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G20: On Behalf of the Rest?

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Abstract

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

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1. Introduction

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

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

2. A Brief History of G20

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

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

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

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

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