically significant countries and their guests from invited countries seek to have an open, decision-oriented dialogue in a meeting that lasts less than one working day. However, at Toronto the G20 moved to make the group function more like the G8 long has, allowing only country leaders along with the UN's secretary general Ban Ki-moon to sit at the main table and having the heads of the multilateral organisations on hand in the second row to provide technical advice when asked.

In their communiqués that encode their collective decisions, the G20 summits have made extensive and increasing reference to a broadening array of multilateral bodies, offering leadership, guidance and direction far more than reactive support. The G20 offered leadership to five bodies at Washington (with a net total of 13 leadership references), eight bodies at London (with a net total of 19), 20 bodies at Pittsburgh (with a net total of 36) and 14 bodies at Toronto (with a still robust net total of 23). Many of the organisations led, noted or supported by the G20 have a mandate and agenda that reach well beyond finance and economics alone. At the Toronto Summit, the Financial Stability Board (FSB) replaced the IMF and World Bank as the G20's international institutional instrument of choice.

The specific working relationship of the G20 with these bodies has taken several forms. The G20 has successfully supported the desire of the World Trade Organisation (WTO) to combat protectionism in recessionary times, if not yet helped conclude the badly overdue Doha Development Agenda negotiations. The G20 has relied on multilateral organisations for technical expertise and analytical validation, for example, having the International Energy Agency (IEA) report on the eve of the Toronto Summit that the world could save more than $500 billion if countries complied with the G20's commitment to eliminate inefficient fossil fuel subsidies. It has also invited the WTO to monitor the compliance of G20 members with their key trade commitments and has increasingly asked other functional organisations to do so in their particular fields.

The G20 has also looked to multilateral organisations to help it comply with its commitments, seemingly with some success. In the six assessed commitments made at the first three G20 summits where the G20 referred to the core international organisation in the commitment, compliance with the commitment by the time of the next G20 summit was +0.32 (on a scale from –1.00 to +1.00). In the seven assessed commitments where there was no such reference, compliance has been only +0.28. In all, the G20 has not engaged in forum shopping or risk spreading among international institutions, referring to the functionally appropriate core international organisation on seven occasions and to another international organisation only once.

To improve this G20–multilateral working relationship, the G20 could extend participation at its summits to the executive heads of the UN galaxy's environmental and food-agriculture bodies, given the permanent, prominent part these issues now occupy on the G20's built-in agenda. The G20 should incorporate the functionally core multilateral bodies into more commitments that it makes. And it should add independent civil society assessments of G20 members' compliance with those commitments.

The G20 and the International Financial Institutions

The G20 has experienced more difficulty in reforming the IFIs that stand at the core of the G20's central agenda in the field of finance and economics. The G20's one great success has come in extending the membership, strengthening the resources and expanding the mandate of the Financial Stability Forum. This plurilateral body, created by the G7 as the G20's technical twin in 1999, was transformed into the FSB and its membership expanded by the G20 at its second summit, in London in April 2009. However, like the G20 itself, the FSB remains an exclusive club.

The G20 has also had some success in raising new resources for the regional development banks, the World Bank and the IMF. In the case of the IMF, the standout success was the decision at London to raise $1.1 trillion in new resources largely at or through the IMF. This involved the historic allocation of $250 billion in special drawing rights.

The G20 has also decided on several governance reforms, notably that the head positions at the IMF and World Bank will henceforth be based on merit rather than the exclusive national constituencies composed of the globally dominant powers of 1944. However, no actual changes at the Bretton Woods bodies in accordance with this new principle have yet taken place.

Also incomplete is the G20's relationship with the IMF in regard to macroeconomic policy surveillance, notably through the mutual assessment process created by the Pittsburgh G20's Framework for Strong, Sustainable and Balanced Growth. Although the IMF staff has responded well to the G20's request for assistance, it remains unclear how G20 members will accept and adjust to the analysis and advice offered by an unreformed IMF and how G20 directions to the IMF staff will relate to the guidance of the IMF's own executive board. Making the G20 the formal ministerial council of the IMF is one proposed solution that has found no favour among the G20 or at the IMF's existing executive board.

Most importantly, the G20 has had mixed success on the critical issue of voice and vote reform of the IMF. Its finance ministers did agree on the first instalment, although they have not yet succeeded in having all G20 or IMF members legislatively ratify the resulting 2008 IMF agreement in order for it to take effect. The G20 summit has agreed that 5 per cent of the quota at the IMF would be transferred to the rapidly rising new powers led by China, India and Brazil. But after its first four summits, the G20 has not yet persuaded the overrepresented continental European countries to reduce their shares to allow the critical second component of this zero-sum bargain to be made. The June 2010 Toronto Summit, coming nine months after Pittsburgh, made no advance in this regard. There is thus an enormous burden placed on the November 2010 G20 summit in Seoul for this deal to be done if the early 2011 deadline is to be met. Even then, there remains the task of having all IMF members ratify the change by revising their relevant legislation at home. The delays thus far raise the question of how long the rising members of the G20 will wait while they continue to cooperate within the G20 on other things.

An additional challenge that the G20 has not yet overcome is guiding the non-governmental professional bodies it needs to adjust to accomplish its work. Here the clearest case is accounting, where a common set of strengthened global standards is required for all the other domestic financial reforms to be comprehensible and comparable across countries to citizens, market participants and governments alike. The G20 has agreed that in the future the international financial reporting standards governed by the International Accounting Standards Board should be adopted by all countries, including the United States – where a unique system governed by the Financial Accounting Standards Board endures. While the G20's moral suasion has resulted in some progress, there is no clear end in sight as the 2012 deadline draws near.

To strengthen the G20-IFI relationship, several moves could be made. A G20 civil society forum could be established among relevant professional stakeholders to advance understanding on accounting standards and similar issues dealt with at the FSB. The G20-generated resources for the IFIs could be made conditional on the IFIs using them for defined G20 priorities, including those on food, the environment and social safety nets. The framework could include variables monitoring outcomes here. And the G20 could create incentives to complete voice and vote reform at the IMF in the coming months, starting by offering the Netherlands and Spain a more assured place in G20 governance in return for reducing their quota share at the IMF.

The G20–United Nations relationship

The largest challenge faced by the G20, and the one where it has made the least progress, is in establishing a mutually beneficial relationship with the UN. The UN initially considered the advent of the G20 summit as a major threat, in part because it offered the world a broader, more balanced, more diverse, more permanent global steering group than the unreformed United Nations Security Council (UNSC), controlled by the Permanent Five (unchanged since 1945). These suspicions were compounded by the G20's success in attracting the direct participation and enthusiasm of the leaders of the world's most systemically significant countries and mobilising massive funds for the key task of global development, which the UN considered a core competence of its own. A particular threat came from the fact that the G20 in both 1999 at the ministerial level and 2008 at the summit level instantly admitted as equals several powers, in particular Japan, Germany, India and Brazil, which have long sought permanent seats on the UNSC but whose claims have been rejected every year since 1945.

Nonetheless there is a basis on which a better relationship can be forged. At the first G20 summit in Washington, US president George Bush invited the UN secretary general along with the executive heads of the IMF and World Bank to lead off the first dinner session with opening statements. The UN secretary general has participated at every G20 summit. His personal representative participated in the final two critical preparatory meetings for the Toronto Summit. The UN was given an explicit mandate by the London Summit to produce a vulnerability assessment on how the global economic crisis and the G20's remedial measures were affecting the poorest in the world. Moreover, G20 chairs have conducted an ever more extensive programme of outreach with the UN at or near its New York headquarters. Finally, Ban Ki-moon was invited to sit at the table with the G20 leaders at the G20 Toronto Summit, whereas, very unusually, he was not invited at all to the G8 Muskoka Summit the day before.

More ambitiously, some hope to see the G20 as a catalyst of UN reform, including Security Council reform. Thus far there is no sign that the advent and achievements of G20 summitry have inspired the UN to change its own governance in any meaningful way. Yet there are ways to strengthen the working relationship between the two.

There are many proposals for strengthening the relationship between the G20 and the UN. Four stand out as promising. The first is to give the UN secretary general a permanent equal status at the G20 table in recognition of the fact that in today's world, the central challenges are systemically interconnected rather than functionally discrete, and global rather than regional. Second, the chair of the General Assembly could be invited to participate in the G20 summit every year, both to represent the full global community and to expand the diversity of the G20 further still.

Third, as a reciprocal step, the chair of the G20 summit could be invited to serve as an additional member of the UNSC every year. This could be done using the existing legal provisions that enable a country to be at the UNSC table when the deliberations of the council affect that member.

The fourth step is to focus the Seoul and subsequent summits squarely on the full agenda set by the UN's Millennium Development Goals (MDGs) and the extensions such as climate change control and Haiti's reconstruction, recently identified by UN secretary general Ban Ki-moon and the World Bank's Robert Zoellick. Doing so would, in the interests of accountability, give the G20 summit a multilaterally approved set of targets and timetables in the development and social domains comparable to those it has created for itself in the finance and economic fields. It requires reinforcing more directly on the G20 summit agenda the hitherto missing four MDGs dealing with health and the environment in all its dimensions, giving the UN a key role in the G20's new development working group and using the G20's Seoul Summit to reinforce, with resources, the key conclusions reached at the UN's MDG conference in September 2010. In all cases, such reforms should proceed with a central focus on how G20 governors can strengthen the democratic values that have long been at its core.

The G20 and the global governance of development

By Nils-Sjard Schulz
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Under the Korean chairmanship, the G20 is committed to engaging in the global development agenda, just in time for the Millennium Development Goals (MDG) Summit in September 2010 and the High-Level Forum (HLF) on Aid Effectiveness in 2011. But the main contents and tools still need to be designed, and strategic, policy and practical challenges remain. This policy brief suggests ways in which the G20 could usefully advance development debates.

Development aims for the G20

While the G20 aims to consolidate its natural habitat in the area of economic development, and in particular economic growth, there has been slow progress towards the MDGs. Improvements do not necessarily require building additional structures, but rather articulating efforts within existing platforms, especially at the UN, OECD-DAC and the IFIs.

The current global development agenda is built upon the MDGs, Monterrey Consensus and Doha Declaration, as well as development cooperation practices enshrined in the Paris Declaration and Accra Agenda for Action. The G20 development chapter could revise these in the following ways.

Objectives: Pressure is mounting to accelerate progress towards the MDGs and, as demanded in the recent report of the UN Secretary General, to 'keep the promise' for 2015. Cautious satisfaction can only be expressed where some health-related MDGs are concerned. However, extreme poverty and hunger remain difficult to eradicate, and full employment with adequate conditions is not being ensured. In this area, the G20 needs to develop clear messages explaining how economic development, in particular which economic and social policies, could boost the MDGs over the next five years. Recent analysis suggests that growth can help to achieve MDGs, but sound public policies also need to be in place, including wealth distribution and pro-poor public expenditure.

While sub-Saharan African low income countries (LICs) in particular struggle with reaching the MDGs, emerging economies and MICs encounter development challenges not covered by the MDGs, such as social equity, youth employment, higher education, citizen security, public sector reform and others. Paradoxically, while the growing number of MICs is a proxy for successful national and global development policies, it also poses uncomfortable questions for an agenda which mostly focuses on LICs.

ODA COMMITEMENTS
PROMISES AND REALITIES

	ODA/GNI	
	2010 PROMISED	**2010 PROJETED**
EU DAC donors	0.59	0.48
United States	0.18	0.2
DAC donors	0.36	0.3

http://www.oecd.org/dataoecd/20/19/44607047.pdf

Resources: Even before the financial crisis began, meeting the Monterrey Consensus and the financial pledge of the 2005 Gleneagles Summit of the G8 was somewhat of a challenge. European donors were struggling to keep to their roadmap of dedicating 0.56 per cent of their GNI to development cooperation in 2010. Since 2009, it has become evident that the commitments will not be met, with some donors cutting back heavily on their aid budgets and developing countries such as Uganda affected by aid budget cuts of up to 35 per cent. Here, the G20 needs to design a consistent position to explain what role Official Development Assistance (ODA) should play on the road to recovery, for both providers and recipients.

On the other hand, the seismic changes in the global distribution of wealth require a revision of an aid system which only focuses on North-South transfers. South-South cooperation has a growing share in global ODA. A recent DAC Issues Brief estimates that non-DAC donors invested $12–14 billion in development cooperation in 2008, roughly 9–10 per cent of global ODA, with G20 members Saudi Arabia, China and India being the biggest contributors. It is therefore not surprising that, as stated in the EU communiqué last April, 'fair international burden-sharing with other international donors – including emerging ones – to raise their level of ambition' has become part of the considerations of many traditional donors. Considering the significant gaps and differences in roots, philosophies and forms of cooperation, the G20 now has a key role to play in readjusting the balance of resources available for developing countries.

Finally, there is also an urgent need to revitalise the Monterrey spirit and look beyond the mere ODA lens. With traditional donors being immersed in painful structural adjustments themselves, developing countries and in particular MICs need access to a more diverse range of financing sources, while advanced countries should take a fresh look at policy coherence. All types of international contributions need to be geared towards development, including trade, FDI and foreign debt. Another chapter to be addressed is domestic resource mobilisation. Here, many developing countries need support for better tax systems and consistent anti-corruption efforts. Both the international and national resources for development need to be channelled through more effective and transparent public sectors, with sound public financial management playing a critical role for both development and resilience against shocks and crises.

Standards and practices: Development cooperation already has a long history of failures and (limited) successes, which includes periodically returning periods of 'fatigue'. The introduction of standards and good practices could ensure a high level of quality and effectiveness, thereby helping to convert the resources into actual results. This in turn could convince tax payers in donor countries of the value of development cooperation. The 2005 Paris Declaration on Aid Effectiveness, reinforced by the 2008 Accra Agenda for Action, establishes a series of principles which are accounted for by both donors and recipients. These commitments not only guide development actors towards a more equal partnership, but also incentivise improved governance, in particular better country systems and public sector capacities. Although progress on the donor side has been patchy, the overall logic seems to be working: the 2008 review of the Paris commitments shows that many developing countries are reforming their public sectors.

A further injection of energy comes from the South-South learning and knowledge exchange, which has become a crucial element for boosting effective horizontal partnerships. With Korea chairing the G20 and at the same time hosting the next HLF on Aid Effectiveness in late 2011, special attention should be paid to the partnership dimension of the Paris and Accra commitments and the replicable lessons for institutional change.

South-South knowledge exchange and mutual learning on 'proven' development solutions can generate new dynamism to reform today's rather donor-driven support to capacity development. As a platform gathering the advanced and the 'in-between' countries in particular, the G20 needs to take into account the growing diversity of development models and paths which also require new forms of collaboration and cooperation.

What needs to be done in 2010?

The stakes for the development agenda of the G20 are high. The rather unpredictable context for global development requires both smart and quick decisions regarding where to engage and with which processes to connect. As such, the G20 has at least two specific comparative advantages to build upon:

- It can help to bridge the gap between North and South, developed and developing, by bringing on board the most relevant non-OECD economies and building trust among its diverse members.
- Out of necessity and conviction, the G20 should not create parallel platforms, but rather ensure smart coordination with existing processes, for example at the OECD, UN and the regions.

Against this background, the following steps towards building a development agenda could be taken in 2010:

- Host a forward-looking dialogue on development objectives and the underlying rationale to achieve them, including a sound narrative on the link between growth and MDGs based on evidence and country-level practice. Initial ideas need to explore how to upgrade the MDGs beyond 2015, addressing critical development challenges such as climate change, energy and food security. The perspectives of MICs need to be integrated more consistently, hand-in-hand with the expectations of LICs. This dialogue should be conducted in close consultation with non-G20 developing countries. The UN conferences as well as regional platforms can contribute essential synergies to the discussion. The G20 might need to designate its members to help mobilise the developing countries in their corresponding regions around an open-minded reflection on development goals beyond 2015.

- Initiate a transparent discussion on financing for development, critically reviewing the feasibility of the existing roadmaps and establishing reasonable aims towards 2015. This debate should also explore the role and contributions of emerging economies and MICs as partners in the global fight against poverty. Probable tensions around 'burden-sharing' should be addressed within the G20 as soon as possible. The Monterrey spirit, with its more integrated mix of financing sources, needs to be boosted. The most obvious linkages can be found in the area of domestic resource mobilisation and sustainable foreign debt, in addition to ODA. While this discussion should take place in a more protected space for negotiations, consultations and feedback should be undertaken with the UN-ECOSOC, the G8 and donor groups such as the EU and the Arab Coordination Group.
- Strengthen the fulfilment of and education regarding standards and practices of effective development cooperation. With a view to the Korean HLF, additional energy could come from a better narrative around ODA as a trigger for pro-poor growth. The involvement of new development actors in the standard-setting process will be key for long-term legitimacy. South-South knowledge exchange could become another important entry point for revising the current premises of North-South aid, especially in the area of national capacities in the public sector. This agenda might open interesting options for non-G20 developing countries willing to engage in this dialogue; countries which are currently preparing strategies within the platforms such as the OECD-DAC, the UN-DCF and the existing regional processes.

What are the pending tasks for 2015?

In the medium term, the G20 could become a clearing house for building an effective and inclusive development agenda within the existing decision-making and standard-setting processes. In the period 2010–2015, the existing global governance on development faces systemic challenges at all levels (objectives, financing and standards). Considering both the progress and the shortcomings of existing multilateral institutions, the G20 should aim for smart coordination in order to ensure a proactive flow of proposals and policy guidance from the G20 to platforms such as the UN and the OECD-DAC. Bringing together conventional donors and new development actors should involve both the G20 members and actors from the broader international development context. An 'extended donor club' should be avoided through a consistent representation of the developing world, for example through regional consultations informing the G20 debates and strong practice-policy linkages.

At the level of content, continued efforts should be invested in a thorough review of assumptions and expectations in order to:

- Build a post-MDG agenda with internationally agreed goals able to reflect the balance and synergies between 'hard' economic development and the social outcomes of the Millennium Declaration, as well as the need to cope with pressing development challenges. These global development objectives should be adaptable to specific developing country situations, the diversity of which (ranging from fragile states to MICs) will increase over the next five years. In coordination with the UN, a new 'MDG+ consensus' should draw on national contexts and, within a learning-friendly approach, guide development efforts up to 2030.

- Update the Monterrey Consensus within the valid bid for a diverse menu of development financing sources. Between 2010 and 2015, the G20 could boost a strong dialogue with the new development actors on their contributions as part of the overall financing architecture. Taking into account that the relationship between advanced, developing and 'in-betweens' countries has become more horizontal, the UN-led Monterrey/Doha process could benefit from strong G20 support to ending aid dependency; an aim of the developing countries which are most proactively reforming their public sector. A particular historic opportunity could be activated through South-South trade liberation, an area in which coordination with the WTO and the UNCTAD could help to foment a new and innovative understanding of South-South growth. Finally, the review of financing for development cannot ignore the overall need for an inclusive financial architecture, especially in relation to the revised voting shares at the International Financial Institutions, in particular the IMF and the World Bank.
- Boost a true development partnership based on enforceable mutual commitments. The 2011 HLF in Korea faces the challenge of maintaining the momentum for the standards reflected in the Paris and Accra agreements, while responding to an increasing horizontality between providers and recipients of development cooperation. Knowledge exchange will reinforce the trend towards horizontal partnership, and is of high value for the G20 and its non-OECD members in particular. On the other hand, the current voluntary character of mutual commitments in aid relations should evolve towards contractual elements, an area in which the EU has already experience. Partnership contracts should not only address aid quality and efficiency issues, but also look into deeper-rooted challenges and beyond-aid goals of global development partnership. In this context, a key responsibility of the G20 lies in its capacity to bring diverse actors together around a new generation of development partnerships which, beyond the conventional North-South dynamic, needs to reflect the contributions of developing countries to the fight against poverty.

The G20 and global financial governance

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After the 1997 Asian financial crisis and its contagion through the developing world, a major discussion on reforms of the global financial architecture took place, with rather limited success. When the global financial crisis hit, first through the eruption of the subprime crisis in August 2007 and, in particular, the global financial meltdown of mid-September 2008, the world had a strong sensation of déjà vu, not only in terms of financial crises and their contagion, but also of the inadequacy of international institutions to deal with them.

The global financial crisis

The global financial crisis has led to a series of reforms. To evaluate them it is useful to define five basic objectives that such architecture should meet. Those objectives are: (i) to regulate the financial and capital markets in all countries, as well as cross-border transactions, in order to avoid the excessive accumulation of risk; (ii) to offer emergency financing during crises, especially to ensure liquidity, complementing the functions of the central banks, which act as lenders of last resort at a national level; (iii) to provide adequate mechanisms at an international level to manage problems of over-indebtedness; (iv) to guarantee the consistency of national economic policies with the stability of the world economy, and to avoid national macroeconomic policies that have adverse effects on other countries; and (v) to guarantee an international monetary system which contributes to the stability of the international economy and is perceived as fair by all parties. The first three of these mechanisms may be seen as related to global financial regulation, the last two to global macroeconomic policy.

Seen in this light, the most important advances have been made regarding the first two objectives, with some progress in relation to the fourth one. In contrast, debt workouts have not been placed on the agenda and although global monetary reform has been proposed by the central government of China and the 2009 Commission of Experts convened by the President of the UN General Assembly on Reforms of the International Monetary and Financial System, it has also been absent from the G20 agenda. The Republic of Korea's emphasis on a global financial safety net represents a further advance in the second area, and France has already placed the fifth issue on the agenda for the 2011 Summit.

One of the most important breakthroughs in the international debate of the last two years has been the recognition that the international financial crisis was clearly associated with inadequate supervision of financial activities. This is precisely the sphere in which the G20 has played a very important role, especially in reaching agreement on certain principles, the implementation of which, nonetheless, remains the subject of debate. The United States has already approved an important financial reform (the Dodd-Frank Bill), which is still subject to debate in Europe. The Basle Committee on Banking Supervision should approve by November 2010 an important set of reforms, including increases in capital requirements, a stricter definition of capital, a mechanism of countercyclical capital or provisions, strengthened liquidity requirements, and a new maximum leverage limit to restrict banks' total assets as a proportion of Tier 1 capital. Both the scale of the measures and the speed at which they will be implemented are still unclear.

The most important gap in the debate on regulation is the absence of cross-border capital flows from the agenda, particularly of the destabilising effect that procyclical capital flows can have on global financial stability, including carry trade in recent years. Developing countries have been severely hit by procyclical capital flows in the past, and some European countries have been equally affected by this factor during the current crisis. This means that capital account regulations can have an important role for financial stability, as much as prudential regulations, and that the latter should take into account some aspects that are related to cross-border flows, such as currency mismatches in portfolios. The IMF has played a positive role in this regard, by launching a still incipient discussion on the role of prudential capital account regulations. This issue should be at the core of the discussion of the development dimensions of the global financial safety net that the Republic of Korea has placed on the agenda for the next G20 summit.

The history of all crises indicates that the international system demands a dynamic response from the IMF, awarding emergency financing subject to low (or at least appropriate) levels of conditionality. Improvements in this area can be seen as a second important area of recent progress. In March 2009, the IMF created a preventative facility, the Flexible Credit Line (FCL), for countries with solid fundamentals but a risk of facing problems in their capital account. Other credit lines were doubled and a broader use of the ordinary Fund facilities (the stand-by agreements) for preventative purposes (the so-called 'high-access precautionary arrangements') was authorised. In turn, in December 2009, the IMF reformed its concessional loan lines to a menu of options according to different situations facing low-income countries in relation to their debt vulnerability and their macroeconomic and public finance management capacity. Advances in conditionality have been somewhat frustrating, however. Although the relationship between loan disbursements and structural conditionality was eliminated in March 2009, conditionality seems to have gone back to old, highly controversial practices in recent European programmes.

The capitalisation of the world and all regional development banks can be seen as an additional area to increase the availability of countercyclical official funds to counteract the procyclical patterns of private financing. Indeed, the recognition that multilateral development banks have a countercyclical role should be seen as an advance in itself, as it had not been clearly recognised before the crisis. However, capitalisation as well as disbursements came with a lag, in such a way that multilateral banks played a somewhat passive role during the peak phase of the crisis, although responding dynamically later on. Automatic rules must therefore be introduced to speed up the capitalisation of banks and to speed up disbursements.

Macroeconomic policy coordination has also seen some progress, although unfortunately it has continued to operate outside the IMF, the international organisation that should be in charge of this process. The initial countercyclical response of the G20 countries should be seen as an asset, and it was crucial in avoiding the recurrence of a great depression. The controversies that erupted on the speed of fiscal consolidation at the most recent G20 meeting in Toronto may be seen, however, as a step backwards in this process, as is the growing reluctance of several European countries to place priority on the countercyclical role of macroeconomic policy under the current circumstances. Much more limited advances have been made on global imbalances and exchange rate management. Global imbalances fell as a result of the crisis, but the risk of their reappearance is evident. China announced the reintroduction of some exchange rate flexibility before the Toronto G20 summit, but the broader issue of exchange rate volatility has not been on the agenda.

One central problem of the current international financial architecture is the absence of an effective mechanism to handle debt crises, similar to the bankruptcy procedures that exist in all national legislation. The current structure is fragmented (Paris and London clubs, and collective action clauses), and most negotiations tend to take place through ad hoc initiatives, including those for low-income countries (the Heavily Indebted Poor Countries Initiative and the subsequent Multilateral Debt Relief Initiative). This mix of fragmented and ad hoc arrangements has proven to be suboptimal, in terms of guaranteeing both a timely response to crises and horizontal equity in the treatment of different debtors and well as creditors. So, the design of an explicit international debt resolution mechanism should be placed on the agenda, and indeed may be needed this time to manage the problems faced by some European countries, particularly Greece.

Finally, the global monetary system has shown three basic deficiencies in its functioning that have been emphasised over the years: (i) its bias against countries running deficits, which generate global recessionary effects during crises; (ii) the particular instabilities and dependence on US macroeconomic policies created by the use of a national currency (the US dollar) as the major world currency; and (iii) the inequities associated with the transfer of resources from developing to major industrial countries generated by the growing demand for reserves by the former to manage global financial instability.

Most of the alternative proposals on the table involved fulfilling the expectations created when the IMF Special Drawing Rights (SDRs) were launched in the late 1960s, of transforming these into the major global reserve asset. An important step during this crisis was, therefore, the London G20 decision to revive this dormant mechanism of international cooperation, by issuing the equivalent of $250 billion, together with the decision by the US to complete the Congress approval process for the smaller 1997 allocation. The IMF decision of July 2009 to allow the issuing of securities denominated in SDR to draw in resources from some emerging economies (Brazil, China and Russia) can also be considered a step in the direction of creating a ‘substitution account’ to manage the varying demands for reserve currencies. However, these areas only constitute the beginning of a debate of reforming the global monetary system that, hopefully, will be taken forward by the G20 in France.

The governance of global macroeconomic and financial cooperation

Three interesting – although incomplete – steps in the direction of improving global financial governance have been the decision to extend the membership of global financial regulatory institutions; the still highly insufficient steps to improve the voice and representation of developing countries in the Bretton Woods institutions (BWIs) as mandated by the Monterrey Consensus; and the decision in Pittsburgh in 2009 to designate the G20 as 'the premier forum for our international economic cooperation'.

Undoubtedly, one of the most important G20 decisions was to give all its members access to regulatory organisations on financial matters, especially to the Financial Stability Board (previously Forum), FSB, which has now been assigned the duty of coordinating the tasks of world financial reform. However, this positive decision faces several drawbacks. The first is the very uneven number of representatives from different countries, which means that, with the exception of the BRICs, emerging economies represented in the FSB have one or two representatives while each of the G8 countries has three. The second problem has to do with the fact that the heads of both the plenary and the four committees that make up the FSB are headed by developed countries – in open contrast, it must be said, with the four working groups set up by the G20 between November 2008 and April 2009, each of which was headed by one developed and one developing country.

The more fundamental problems are, however, the total lack of representation of small and medium-sized countries; the ad hoc nature of the arrangement and the lack of a formal secretariat (that could be provided by the Bank for International Settlements); and the absence of accountability to a representative political body. For these reasons, a desirable transition would be to formally create or adapt one of the existing international organisations to play the role that the FSB plays today. The most appropriate one would be the Bank for International Settlements (BIS), but a prerequisite for this institution becoming the world financial authority would be a considerable enlargement of its membership to transform it into a truly global institution.

It must be added that in March 2009, the Basle Committee also included for the first time various developing countries (Brazil, China, the Republic of Korea, India and Mexico), as well as Australia and Russia. In July 2009, it widened its membership still further, to G20 countries which were not yet members (Argentina, Indonesia, Saudi Arabia, South Africa and Turkey) as well as Hong Kong and Singapore. Similar steps were taken by the International Organization of Securities Commissions (IOSCO) and the Committee on Payment and Settlement Systems (CPSS).

The reforms on 'voice and representation' of developing countries in the BWIs predate the creation of the G20 at the leaders' level, and have continued to take place partly on a parallel track. However, there is a clear consensus that one of the signals of success or failure of the G20 would be its capacity to complete this process, including solving the problems of both significant underrepresentation (Asia) and overrepresentation (Europe). In April 2008, a modest agreement was adopted on reforming quotas and votes in the IMF Board, which implies a redistribution of the quotas and a tripling of the basic votes to increase the voting rights of developing countries (including the emerging economies) by 2.7 per cent as a whole. However, the reform has still not been ratified. Ministers from the developing and transition countries asked in the meetings of spring 2010 for an ambitious additional realignment of quotas. This would imply an increase of 7 per cent in the quotas of developing countries, based on giving greater weight in the quota formula to GDP measured at purchasing power parity and an appropriate measure of the volatility that different countries face. To these we must add the important proposals made on various occasions, but particularly by the 2009 Commission for Governance Reform, headed by Trevor Manuel: to reduce the threshold of votes needed to approve important political changes in the IMF to be reduced from the current 85 per cent to 70–75 per cent; to create a Council of Ministers with effective powers to adopt the most important political decisions, thus replacing the International Monetary and Financial Committee; and to redefine in a clear way the relations between this Council, the Board and the administration.

For its part, in the spring 2010 meetings, the World Bank approved a transfer of 3.13 per cent of voting power from the developed economies to the developing and transition economies, which will now hold 47.19 per cent of voting power and have received a promise that they will reach parity in the near future. The increases were mainly concentrated in middle-income countries, especially from Asia, which were previously under-represented, while low-income countries saw limited change. This change was achieved through an ad hoc capital increase, not through the agreement on a formula for dynamic revision of capital based on clear principles, including the Bank's development mission. There was an agreement that this would be done by 2015, but developing countries expressed their clear preference for a more ambitious calendar.

The G20 also agreed in spring 2009 that the senior management of these organisations should be chosen through transparent and open processes, based on the merit of the candidates, without their nationality being an issue. It would also be useful for the personnel of these institutions to be more diverse, not just in terms of nationality but also in terms of education and professional experience, as well as gender. It remains to be seen how these principles will be applied in practice.

The broader issues of global financial governance relate to the G20 itself. The creation of this group at leaders' level is, of course, a step forward compared to the G8, particularly in terms of representation of developing countries. But this solution also created problems because of the ad hoc nature of the cooperation mechanism adopted, including the way in which the membership was defined, which implies the exclusion of some large countries (Nigeria is the case that stands out), and the overrepresentation of Europe. This also reflects the revealed preference by industrial countries for 'Gs', over which they can exercise greater influence.

This preference for 'Gs' over representative global institutions reflects the challenge of overcoming the tension between representativeness and the legitimacy associated with it, on the one hand, and existing power structures, on the other. This issue is sometimes expressed as the tension between inclusiveness and effectiveness, but this is clearly inaccurate, as national democracies have shown that that representative institutions can be effective. At the international level, although the record is mixed, it is unclear whether the G8 has proven more effective than the BWIs or, for that matter, the United Nations. As regards the latter, it can be argued that the United Nations has proven to be a very effective mechanism for consensus building and generation of new ideas and frameworks for international cooperation (for example, the

Millennium Development Goals), though its effectiveness has been limited by the tendency of industrial countries to limit its role in the implementation of these agreements. The record of the G8 in terms of effectiveness is probably no better than that of these representative institutions, and in any way both the G8 and now the G20 must act through these institutions.

In this way, although the 'Gs' can play an important role in placing new issues on the agenda and facilitating consensus among major powers, no structure of governance can generate legitimacy as long as decision-making processes are not inclusive. For this reason, the G20 should be seen as a transition to a representative, and thereby legitimate, mechanism of international economic cooperation. One such mechanism would be the Global Economic Coordination Council proposal by the Commission of Experts, convened by the President of the UN General Assembly on Reforms of the International Monetary and Financial System (or, for that matter, previous proposals to create an 'Economic Security Council'). According to this proposal, the Coordination Council would be set in the framework of the UN system, to which the BWIs belong and the WTO should become a member. It would be formed on the basis of constituencies elected through weighted votes, thus following the model of the BWIs – although with formulas for representation that overcome the problems that those institutions face.

The former Secretary General of the United Nations, Kofi Annan, said in the plenary of the Club de Madrid in November 2009 that the G20 should see itself as a transitional arrangement to a more representative and formal governance structure. This does not yet figure on the G20 agenda. It should be its major concern.

A Southern perspective on the reform of international financial institutions

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Since the onset of the financial crisis, the G20 has moved to centre stage concerning global economic governance in general, and reform of international finance regulation in particular. This ascendance culminated in the G20 Pittsburgh Summit declaration to the effect that the G20 is now 'the' forum of choice for international economic coordination.

As the focal point of any deliberations on the international financial architecture, the G20 offers an important opportunity for developing countries in particular to make a contribution to reform of international financial institutions (IFIs), particularly the International Monetary Fund (IMF) and the World Bank. IFIs matter to developing countries, especially those in Africa, for a number of reasons. Prominent among these is the fact that capital and foreign exchange are in short supply in many developing countries, and therefore cost-effective external sources are often critical supplements. Therefore developing countries, particularly the poorest, are *demandeurs* of the IFIs financial resources. Furthermore, as the global financial crisis has shown, the IMF plays a critical global role as the lender of last resort in times of liquidity and foreign exchange shortages. Both organisations are also key knowledge resources concerning economic management and development policy.

Of course, all this finance comes at a price in the form of policy conditions on IMF and World Bank concessional lending. Depending on one's perspective, these can serve as useful external props to support domestic reform in the recipient country, or externally imposed 'neo-imperialist' instruments of the developed world, which dominates governance of the IFIs. Clearly those who pay the piper call the tune, so it would be surprising if developed countries did not insist on some conditions being observed so that loans will be repaid and the IFIs thereby sustained. However, there is a risk that the IFIs go too far in imposing conditions and thereby alienate their 'clients' thus obviating the need for IFI funding and undermining the *raison d'être* of the institutions.

These problems were particularly evident during the Asian financial crisis of the late 1990s, leading directly to the Chiang Mai currency swap initiative and foreign exchange reserve accumulation by Asian countries in an effort to avoid resorting to IMF funding – a phenomenon referred to as 'self-insurance'. The Chiang Mai initiative reduces the need for East Asian countries to resort to IMF funding in conditions of macroeconomic crisis in the future. Forex accumulation, on the other hand, results in reserves being recycled into US and European financial markets which contributed in substantial measure to the surplus liquidity that underpinned the global financial crisis.

In this light, reform of the IMF needs to be seen as part of the broader discussion about the legitimacy of the global lender of last resort. Consequently, reform of the IMF's governance structures should give the institutions more legitimacy through the improvement of their responsiveness to developing country needs, as well as increasing its accountability and effectiveness.

Current problems with IFI governance

The major issue dominating the discourse on IFI reform concerns the 'legitimacy' of these institutions. Most of these concerns centre on the IMF given that it has been the major 'winner' in the post financial crisis world, returning to centre stage after a period of stagnation and seemingly growing irrelevance.

There appears to be a consensus among developing countries that major governance reforms are needed, translating in particular to changes in quotas, voting rights, executive board representation and transparency in the management selection process. Lack of voting power means that developing countries do not have an effective 'voice' in the institutions, therefore there is not enough incentive for them to engage meaningfully in the deliberations and in the decisions taken. Concomitantly, there is no incentive for developed countries to listen if they control the voting process. This disjuncture reinforces the notion that developed countries use the IMF as instruments of neo-imperial policy.

Ngaire Woods identifies three reasons why governance deficits have contributed to an ineffective IMF in the developing world. Firstly, the responsiveness of the IMF is limited. This is because developing countries have no voice in the institution and thus cannot express their concerns, interests and priorities and as a result the institution cannot implement programmes and instruments that address developing country concerns and priorities. Secondly, the governance structure limits the effectiveness of the IMF in developing countries. This is because there isn't sufficient 'buy in' from developing countries to give effect to IMF programmes and initiatives. Thirdly, the governance structure of the IMF affects its accountability. The priorities of the IMF are set by its Board, which is not representative of the majority of its members. As such, the Board needs to be appropriately accountable to developing countries, which serve as its major clients but are not represented in the governance structures.

The key problem is that voting weights in the IMF primarily reflect historical prerogatives and weight in the global economy. The former ensures European overrepresentation and its downside – a strong unwillingness to yield prerogatives. From an African perspective, the latter raises the obvious difficulty that African economies are small, and if GDP is to be the most important yardstick for representation, then African economies will lose out in any redistribution.

Governance reforms so far

Both the IMF and the World Bank have made modest reforms to their governance structures and procedures to enable improved developing country participation. In April 2008, the IMF adopted reforms that included a tripling of basic votes; a mechanism to keep the ratio of basic votes to voting power constant; and allowances for each of the two Executive Directors representing African constituencies to appoint an additional Alternate Director. The increase in basic votes is a significant development as it has amplified, although modestly, the political influence of smaller IMF members. The IMF has also undertaken to shift the quota share by at least 5 per cent to give greater voice to emerging markets and developing countries. A January 2011 deadline has been set to achieve the shift.

However, these reforms have met with criticism on the basis that they preserve the dominance of developed countries. Within the IMF, discussion of the composition and selection of the Executive Board seems to have been kept off the table entirely. Western Europe has eight representatives on the Board, while sub-Saharan Africa has just two. The dent made in the voting power of the developed countries through the trebling of the basic vote is quite marginal. European countries still enjoy major weight in the IMF: approximately double the voting power of the United States even though their accumulated GDP is roughly the same as US GDP. Major questions remain as to why this is the case given that most are members of a single currency area. Indeed, the US remains relatively under-represented in the IMF, although it does retain a veto Belgium currently has more votes than Brazil.

What further reforms are needed?

A number of proposals have been made:

1. A redistribution of quotas in the IMF to reflect changes in the global political economy while maintaining the quota shares of over-represented developing country members. This is particularly important in light of the recent increase in voting shares to developing countries in the World Bank, which resulted in the loss of voting shares for some developing countries such as Nigeria and South Africa: the shares of over-represented developing countries are the ones distributed to the countries whose shares are being increased. Consequently, the effects of the vote reshuffle are not that significant for developed countries. The initial voting powers and quota allocations in these institutions were based on the financial contributions of the members as well as their economic importance. This has changed significantly over the years with developing countries contributing significantly more through their loan repayments. Also, as the primary users of IFI services, developing countries deserve an equal voice in the institutions.
2. The IMF Board decides the priorities of the institution. As a result, equitable representation of developing countries on the Board is needed if such priorities are to reflect developing country needs. This could be done by consolidating some European chairs into a single Eurozone seat, since Europe is overrepresented. Such changes in the Board's structure would need to reflect changes in voting weights.
3. A reconfiguration of the 'heads' and staff selection procedures. The selection of the head of the World Bank and the Managing Director of the IMF is based on the voting and quota structures, and is thus based upon nationality – either US or EU. Appointment to such positions should be made through an open, transparent and merit-based process, without regard to nationality or gender. To its credit, the G20 has pledged to move on this issue. Staff selection should also be diverse and reflective of regional representation in

the institutions. This would allow for greater accountability. This is very important given that the make-up of the senior staff creates a structure of accountability for the whole body of staff of each organisation, which decides the countries that hold the institutions to account. Opening up accountability of the senior staff to the whole membership would also enhance developing countries' voice in these institutions and help their effective representation.

What role for the G20?

The question of the reform of IFIs has long been on the agenda. However, a new issue is that the G20 has the necessary clout to drive the reform process and can provide the necessary impetus to put the changes in motion. The latest report of the G20 working group on the reform of the IMF mentions reform aimed at increasing the voice and representation of emerging markets and developing economies as a reflection of the changing economic weights in the world economy. Similarly, G20 communiqués have also underscored the importance of such reform in the IFIs. The challenge is to transform these proposals into concrete action.

This of course raises questions of the effectiveness of developing country participation in the G20 as well as the matter of the G20's legitimacy. A small group formulating key decisions to guide the global economy will always face charges of a lack of legitimacy. South Africa is the sole African 'representative', which raises issues about why it was selected, by whom and how and if it can most effectively 'represent' Africa, the continent with arguably the most severe development challenges. South Africa has, however, attempted to mobilise African positions through its engagements with the so-called Committee of 10, which enables the South African government better to reflect Africa's interests in these issues.

Nonetheless, the G20 seems to be driven by the G7 agenda, raising questions about the reform process of the IFIs and its transparency. These questions need to be addressed in order for the reform process to be more reflective of developing country concerns. This need is sharpened by the fact that the major consumers of IMF and World Bank services are those countries which are excluded from the G20 process.

This leads into the question of the representation of developing countries in the G20 itself. Many argue that while the global political economy is currently undergoing a significant power shift, the emerging powers do not yet have sufficient clout to command these reforms. As such, it would be far-fetched to expect immediate reforms in the short run. It could also be argued that the focus should be less on governance and representation and more on financial capacity and crisis prevention and response.

Nonetheless, the core of the argument above is that without the necessary reforms regarding the governance and representation of these institutions, the greater objectives such as crisis prevention and increasing financial resources for developing countries will not be adequately achieved and will not reflect developing country priorities. If governance issues are resolved, it would pave the way for more comprehensive reforms.

A development agenda for the G-20

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The G20 has come a long way from its inception as a group of finance ministers and central bank governors, formed in the wake of the Asian financial crisis. Its initial agenda was limited. It was established as a forum for encouraging the adoption of the Washington Consensus by Asian and other emerging economies in order to prevent another financial sector meltdown. This objective was perhaps over-achieved. The need to demonstrate global solidarity and collective action in tackling the financial crisis and subsequent global recession led to the resurrection and elevation of the G20 to Summit level in November 2008. Collective action by G20 leaders helped to unfreeze global financial markets, prevent the recession from turning into a depression and engender a quick recovery.

The declarations at the end of successive summits in Washington (November 2008), London (April 2009) and Pittsburgh (September 2009) gave credence to the idea of the G20 having emerged as the principal global forum for financial and economic governance. This was reinforced by the establishment of several working groups covering the entire range of issues at the heart of the present crisis. The inclusion of development issues in the agenda for the G20 Summit in Seoul in November 2011 apparently marks a new stage in the group's evolution. The objective is to give greater legitimacy to the G20 and ensure greater attention to global equity concerns.

This policy brief makes two central arguments. Firstly, while it is important to include development issues in the G20 agenda, this could be done with greater impact once the future existence and efficacy of the group is ensured. Secondly, the G20 should focus on a selective number of development issues related to critical constraints to achieving rapid, equitable and sustainable growth in developing economies. Otherwise, by spreading itself too thinly, it risks becoming yet another layer in the hierarchy of agencies overseeing global efforts for promoting development.

The G20's relevance

Following the 2010 G20 Summit in Toronto, the continued relevance of the G20 is unclear. The communiqué released at Toronto differs from those issued after previous summits, as it does not present a common stance of all G20 members on major global issues. It seems that like the G8, the G-20 is unable to bridge the differences in member states' approaches to handling the recovery. Members are attempting to go their own way in continuing with or exiting from the fiscal stimulus, depending on their national circumstances. It appears that collective action is limited: there was disagreement over issues in the financial sector, such as imposing a tax on banks for funding future bail-outs. The UK and the US have both gone ahead with their own measures for improving financial sector regulation without waiting for the final recommendations from the expanded Financial Stability Board. Where trade and protection are concerned, there is precious little cooperation, other than once again repeating the desirability of completing the Doha Round – but with no suggestions of how to do so. It will be difficult to convince the leaders of G20 member countries of the forum's continued usefulness. It seems that the G20 is suddenly in need of a major boost in order to achieve greater coherence and relevance.

The choice of maternal and child nutrition as the principal theme for the G8 Summit at Huntsville, close to Toronto, just one day before the G20 Summit, was rather odd, as it undercut the very *raison-d'être* of the G20 Summit. In order for the G20 to emerge as the principal forum for addressing global economic and financial issues, the G8 must remove these issues from its agenda. This does not seem to be happening, however. Moreover, given that the political situation sets the essential context for economic and financial issues, it is perhaps artificial to discuss political and economic issues in separate forums and not expect any overlap. If the G20 is to emerge as the new 'high table' for global issues, political and security issues need to be brought within its purview - rather than taking financial and economic issues back to the G8, as was apparently done in Toronto. Greater clarity will perhaps be achieved in the next round of G8 and G20 meetings, to be hosted by France in 2011, but for the moment, the continued relevance of the G20 remains uncertain.

To guarantee the continued relevance and evolution of the G20 as a global forum, its legitimacy and credibility must be ensured. It is sometimes argued that the G20's legitimacy is questionable as it is a self selected grouping, which cannot claim to be representative of the global community. Suggestions for achieving greater legitimacy range from establishing objective criteria for membership; implementing a system of constituencies; or expanding the membership to reflect a more balanced geo-strategic composition. These suggestions are an attempt to formalise the G20, and therefore strike at the very basis of the formation that is by definition and design an informal group which does not want to either replicate or substitute the United Nations or its organs. The trade-off between representation and formal authority, on the one hand, and efficiency, on the other, has been well recognised. For informal groups like the G20, legitimacy is necessarily derived from their ability to deliver on their chosen mandate and objectives.

Legitimacy for the G20 will therefore come from implementing the decisions taken by the leaders at successive summits. Thus, the crucial issue is to ensure the necessary follow-up of the decisions and their implementation in a timely manner. The G20's record on this score is rather patchy. Its major achievements have been the trebling of the IMF's capital base, the growth of the Asian Development Bank's capital base and increasing the voice and vote of emerging and developing economies by 5 per cent in the World Bank. However, areas in which the G20 has been less successful include the lack of ostensible progress on the Doha Round despite repeated exhortations; the emergence of new forms of 'messy protectionism'; an inability to break the status quo on the reform of the IMF's governance structure; and a lack of unanimity regarding banking sector reforms, including the inability to agree on either a tax on banks or a uniform set of counter-cyclical prudential or capital provisioning norms. The process of multilateral surveillance for achieving balanced economic growth has also only just begun, and here again major economies seem to be opting for their own national solutions.

If the G20 is unable to improve its implementation record, both its legitimacy and credibility will be significantly damaged and the forum will rapidly lose relevance. It is therefore critical that leaders focus on these existential issues, making them an immediate priority. They should pay far greater attention to establishing implementation and follow-up mechanisms, as well as addressing the issue of whether or not to establish a secretariat. It would be wise to consider creating an appropriate incentive structure that will produce greater compliance with collective decisions among member countries. Adding development issues to the G20 agenda will be useful only if the group remains relevant and is perceived as effective in implementing its objectives.

A development agenda for G20

South Korea has taken the initiative to put ‘development’ as a separate item on the agenda for the summit in Seoul in November 2010, with President Myung-bak Lee first spelling out the priorities in his address at Davos. However, it is worth noting that, despite their preoccupation with the global financial crisis, G20 leaders also referred to development issues in earlier summits. The rationale for including them is to try and achieve a more balanced outcome from globalisation and improve equity both across countries and within each economy. This will make the G20 more relevant and acceptable to developing economies, which are not included in the grouping. Promoting the development agenda will help accelerate growth in developing economies and reverse the trend of worsening equity across countries, which has been evident over the past three decades. Without such ‘convergent growth’, the G20 will be perceived as an expansion of the rich nations’ cartel to maximize the benefits from globalisation to the detriment of poorer countries. This will engender large-scale opposition, the beginnings of which were discernible in Toronto. This provides a compelling rationale for the G20 to prioritise development issues.

On the other hand, there is a danger that the development agenda being suggested for adoption by the G20 is too large and precludes effective follow up or implementation. It has been proposed that the G20 should oversee practically the entire range of development activities. This includes the building of physical infrastructure; human resource development; poverty alleviation measures; raising agriculture productivity; improved effectiveness of development aid; better management of water resources, labour standards and employment issues; and adoption of measures for mitigation of the impact of climate change.

This is far too ambitious and impractical an agenda for a Summit-level forum. Moreover, it duplicates the mandates of existing multilateral organisations such as the World Bank, Regional Development Banks and UN agencies.

There are, however, three development issues where the G20 could play an effective role. First, it could take up the issue of global aid architecture and the adoption of globally accepted norms for channelling aid flows from old and new donors. Presently, these issues are overseen by the Development Assistance Committee (DAC) of the OECD, which has tried through the Paris Declaration and the Accra Action Programme to devise some global benchmarks for donors. However, large emerging economies like Brazil, China, India and Turkey have now become major donors, but they are not party to DAC initiatives as they are not OECD members. This prevents effective coordination and in some cases could work against the implementation of desirable sanctions against truant governments.

On the other hand, nearly all existing DAC members (perhaps excepting Sweden and Japan) are failing to fulfil their own pledge to allocate 1 per cent of their GDP to development aid. Apparently, there is insufficient peer pressure within the DAC to make them uphold their commitment. Such an issue, where the global community would benefit from greater coordination between emerging and advanced economies, and which requires a degree of 'naming and shaming' to encourage accountability, would be ideally suited for adoption by the G20. However this would naturally be conditional upon the G20 resolving its existential problems by building credibility and acquiring legitimacy. For example, a coordinated G20 effort to improve the volume, design and delivery of development aid for sub-Saharan Africa and the poorest countries in Asia would surely result in a win-win outcome. It could lead to higher allocations by the advanced economies; greater compliance with governance norms on the part of new donors and more effective coordination of the delivery of aid programmes on the ground. This in turn would help raise incomes and accelerate growth in Africa and in the least developed economies, providing much-needed impetus to global economic activity.

Second, the G20 must take up the issue of developing new norms for the transfer of technology that are less onerous for the least developed economies. This should also be extended to cover emerging green technologies across the entire spectrum of goods and services. The issue of access to necessary and green technologies has long divided the global community into 'Us and Them', or 'Owners and Users'. These divisions are particularly harmful in terms of technologies needed to overcome the consequences of extreme poverty (for example malnutrition, illiteracy and high mortality rates) and addressing climate change issues. By agreeing to a collective approach towards and action on these issues, the G20 could help to reinforce the message that, when it comes to tackling global public threats, we are all 'in it together'.

Third, it is becoming increasingly clear that the existing asymmetry between near-complete freedom and flexibility of movement of capital across national borders and highly restricted movement of migrants across the same borders is no longer tenable if globalisation is to succeed and deliver on its promise of convergent growth. The argument against labour mobility across national borders is based on the rather out-dated notion of maintaining a degree of social and cultural homogeneity in a world which is increasingly a global village. In this era of high connectivity thanks to faster travel, the internet and collapsing economic borders owing to multilateral or bilateral comprehensive economic cooperation agreements, this is an increasingly archaic understanding.

Every segment of the global economy will have to increasingly reflect the pluralistic nature of the global community and be equipped to handle it. This is the only way forward if a clash of civilisations is to be avoided. Moreover, we cannot expect to receive the full benefits from globalisation if two major factors of production (technology and human resources) suffer from restricted mobility. As mentioned above, this restricted mobility of labour and technology can also be seen as responsible for the increasing inequity and lack of convergence that currently characterises the global economy.

These three development issues warranting the G20's attention are somewhat controversial, with major implications for both advanced and emerging economies. There are no rapid solutions to these concerns. But they are critical to the future success of the global community in confronting negative realities including climate change, human and drug trafficking and pandemics. By accepting the essential multiethnic and increasingly pluralistic nature of the global community and of its constituents, we can engender the necessary spirit of collective responsibility and accountability. The present divide between 'Us and Them' that characterises all global forums will only begin to dissipate if there is some progress towards freer movement of human capital and skills across borders. In any case, with rapidly ageing populations in a number of advanced economies, this phenomenon may soon be upon us. It is surely wiser for a global body like the G20 to anticipate this difficulty and take the necessary preparatory action.

The G20 is the appropriate forum for taking on such challenging issues. They require collective political will that the G20 alone can achieve. They are more important than the other development issues that are currently being proposed for adoption by the G20 which are fairly routine in nature and better left to other organisations.

The G20 and the multilateral trade impasse

By Diana Tussie
FLACSO. Buenos Aires, Argentina

In many countries, the surge in national industry bailouts, stimulus packages and subsidies contains worrying aspects of foreign commercial discrimination to protect domestic jobs. These policies represent an emerging trade agenda that the G20 will need to tackle, regardless of the fate of the stalled Doha round. Nonetheless, Doha retains symbolic value in terms of providing a cooperative climate for multilateral trade talks, precisely because of this longer term agenda looming in the background.

Trade stagnation

The onset of the global financial crisis saw dramatic global trade deterioration. After a 27 year boom, figures for 2009 suggest a contraction of 12.2 per cent in global trade, the sharpest decline in almost 70 years. Even those countries whose exports had boomed over previous years, such as China, India and Argentina, experienced a significant decline. China's exports fell by 16 per cent, while India, Argentina, South Africa and Brazil recorded declines of over 20 per cent.

The fear of collapsing trade that gripped world leaders helped to bring about the first G20 Leaders Summit in Washington DC in November 2008. While pushing forward financial regulatory reform, they were quick to commit to an open global economy. In their communiqué, G20 leaders declared that it was critically important to reject protectionism and avoid turning inward in the face of falling growth and rising unemployment. The G20 committed to the following: 'we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports'. And for extra emphasis on the importance of trade to global economic health, they tasked their trade ministers to 'reach agreement this year on modalities that lead to the successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome'.

The G20 leaders remained alert to the prospects of trade wars. In their April 2009 London meeting they declared that: 'Reinvigorating world trade and investment is essential for restoring global growth. We will not repeat the historic mistakes of protectionism of previous eras'. The leaders renewed their public commitment to what was known, by then, as the Standstill Provision and agreed to extend it through 2010. On the question of completion of the Doha Round, the leaders once again reaffirmed their call to reach 'an ambitious and balanced conclusion'. However, notwithstanding declarations in several G20 communiqués, efforts to conclude the Doha Development Agenda negotiations have made little progress.

In January 2009 Pascal Lamy, director general of the World Trade Organisation (WTO), referred to the global trading system as 'an insurance policy against protectionism'. To enhance the trade system, Lamy declared that the WTO would issue periodic reports on global trends in international trade policy developments as part of the WTO's surveillance mandate. The Secretariat's hope was that members would find these reports useful in facilitating discussions to cope with the crisis. At the London Summit, the G20 urged the WTO and other international bodies 'to monitor and report publicly on our adherence to these undertakings on a quarterly basis'. The WTO, UNCTAD and the OECD now jointly issue periodic reports.

The Framework for Strong, Sustainable and Balanced Growth adopted at Pittsburgh in September 2009 calls for aligning fiscal, monetary, foreign exchange, trade and structural policies among the G20 nations. The collective examination of global imbalances is identified as one of the elements in the Framework. The need for global economic balance has been brought home painfully by the Greek debt crisis.

So how determined have the G20 countries been – beyond rhetorical pronouncements at the G20 summits – in avoiding protectionism? The short answer is not very determined, but nor has the result been deplorable. Many international and regional organisations have monitored trade policy since the Washington summit, and all have noted that high intensity protection has not occurred.

The focus on trade has declined somewhat since the Washington summit despite the repeated mention of the subject in subsequent meetings and the collapse of world trade in 2009. The dismal performance of international trade flows can mostly be explained by the sharp contraction in global demand. This was magnified by the limited availability of trade finance and the fact that the decline in trade occurred simultaneously across a number of countries and regions.

The decrease in demand and the explosion of unemployment across the G20 countries as the financial crisis spilled over into the 'real economy' have led to a new trade predicament. This is because many government measures have included potentially discriminatory features. Even if serious protectionism has been averted and trade relations have remained amicable, a new series of concerns is now simmering in the background. Given the spiralling number of bailouts and stimulus packages, the trade agenda will need revamping, regardless of whether a Doha Round package is agreed upon.

Addressing core concerns

A number of leading think tanks have come together to monitor state measures that might discriminate against foreign trade interests, related to imports, exports, foreign workers and investments.

With the assistance of trade experts from across G20 countries, Global Trade Alert began to collect trade measures that might discriminate against foreign commercial interests. The table below summarises measures initiated by G20 countries since the Standstill Provision up to 1 July 2010.

GRA DATABASE-MEASURES REPORTED
(as of 1 july, 2010)

All countries

Measures in the database	1.052
Measures implemented	781
Measures to be implemented	271

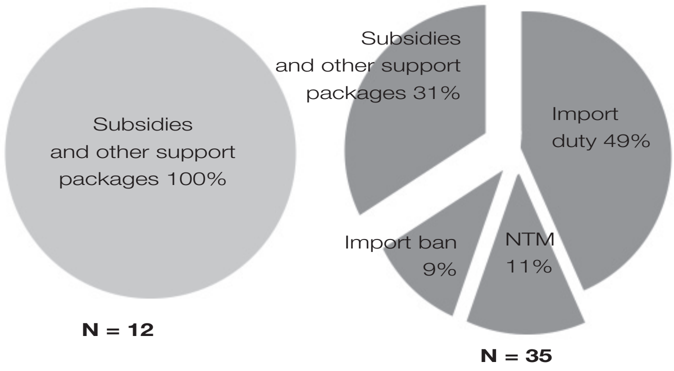
G-20 Countries (implemented and no implented)

Country	RED	AMBER	GREEN	TOTAL
Argentina	41	28	6	75
Australia	10	5	5	20
Brazi	17	15	15	47l
Canada	7	14	7	28
China	19	18	7	44
EU	10	18	4	32
France	14	15	5	34
Germany	29	14	5	48
India	31	28	19	78
Indonesia	22	13	5	40
Italy	19	12	4	35
Japan	12	2	0	14
Korea	5	4	4	13
Mexico	6	5	7	18
Russia	73	13	17	103
Saudi Arabia	7	2	1	10
South Africa	7	6	6	19
Turkey	8	8	1	17
Unided Kingdom	24	13	4	41
United States	14	50	4	68
TOTAL	**375**	**283**	**126**	**784**

The table shows that since the Standstill Provision was agreed, G20 countries have implemented at least 658 measures (red and amber coded measures) that are almost certain to discriminate against foreign commercial interests. Of the measures initiated by G20 countries through June 2010, about half are almost certainly discriminatory. While some measures have been taken that improve trade (mostly introduced to offset the effect of an overvaluation of the exchange rate) the number of discriminatory measures is significant.

This record cannot be seen as adherence to a global commitment. Rich countries have relied on subsidies and poor countries have used duties to restrict imports.

TYPES OF MEASURES



If G20 leaders have been less than vigilant when it comes to maintenance of the Standstill Provision, what then of their commitment to conclude the Doha Round? Here, too, it seems that rhetoric far exceeds real commitment.

From the outset, much convincing was required of developing countries, especially the poorest in Africa, that this Round would bring them substantial benefits. Though the Round was supposed to deal with development issues, in fact it came down to concerns over agriculture and non-agricultural manufactured products (NAMA). Originally scheduled to reach conclusion by January 2005, the start-stop cycle has been painfully prolonged as parties dissected as never before the domestic implications of the tabled proposals.

Emerging and developing economies cannot be expected to commit to an institution in which they are marginalised. Doha mobilised a set of new coalitions among Southern countries, most prominently the G20 trade coalition (not to be confused with the current leaders G20 Summit). Operated under various guises, it was led by India and Brazil and supported in various manners by a number of other developing countries.

Following the Washington Summit in November 2008, senior officials in Geneva failed to make progress in the five critical areas identified by WTO DG Pascal Lamy: NAMA, tariff cutting, initiatives for specified sectors, the special safeguard mechanism for developing countries to protect against agricultural import surges, and the issue of preference erosion. With this setback, Lamy called off the December 2008 ministerial meeting.

At the London Summit in April 2009, the G20 reiterated its call to conclude the Round by 2010. Yet just a few days later, Rahul Khullar, India's commerce secretary, publicly stated that completion of the Doha Round was out of reach, given public anger over job losses and the collapse of economic growth. During 2009 Argentina (subsequently supported by several developing G20 countries) raised the concern that bailouts and fiscal support in developed countries have a strong protectionist and distorting impact on international trade, resulting in a loss of competitiveness on the part of countries without any capacity to subsidise. Yet these packages were not reported in a symmetrical fashion in WTO reports, in contrast to the border measures that developing countries have resorted to.

The G20's role

The alarm over trade protection has receded into the background of the G20 agenda despite the reiterated call for good behaviour. But a looming trade agenda is taking shape. Competitiveness has become more complex and cutthroat requiring support from the state to assist industries to be competitive in the global marketplace. Contingent legalised protectionism has a very large place inside the WTO and all free trade agreements. While not insurmountable, the challenges presented to global trade by the economic crisis demand appropriate recognition.

- WTO members should anticipate that the continued effort at a broad Doha agreement will falter against the reality of domestic resistance.
- The G2O should accept the "smallest" agreements possible towards a conclusion of the Doha Round, as a means to support the legitimacy of the WTO. Generous market opening offers for LDCs must be part of the package.
- The G20 must encourage open discussions at the WTO to examine the sources of discrimination that lie not so much with the issues that concern the current Doha Round, but on matters emerging from the current economic crisis: discriminatory procurement, bailouts and subsidies.
- The G20 must start a work programme on this emerging trade agenda, as laid out in Table 2.

TABLE1. IMPLICATIONS OF AN EMERGING AGENDA: TASKS FOR THE G20 (as of 1 july, 2010)

G20 AGENDA ISSUES	TRADE MEASURES	IMPACT ON AND INVESTMENT FLOWS	ISSUES FOR TRADE NEGOTIATIONS
Fiscal support and stimulus packages	Bail outs, grants, employment protection and other kinds of support for home based firms	Discrimination against foreign based firms	Trade and investment distortions: unfair competition at home and in third markets; emergence of unlevel playing fields; revival of the traffic lights system for subsides and construcion of a new mechanism for non-actionable subsidies (explired in 2000)
Reduction of global macro desequilibra	Export-driven rates of exchange, export incentives, employment and import protection in deficit countries; support to demand in surplus countries	Export hikes and import suppression in deficit countries, discriminatory support to demand or employment protection	Introduction of new subsidies and activist contingent protection (safeguards, antidumping, etc). Clearance for new non actionable subsidies, de minimis thresholds, etc. Risk of a crisis-related peace clause fo raising disputes
Financial regulation	Revision of national system of regulation and supervision of financial services	Impact of financial service regulation on trade and investment	Liberalisation/regulation/ surveillance of financial services

The G20 has a responsibility to maintain momentum around these issues beyond the current crisis, with the acknowledgement that these issues are pertinent to all countries, including 172 non-members. That means broadening the voices it listens to. There are significant advantages to be had from greater openness to so-called ‘systemically unimportant’ non-member states. Usually bigger countries harbour the leading thinkers and public debates, but small countries understand the issues as well and they understand implementation more than most.

The G20 could rectify this bias by undertaking structural changes and thorough outreach. Changes to the G20´s structure might include adding seats for LDCs on a rotating-basis, including two or three countries as formal G20 members. Creating a constituency system and reshuffling membership with a greater regional focus (limiting European representation to one EU seat) is vital. Outreach could include formal meetings and seminars and joint work on global public good issues, inviting select observes to participate in G20 meetings and holding meetings in non-member countries.

The G20 will not be able to move the emerging trade agenda if process issues are not tackled. A basic step would be to consider establishing a permanent secretariat, outside North America or Europe. This would provide a permanent provision of substantive technical support independent of the G8 dominated institutions. A G20 secretariat could also provide space for consultation on sensitive issues which does not adequately exist in the WTO agenda, as presently configured.

With the establishment of a secretariat the G20 could also undertake regional dialogues that would feed into the formal G20 process. This could include a network of horizontal capacity building to strengthen widespread technical ability to contribute to the formal G20 process.

Along the above lines the G20 should broaden its working groups from the current priority reform areas (regulation and transparency; international cooperation and market integrity; IMF reform; World Bank and other multilateral development bank reforms). Thematic working groups could focus on cross-cutting issues. In these ways the G20 would be better equipped to address the trade dimension of economic recovery.

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The G20 and development: The Korean agenda

By Deok Ryong Yoon
Korean Institute for International Economic Policy (KIEP)

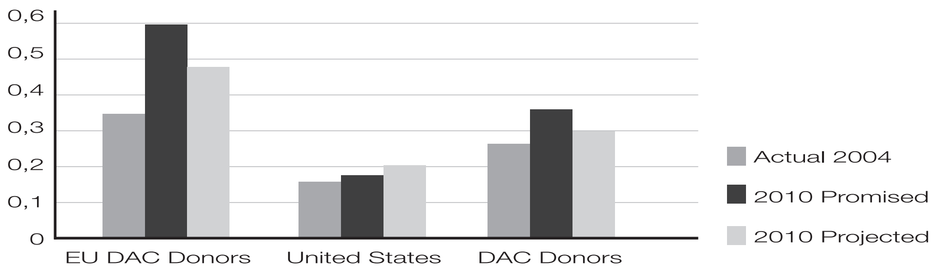
The Korean government has placed the issue of development at the centre of its G20 presidency during the second half of 2010. Its aim is to shift the focus of development debates to the importance of economic growth. This policy brief explains the thinking behind this agenda and what it is likely to entail.

Development debates: the state of play

The Framework for Strong, Sustainable and Balanced Growth is at the top of the G20's agenda. After the financial crisis, the world has experienced a contraction in domestic growth rates, bringing to the fore the need to re-emphasise the importance of economic development. This in turn goes hand-in-hand with the overall global development agenda.

The Millennium Development Goals (MDGs) intend, *inter alia*, to reduce poverty and child mortality rates, fight disease epidemics, and establish an integrated global effort towards development; some of these goals cannot be accomplished without sufficient financial support. The global financial crisis has prevented donor countries from making sufficient contributions, falling short of the promised percentage of their GDP (Figure 1-1).

Figure 1.1. ODA/GNI Promises and Realities, Source OECD



Thus, recipients have less money available to fuel expected social development and domestic security. As Official Development Aid (ODA) from the members of the Development Assistance Committee (DAC) and the G8 decreases, so do growth rates in low-income countries (LICs). Progress towards the MDGs is faltering. This is contributing to heightened social conflict, leading to new concerns, such as rising unemployment and inequality in developing countries. As the LICs are largely dependent on external resources, the MDGs have the task of providing a vision that solidifies internal funding sources within poverty-stricken regions so as to help these nations maintain and accumulate their own prosperity, after the MDGs have been realised.

The level of achievement of the MDGs to date differs by region. For example, the goal of reducing poverty by 50 per cent has already been achieved in East Asia, while conflict-stricken and fragile states elsewhere have experienced an increase in absolute poverty levels and minimal economic growth of less than 2 per cent. As the case of East Asian countries shows, economic growth is the most effective means to exit absolute poverty and to fulfil the MDGs in a faster and enduring manner. This is why Korea has included the development issue in the discussions to be held during the G20 Summit in Seoul and seeks to re-emphasise economic growth as a vehicle to achieve the MDGs.

Sound economic growth is key to speeding up progress and achieving the MDGs. Accordingly, the G20 must take measures to promote an agenda that does not hinder but rather builds upon the MDGs and other existing development work. It must implement policies not only to prevent further consequences from the crisis, but also to make development sustainable in the long run. In addition, as the world gradually recovers from the global financial and economic crisis, the G20 also needs to make a smooth and quick transition from crisis management to post-crisis work.

The developed world has made tremendous efforts towards improving living conditions, reducing poverty and narrowing the inequality gap. However, it is evident that progress has fallen short due to the global financial crisis. The G20 Summit in Korea should discuss ways to speed up progress by re-emphasising economic growth to achieve development goals. By effectively implementing the economic development policy recommendations below, the G20 should be able to yield a balanced outcome from globalisation and improve equity domestically and internationally.

The Korean agenda for development

The MDGs have focused mainly on social development in least developed countries. However, in order to achieve this goal, it is necessary to introduce economic development measures that will establish a strong foundation for economic growth. Therefore, the G20 should consider specific, needs-based development policies that complement some of the features already laid out by the MDGs and other major on-going projects. This is the most effective way to help countries achieve and maintain successful social and economic development. What does the focus on economic growth mean in practice?

First, the G20 should promote greater infrastructure provision by making a collaborative effort to collect and share data on investment and its impact; developing action plans to increase public and private funding; and preparing action plans for technical and financial assistance to developing countries and LICs.

Also, the G20 should re-examine the programmes led by multilateral development banks (MDBs) to induce a better provision of public long-term capital towards developing countries and LICs and to collect more data to monitor progress.

Second, as the world recovers from the financial crisis, trade is a powerful mechanism to help countries overcome the shock. Recognising the importance of trade capacity and market access for economic growth, the G20 Summit in Seoul should consider more specific measures, such as aid for trade and 'duty free, quota free' access for LICs.

According to the 2010 UN MDG Report, there has been meaningful progress in the trade sector, as developing countries and LICs have gained greater access to developed countries' markets. However, as most developing countries and LICs still largely rely on basic commodity exports, there should be a better trade-aid mechanism to support trade diversification, so as to broaden these countries' income sources. This will help them exit the economic downturn.

In order to achieve the MDG target of developing a global partnership for development, the G20 has to strengthen its commitment to open and integrated markets that will boost the world economy. The G20 should take the lead in fostering regional, as well as global market integration, in order to create an economic growth momentum for the international community.

Third, human development. Strong human capital is key for a country's growth and development. Hence, the goal of universal primary education was incorporated into the MDGs, and indeed, there has been some progress on this over the last decade. But the slow pace of progress to date hinders the full achievement of this goal. Furthermore, developing countries still suffer from a lack of qualified labour, which undermines multi-polar growth in relevant regions.

The G20 is expected to acknowledge this improvement in educational opportunities and reconfirm its commitment to supporting continued advances in this area, particularly for relieving gender disparity and getting 'hard to reach' children involved.

Notwithstanding this, in terms of economic growth what matters more in education promotion is channelling educated human capital into production, in order to prevent educated-workers from being idle. Thus, it is necessary to help developing countries and LICs promote employment-related education courses, including vocational training. G20 member countries should foster ties between higher educational institutions in developing countries and LICs to provide more opportunities for advanced technology.

Fourth, knowledge sharing is significant as developing countries and LICs can benefit from access to the accumulated knowledge about the development of leading G20 economies, and be able to generate their own development models.

Knowledge sharing must also include technology to create self-sustaining energy and manufacturing industries that offer stepping stones to additional development. So far, access to technology has been what has separated the least developed from the developed, dividing the international community into lenders and borrowers. Flexible knowledge and technology sharing will overcome the detrimental effects of extreme poverty, as well as relieve some of the newly emerging issues such as debt, unemployment and climate change.

The collective effort of the G20 will strengthen ties and reinforce awareness of these issues within the global community.

Fifth, strong governance and anti-corruption should be priority issues for developing countries because they substantially influence the investment climate and are essential to the efficiency of financial flows. Mismanagement of public spending often leads to the failure to achieve sustainable growth by creating investment inefficiencies. It is not easy to verify the quality of governance in a given country, but even within a broad definition of governance (including regulation measures), domestic governance is critical for developing countries to ensure efficient resource allocation.

Currently, some international institutions, such as the World Bank, are actively trying to engage in governance reform, sharing knowledge about institutional development to improve government regulation. In addition, these interna-tional institutions sometimes function as monitoring bodies; for example, the World Bank monitors Bank-financed projects. However, since their role is limited to specific projects, the G20 should provide a forum for open discussion on how to advance anti-corruption efforts with a view to achieving economic and social efficiency.

Sixth, financing. Limited access and use of financial services is a huge challenge for many developing countries and LICs. Empirical evidence suggests that countries with more advanced financial systems experience much faster poverty reduction and economic growth. Therefore, relieving the financial gap at a national level, as much as at the global level, is at the core of the development agenda.

Financial inclusion can eliminate many of the downsides of being poverty-stricken. It facilitates economic transactions between countries, which reduces time-consumption, risks, and costs. It can also support low-income families or businesses to make use of checking and savings accounts effectively to manage their finances. Furthermore, families in least developed countries can use the accumulated wealth to improve their living situations, for instance, through better access to education, health care services and other necessities. This will consequently prevent vulnerabilities like illness and unemployment, with sustainable, low-cost solutions. Companies can also utilise the benefits of financial institutions to improve production or manufacturing. Moreover, these financial institutions promote independence at both citizen and enterprise level, making their country more secure and resilient. Therefore, financial inclusion is an important factor in achieving the MDGs, as economic strength reduces vulnerability and inequality and leads to higher income and savings.

As the Pittsburgh Summit stressed the importance of improving financial services in poor countries, the Seoul Summit must further the debate to produce effective means to achieve concrete development and regulate newly-built financial systems in these countries. In order to kick-start and maintain financial systems in LICs, it is necessary continuously to support and evaluate the Financial Inclusion Experts Group. More specifically, the G20 must strengthen the financial inclusion pillars that will facilitate an appropriate policy environment, deliver mechanisms and products, and manage a responsible, customer-focused financial environment.

The role of the G20

The G20 must foster a forward-looking discussion about objectives, measures and rationale, which will translate these recommendations into action. One of the key roles that the G20 can play is bridging the gap between developed and developing countries, by taking measures to enhance confidence among its diverse members. Furthermore, the G20 must discuss ways in which to coordinate existing aid organisations under institutions like the Organisation for Economic Development Cooperation, the United Nations, the World Bank, and regional MDBs, among others. Also, already developed or rapidly emerging economies in the G20 should be encouraged to participate in burden-sharing and mutual commitments, and to strengthen a horizontal relationship between donors and recipients. In this context, it is crucial for the G20 to bring diverse actors together, especially the newly emerging economies, by creating new development partnerships beyond conventional dynamics.

At the Seoul Summit, the G20 must recognise that low-income countries and emerging economies, fuelled by liberal trade, investment opportunities and financial inclusion, are potential sources of global demand. However, effectively to consolidate these potential sources into real demand, low-income countries should be encouraged to become independent, self-sustainable economies, free from external subsidy. If successful economic development and capital accumulation takes place, these growing states will become an important part of achieving a more secure and balanced international economy. Therefore, the G20 must take the lead and foster these potential win-win benefits.

In the face of critical challenges, such as climate change and energy and food security that may hinder substantial development, the G20 also needs to begin to seek ways in which to implement and improve MDGs and other projects beyond 2015. It also needs to support low-income countries so that they become both economically and socially strong enough to discuss these new issues. Furthermore, the G20 should consult non-G20 countries and continue to work closely with the UN and other regional platforms to solidify a promising post-MDG agenda, which should focus on concrete economic development, along with the social outcomes proposed by the MDGs; therefore, liberating MDGs from their initial limitations and promoting synergy effects.

Annexes

Seoul Conference

Seoul, 1-2 September 2010

Venue: Hotel SHILLA

Agenda

Wednesday, 1 September

10:00 – 10:30	**Opening Session** *Welcoming Words:* Myung-hwan **Yu,** Minister of Foreign Affairs and Trade, Government of Korea Doo-Hee Lee, Chairman, Planning Committee, Presidential Council on Nation Branding Pedro **Solbes**, President of the Executive Committee, FRIDE, Former Minister of Finance of the Government of Spain Wim **Kok**, President, Club of Madrid. Former Prime Minister of the Netherlands
10:30 – 10:45	Coffee-break (Photo Session)
10:45	**Session I: Setting the Context** **Key issues to be discussed:** participants will be informed of the main issues of debate that the G20 presidency is facing towards the G20 November Summit. *Moderator*: Wim **Kok**, President, Club of Madrid. Former Prime Minister of the Netherlands *Speakers*: '*What Role for the G20*': Werner **Puschra**, Executive Director of the New York Office, Friedrich-Ebert-Stiftung '*What development Agenda for the G20*': Michael **Keating**, Director, Africa Progress Panel '*The Reform of the International Financial Institutions*': Chang Yong **Rhee,** G20 Sherpa, Korea
11:45 – 11:50	Group Photo and Coffee-break *Discussants:* Hong-Koo **Lee**, Former Prime Minister of Korea Jenny Mary **Shipley**, Former Prime Minister of New Zealand Olivier **Colom,** Adviser for G8 and G20, International Organizations and Global Issues, Office of the President of France (G20 Presidency 2011) Q&A

13:00 **Luncheon hosted by Chairman of the Presidential Committee for the G20 Summit**

14:30 **Session II: Recommendations towards November G20 Summit**

Key issues to be discussed: Members of the Club of Madrid will present the main recommendations, towards the G20 November Summit, under each of the issues outlined below.

Moderator:
Hong-Koo **Lee**, Former Prime Minister of Korea
Speakers:
Legitimacy and Efficiency: Kim **Campbell**, Former Prime Minister of Canada
Reform of quotas at International Financial Institutions: Lionel **Jospin**, Former Prime Minister of France
Accountability Mechanisms: Ricardo **Lagos**, Former President of Chile
Development priorities for a G-20 Agenda: Joaquim **Chissano**, Former President of Mozambique

Discussants:
John **Kufuor**, Former President of Ghana
Cesar **Gaviria**, Vice-president of the Club of Madrid. Former President of Colombia

Q & A

16:30 **End of Session**

19:00 **Welcome Dinner** hosted by Chairman of Presidential Council on Nation Branding

Thursday, 2 September

09:30 **Session III: Looking Forward**

Key issues to be discussed: Our speakers in this session will discuss other challenges in global governance that the G20 will most probably have to address in the near future.

Moderator:
Kim **Campbell**, Former Prime Minister of Canada

Speakers:
Wook **Chae** , President of Korea Institute for International Economic Policy
Pedro **Solbes**, President of the Executive Committee, FRIDE, Former Minister of Finance of the Government of Spain

Discussants:
Seung-soo **Han**, Former Prime Minister of Korea
Vicente **Fox**, Former President of Mexico

11:00 Coffee Break

11:15 Q & A

11:30 **Session IV: Conclusions and Closing Remarks**
General Rapporteur :
Sean **Mulvaney**, Director, Economic Policy Programme, German
Marshall Fund of the United States
Closing Remarks:
Seung-soo **Han**, Former Prime Minister of Korea
Hong-Koo **Lee**, Former Prime Minister of Korea
Wim **Kok**, President, Club of Madrid. Former Prime Minister of the Netherlands

12:30 **Press Conference**

13:00 **Closing Luncheon hosted by the Korea Foundation**

Visit to President Lee for Submission of Conclusions and Recommendations by Members of the Club of Madrid

List of Participants Seoul Conference

Members of the Club of Madrid

Wim Kok	President of the Club of Madrid, Former Prime Minister of the Netherlands
Kim Campbell	Former Prime Minister of Canada
Joaquim Chissano	Former President of Mozambique
Cesar Gaviria	Former President of Colombia
Seung-Soo Han	Former Prime Minister of Korea
Lionel Jospin	Former Prime Minister of France
Vicente Fox	Former President of Mexico
John Kufuor	Former President of Ghana
Ricardo Lagos	Former President of Chile
Hong Koo Lee	Former Prime Minister of Korea
Jennifer Mary Shipley	Former Prime Minister of New Zealand

Government of Korea

Myung-hwan Yu	Minister of Foreign Affairs and Trade, Government of Korea
Ho-Young Ahn	Deputy Minister for Trade, Ministry of Foreign Affairs and Trade, Government of Korea
Chang Yong Rhee	G20 Sherpa, Government of Korea
Il Sagong	Presidential Committee for the G20 Summit

Other participants

María Elena Agüero	Deputy Secretary General, Club of Madrid
Yavuz Alkan	Expert, Turkish Under-secretariat of Treasury
Raquel Álvarez	G20 Deputy Sherpa, Government of Spain
Agustina Briano	Institutional Relations Officer, Club of Madrid and G20 Project Officer
Ian Brodie	Political Advisor, Inter American Development Bank
Alessandro Busacca	G8 Sous Sherpa and in charge of the G20 at the Italian Ministry of Foreign Affairs
Wook Chae	President of the Korean Institute for International Economic Policy
Olivier Colom	Adviser for G8 and G20, International Organizations and Global Issues, Office of the President of France
Jonathan Coppel	Special Economic Counsellor to the Secretary-General in charge of G20 issues, OECD
Maria Angélica Ducci	Executive Director, Office of the Director-General and G20 Sherpa, International Labour Organization
Eugene Gherman	Senior Economic Affairs Officer of the ESCAP Subregional Office for East and North-East Asia.
Michael Keating	Director, Africa Progress Panel
Bernardino León Gross	G20 Sherpa, Office of the Prime Minister of Spain
Brian McDonald	Head of Delegation, Delegation of the European Union to South Korea

Sean Mulvaney	Director, Economic Policy Programme, German Marshall Fund of the United States
Emmanuel Nnadozie	Director, Economic Development and NEPAD Division, United Nations Economic Commission for Africa (UNECA)
Sean O'Sullivan	Deputy Director General of the Strategy and Policy Department, Asian Development Bank
Martha Ortiz	Ambassador to the Republic of Korea, Government of Mexico.
Christoph Pohlmann	Executive Director of the Seoul Office, Friedrich-Ebert-Stiftung
Werner Puschra	Executive Director of the New York Office, Friedrich-Ebert-Stiftung
Zia Qureshi	Senior Advisor to Chief Economist, World Bank
Johannes Regenbrecht	Minister, Deputy Head of Mission (currently Chargé d'Affaires ad interim), Embassy of the Federal Republic of Germany Seoul
Magdalena Segre	Director of Operations, FRIDE
Heather Simpson	Special Adviser to the UNDP Administrator
Pedro Solbes	President of the Executive Committee, FRIDE, Former Minister of Finance, Government of Spain
Deok Ryong Yoon	Senior Research Fellow, Korean Institute for International Economic Policy
Paolo Torrecuso	Attaché of the Brazilian Ministry of International Relations for the Brazilian Embassy in Seoul.
Uwe Wissenbach	EC Delegation in Korea, Counsellor & Deputy Head of Mission, Head of Political Section.

Agenda

Preparatory Workshop

Seoul, 15-16 July 2010

Venue: Lotte Hotel

Thursday, 15 July

10:00 **Opening Session**

Welcoming Words:
Hong Koo **Lee**, Former Prime Minister of Korea, Member of the Club of Madrid
Seung-soo **Han**, Former Prime Minister of Korea, Member of the Club of Madrid
Carlos **Westendorp**, Secretary General, Club of Madrid
Richard **Youngs**, Director General, *Fundación para las Relaciones Internacionales y el Diálogo Exterior* (FRIDE)

10:15 **Session I: The Reform of the International Financial Institutions: Towards Greater Representation in the Global Governance System**

Key issues to be discussed: Our first cluster of briefs examines the relationship between the G20 and broader multilateral dynamics. We aim to come up with practical suggestions as to how the G20 can enhance rather than undermine all-inclusive multilateralism. These briefs will examine how the G20 relates to the need for a qualitative improvement in multilateral cooperation, away from purely managerial multilateralism. Our authors explore novel ways of linking the catalysing role of the G20 to overcome shortcomings in prevailing multilateralism.

Moderator:
Richard **Youngs**, Director, FRIDE

Speakers:
John **Kirton,** Director of the G20 Research Group, Munk School of Global Affairs, University of Toronto
Peter **Draper**, South African Institute for International Affairs
José Antonio **Ocampo**, Professor at Columbia University; Former Under-Secretary-General of the United Nations for Social and Economic Affairs

10:55 Coffee-break

11:10	*Discussants:* Philip **Dimitrov**, Former Prime Minister of Bulgaria, Member of the Club of Madrid Kati **Suominen**, Transatlantic Fellow, Economic Policy Program, German Marshall Fund of the United States (GMFUS) Young-Joon **Park**, Head of International Macroeconomics Team, Korea Institute for International Economic Policy Q&A
13:00	Lunch
14:00	**Session II: Development: What Contribution can the G20 make to Development Challenges?**
	Key issues to be discussed: Our second cluster examines the potential development role of the G20, a priority issue for the Korean presidency. It is recognised that the G20 cannot duplicate the role of technical development agencies. But has the G20 a potential to use the successful development models of its members to assist the broader challenges of economic development in non-G20 members? The G20 has been criticised for excluding the world's poorer states: so, can it rebut these concerns and show concrete value to least development states? Our authors argue that this will be key for the G20´s legitimacy and they suggest concrete ways in which this can be done.
	Moderator: Sean **Mulvaney**, Director, Economic Policy Program, German Marshall Fund of the United States (GMFUS)
	Speakers: Deok Ryong **Yoon**, Senior Research Fellow, Institute for International Economic Policy Richard **Youngs**, Director General, FRIDE
14:40	Coffee break
15:00	*Discussants*: John **Kufuor,** Former President of Ghana, Member of the Club of Madrid Seung-soo **Han**, Former Prime Minister of Korea, Member of the Club of Madrid. Werner **Puschra**, Executive Director of the New York Office, Friedrich-Ebert-Stiftung Jungho **Yoo**, Professor, KDI School of Public Policy and Management Q & A
16:30	**End of Session**

19:00	**Dinner hosted by the Korea Foundation** *Welcoming Words:* Byung-kook **Kim**, President, The Korean Foundation Carlos **Westendorp**, Secretary General, Club of Madrid *Presentation on G20 summit:* Ho- Young **Ahn**, Deputy Minister for Trade, Ministry of Foreign Affairs and Trade, Government of Korea.

Friday, 16 July

09:30	**Session III: Multilateralism: What role for the G20?** **Key issues to be discussed:** Our third cluster examines how the G20 can foster options for increasing southern representativeness. Our authors explore novel means of investing more democratic forms of decision-making into international cooperation. The G20 has been criticised for its arbitrary membership and for the risk of it cutting across recent advances in democratising multilateralism. What can the G20 do to disprove these concerns? *Moderator*: Ho-Young **Ahn**, Deputy Minister for Trade, Ministry of Foreign Affairs and Trade, Government of Korea. *Speakers*: Diana **Tussie**, Senior Researcher, FLACSO, Argentina Richard **Youngs**, Director General, FRIDE *Discussants*: Jorge **Quiroga**, Former President of Bolivia, Member of the Club of Madrid Dong Hwi **Lee**, Professor, Institute of Foreign Affairs and National Security, Ministry of Foreign Affairs and Trade
11:00	Coffee Break
11:15	Q & A
11:30	**Session IV: Conclusions and Closing Remarks** *Moderator*: Richard **Youngs**, Director General, FRIDE
13:30	**End of Session**

List of Participants

Preparatory Workshop

Members of the Club of Madrid

Philip Dimitrov	Former Prime Minister of Bulgaria
John Kufuor	Former President of Ghana
Hong Koo Lee	Former Prime Minister of Korea
Jorge Quiroga	Former President of Bolivia
Han Seung-soo	Former Prime Minister of Korea
Carlos Westendorp	Secretary General, Club of Madrid

Authors

Peter Draper	South African Institute for International Affairs
José Antonio Ocampo	Professor, Columbia University and former Under-Secretary General for the UN for Social and Economic Affairs
Diana Tussie	Director of the Department of International Relations, FLACSO Buenos Aires
Deok Ryong Yoon	Senior Research Fellow, Korean Institute for International Economic Policy
Richard Youngs	Director, *Fundación para las Relaciones Internacionales y el Diálogo Exterior* (FRIDE)

Invitees

Ho-Young Ahn	Deputy Minister for Trade, Ministry of Foreign Affairs and Trade, Government of Korea
Agustina Briano	Institutional Relations Officer, Club of Madrid and G20 Project Officer
Ian Brodie	Political Advisor, Inter American Development Bank
Moncef Follain	Responsible G20, Ministry of Foreign and European Affairs, Government of France
Eugene Gherman	Acting Head of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Sub-regional Office for North and Central Asia
John Kirton	Director, G20 Research Group, Munk School of Global Affairs, University of Toronto
Madeline Koch	Managing Director, G8 and G20 Research Group, Munk School of Global Affairs, University of Toronto
Dong Hwi Lee	Professor, Institute of Foreign Affairs and National Security, Ministry of Foreign Affairs and Trade, Government of the Republic of Korea
Sean Mulvaney	Director, Economic Policy Programme, German Marshall Fund of the United States
Emmanuel Nnadozie	Director, Economic Development and NEPAD Division, United Nations Economic Commission for Africa (UNECA)

Young-Joon Park	Head of International Macroeconomics Team, Korea Institute for International Economic Policy
Cyn-Young Park	Principal Economist, Officer of Regional Economic Integration, Asian Development Bank
Werner Puschra	Executive Director of the New York Office, Friedrich-Ebert-Stiftung
Kati Suominen	Transatlantic Fellow, Economic Policy Program, German Marshall Fund of the United States
Jungho Yoo	Professor, KDI School of Public Policy and Management

About us

The Club of Madrid responds to the demand for leader-to-leader support to confront today's global, regional and national democratic leadership challenges. It is an independent organization dedicated to strengthening democratic values and leadership around the world by drawing on the unique experience and resources of its Members – more than 70 democratic former Heads of State and Government from 50 countries who contribute their time, experience and knowledge to this mission. The Club of Madrid's membership constitutes the world's largest forum of ex-Presidents and ex-Prime Ministers and offers today's leaders an unequalled body of knowledge and political leadership. For further information please visit our webpage: www.clubmadrid.org.

FRIDE is an independent think tank based in Madrid that aims to provide the best and most innovative thinking on international affairs. Our mission is to inform policy and practice in order to ensure increasing support for multilateralism, democratic values, security and sustainable development. Our main contribution to international debates stems from our empirical research on democracy promotion, the increasing role of emerging powers, development cooperation, global governance and multilateralism, threats to peace and security, and fragile states and energy security. For further information please visit our webpage: www.fride.org.

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