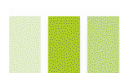




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HEINRICH BÖLL STIFTUNG

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The G20 from Toronto to Seoul Disappointment and renewed expectations

A summary report by Sandro Gianella

The first *post-crisis* Summit of the Group of 20 has not delivered on the promise of progressive reforms of the international financial system or the re-balancing of the global economy. Instead, it has adopted the aptly named Sinatra doctrine, agreeing on broad goals and objectives while at the same time allowing individual governments to tackle them *their way*. Moreover, the group has not attempted to address their lack of transparency and continues to systematically exclude NGOs from decision-making. Consequently, observers and policy-makers agree that there now is **considerable pressure on the G20 to deliver** with concrete proposals at their next meeting in Seoul in November 2010.

The G20 has lost part of the momentum it had gained during the financial crisis and it seems that the time of quick agreements is over. The meeting in Toronto was characterized by an apparent split between emerging countries that have withstood the global financial crisis relatively well, and developed nations that have been hit hard but are unable to agree on a common way forward. As a matter of fact, the final communiqué of the Toronto Summit reads much like a progress report on issues decided at previous meetings. The list of problems where the G20 was unable to find an agreement ranges from a global Financial Transaction Tax to international cooperation on financial regulation and supervision, to properly addressing global economic imbalances.

On the issue of growing public debt problems, however, the G20 did reach an agreement to cut government deficits in half by 2013 and stabilize the ratio of public debt to GDP by 2016. Many Keynesian economists, such as Paul Krugman, criticize these **austerity measures** as coming too early and therefore putting the world economy at risk to plunge into a double-dip recession (see *the G20's Dead Ideas on the next page*). As a matter of fact, even the decision to emphasize debt reduction was accompanied by divisions among the G20, so that the final communiqué included a delicately worded call for

deficit reduction *tailored to national circumstances*. In addition, a global bank levy supported by the U.S., Germany, France and Great Britain was scrapped after strong opposition from Brazil and Canada. A lesson that can be drawn from these experiences is that developing countries are becoming more and more confident when it comes to global policy making at venues such as the G20. However, this does not automatically lead to decisions that account for the needs and interests of developing countries, much less of the LDCs.

In many ways, the widespread disappointment and lack of concrete proposals has put the spotlight on the Seoul Summit, the first ever organized by a non-G8 country. Thus, the real test of the G20 will be in Seoul. The South Korean government has made clear that they want to move the G20 agenda beyond purely financial and economic issues and firmly place **development** on the to-do list. As it happens, the G20 has agreed to **establish a Working Group (co-hosted by South Korea and South Africa)** on development and **mandate it to elaborate a development agenda and multi-year action plans to be adopted at the Seoul Summit**. Most likely, this Working Group will fail to include members of civil society and instead be characterized by the renewed importance given to the World Bank and the IMF. (More on this topic and about the efforts of the Böll Foundation to foster Civil Society involvement on page 5)

In addition, the issue of **food security**, which has already been discussed in Toronto, will again be on the agenda in Seoul. An international NGO network has communicated through a listserv that the issue of **commodity speculation** needs to be taken up as a crucial issue on the advocacy and monitoring agenda of international civil society networks. We see this move in relation to the information announced for the official G20 agenda in Seoul and Paris. Indeed, President Sarkozy in a recent [speech](#) has pointed out that France is likely to raise the issue of **agriculture** and commodity speculation when his government will be hosting the Summit in 2011. (The next issue of the G20 Update will have more on this)



The Korean government will also continue to host a Business 20 Summit (B20) that brings together leading global corporations to meet with representatives of the G20 member-countries. It therefore becomes clear, that Korea intends to highlight the role of the private sector in fostering development. Nonetheless, Korea realizes that it has the potential to act as a bridge between advanced, emerging and developing worlds by applying lessons learned through experience.

The official slogan of the G20 Seoul Summit is *Shared Growth Beyond Crisis*; as a result, Korea has promised to embrace non-G20 nations as well. Without doubt, Korea is trying to use the meeting as a chance to raise the issue of economic development in Asia and Africa.

To conclude, the summit in Korea will become a **litmus test** for the G20 - ironing out disagreements on financial reform while trying to find a common language on development will not come by easily. If the G20 wants to successfully tackle the issues, it needs to find ways to engage civil society, reach out to non-G20 members and find its place in what Richard N. Haass, President of the Council on Foreign Relations (an American think-tank), has called *Messy Multilateralism*. He argues, that Multilateralism in the 21st century is, like the century itself, likely to be more fluid and, at times, more messy than we are used to. The G20 Summit in Korea is not likely to be an exception to this rule.

G20 MUST READS

How the G-20 Can Help the United Nations Stanley Foundation

By [Bruce Jones](#)

Link: <http://tiny.cc/hpu44>

This analysis makes an interesting point in the much debated relations between the G20 and the United Nations. Jones believes that the **two institutions are not rivals**, but in fact have unique comparative advantages and can thus complement each other. In short, he sees widespread misconceptions of the potential relationship between the two bodies and argues that support from the G20 is not a sufficient condition of UN action - but it is a necessary one.

Jones does not believe that the G20 will replace the UN or other global institutions; however, the group can - and should - help mobilize the United Nations to perform and reform. No small grouping of member states, no matter how powerful collectively, can replace the geographic or political reach of the multilateral system, with the United Nations at its core. More specifically, the G20 needs to see the comparative advantages of the UN, such as: long experience, universality which breeds consent, geographical breadth and substantive breath. In fact, the G20 will have minimal operational roles and will therefore depend on the formal institutions to implement most, if not all of its major initiatives.

This is a unique answer to the much-debated question whether power will be concentrated within informal mechanisms such as the G20, or whether they will instead be used to spur decision making in other formal institutions. Jones believes that when it comes to global and transnational problems such as **climate change** and fragile states, the G20 can hardly ignore the longstanding structures and efforts of formal, inclusive institutions.

Why the G-20 Should Be Interested in the Development of the G-160+ World Bank

By [Ngozi Okonjo-Iweala](#)

Link: <http://tiny.cc/mpjn7>

In this speech at the World Bank Korea Conference on Post Crisis Growth and Development, the Nigerian Managing Director of the World Bank makes a compelling argument for **putting development on the G20 agenda**.

She argues that Korea's remarkable history when it comes to development should serve as a reminder at the G20 table of the importance of development, and the fact that the crisis has extracted a heavy toll on poor people everywhere. If the G20 is to achieve its objective of *strong, sustainable and balanced growth* alongside large fiscal consolidation in the advanced economies and renewed uncertainty as a result of the European debt crisis, the economic resilience of emerging economies as well as low-income countries becomes vital. She draws a close link to tackling climate change early and argues that Korea - via its Green New Deal Stimulus Package - has the potential to take the lead.

In conclusion, the G20 needs the G160+ for reasons of self interest; G20 countries need new sources of demand and the developing world has the potential and the people. The G20 must recognize this and give development a central place in its agenda.

Further reading on G20 & Development: [Remarks](#) by Chairman of the Presidential Committee for the G20 Summit in Korea - G20 Sherpa [Dr. II SaKong](#)

Link: <http://tiny.cc/iphpl>

The G-20's Dead Ideas - Why Fiscal Retrenchment is the Wrong Response to the Crisis Foreign Affairs

By [Mark Blyth](#) and [Neil K. Shenai](#)

Link: <http://tiny.cc/34ztb>

In their piece in Foreign Affairs, Blyth and Shenai give a devastating critique of the decision by the G20 governments in Toronto to endorse consolidation measures and budget cuts. In fact, they argue that while such a strategy might sound sensible, it relies on the same fallacy of composition that brought on the banking crisis - that by making individual banks safe, you make the system as a whole safe - only in reverse. That is, although it may make sense for any single state, if all G20 states embark on this course, the results could be disastrous.

In an ironic turn of the global financial crisis, the same companies that were saved by government bailouts are now shocked by the spending of "wasteful" governments and some are even speculating against the very governments who brought them back to life. They conclude by stating that while there is no silver bullet to avoid the macroeconomic fallout associated with financial crises, it seems like the pain is felt by taxpayers and not the financial sector which was largely responsible for the crisis. Citizens that through their taxes paid to bail out these firms are now being hurt again as government services are cut in the name of "growth friendly fiscal consolidation," in the words of the G20.

A source on Keynesian views on the current Economic situation is Paul Krugman's Blog in The New York Times: [The Conscience of a Liberal](#)

Civil Society and the G20

HBS sponsored Workshops

By Nancy Alexander & Sandro Gianella

As mentioned in the background paper for the June conference with the Directors of the foreign offices, the Heinrich Böll Foundation is pursuing a two-tiered strategy when it comes to its G20 work. Alongside our internal capacity building, we have helped to create an **international civil society network** that critically monitors the G20 and calls for a more legitimate and inclusive decision-making process.

So far, the network has held **workshops in Washington, Toronto and Seoul**. These experiences show how difficult it is for members of civil society to have their voices heard by G20 officials when they contribute alternative solutions and agendas (See the description of the G20 summit in Toronto in the box below.)

Alternative solutions are desperately needed, since financial crises are causing social and environmental havoc in many countries. Because the major financial centres are in Europe and the US, the transatlantic conflicts over financial regulation stunt the potential of the G20. However, members of the European Parliament show interest to learn from the US financial reform legislation and are seeking to build networks in Europe and the US of civil society watchdogs that can counter the inordinate influence of financial lobbies.

While the US and Europe squabble, there is a **lack of developing country leadership** in

the G20. Although the group signals a significant shift in the global balance of power, many emerging market countries are not yet promoting their agendas or exercising much leadership in the G20. They can benefit from active engagement with civil society.

The Heinrich Böll Foundation will not to engage in “summit hopping” or allow the G20 agenda to dictate our work plans. Instead, we will pursue work that arises from the Foundation’s core principles and responds to country-specific needs. In that spirit, we are supporting international network building which allows members of civil society to share intelligence and knowledge and collaborate on their G20 work.

To date, the workshops have provided a “bridge“ between Summits. For instance, representatives of citizens’ groups in Toronto and Seoul attended the Washington workshop to enable them to carry the networking process forward. The 2011 and 2012 Summits will be held in France and Mexico, respectively, groups from these countries will hopefully engage in the workshop at the Seoul Summit in November.

The workshops build solidarity and support for civil society efforts to influence the views of their governments and inform the public about alternative and critical views of the G20. They also educate groups about the ways in which regulation can curb the damage that the speculative economy is inflicting on the „real

economy.“ Nancy Alexander of the Foundations Office in Washington, who participated in these workshops, gives them high marks for the quality of collaboration and output they are generating.

Below you can read a short summary of what was discussed and agreed at the three workshops:

At all the meetings, members of civil society focused on the **illegitimate and unrepresentative nature of the G20**. While the G20, is a step forward from the G8, it raises concerns about how the G20 is overshadowing the UN. Moreover, in the absence of a formal secretariat, the IMF is serving this role. It is peculiar that the G20 has tripled the resources of the IMF and broadened its mandate, since so many G20 countries suffered under IMF requirements to prioritise stabilisation over growth.

The workshops engaged in strategic analysis of how to back the more progressive governments and proposals in the G20 as well as in the G192, the UN. In these discussions the participants also discussed the scope of the G20’s remit, with some groups urging that the G20 should restrict itself to economic and financial issues, while others encourage it to expand its focus to include **development** and **climate** on its agenda.

In terms of concrete policy issues, the events in Washington, Toronto and Seoul discussed the **rebalancing of the global economy**, an overarching

Media Apartheid

Kumi Naidoo, co-chair of the GCAP called the situation for NGOs at the Toronto Summit “media apartheid”. He was further quoted saying that “this is especially egregious given that Canadian PM Harper has instituted the B20 that has brought together top business leaders from the G20 and has privileged their voices over that of civil society.”

[Media and Civil Society at the G8](#)



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Civil Society and the G20 Continued

issue on the agenda of future G20 summits. Currently, each country aims to boost exports and cut back domestic consumption raising the question of which countries will be expanding their imports.

And, while there is much talk in the G20 about protecting taxpayers from future bail-outs of financial institutions that are causing crisis, little has happened on this front; in fact, the financial system has concentrated wealth, while the masses suffer from unemployment and disinvestment in pensions, health care, and clean energy. At some point, the process of **privatizing gains and socializing losses** is no longer politically acceptable.

On the topic of financial system reform, many civil society organizations believe that the body needs to invent a **new financial paradigm**. To do so, it is necessary to keep in mind that the **purpose** of the financial system is to **serve a "real economy"** oriented (low carbon) growth with equity.

For the Seoul G20 Summit, there are at least two civil society coalitions seeking to influence the outcomes of the G20. The **Korea Civil Society Network on Financial Reform** is organizing a People's Summit from November 8 to 10, which will focus on financial re-regulation and taxation on speculative capital. Also, the **Global Coalition Against Poverty** (GCAP) is organizing a number of events,

including the Stand up MDG Campaign, as it did at the Canadian Summit in June 2010.

Looking ahead to the Summits in Korea in November 2010 and in France in 2011, many civil society groups are preparing to focus on **commodity speculation** and **food security**.

While by no means inclusive, **regional civil society organisations** have stressed the following issues:

Latin America - new global/regional financial architecture, ensuring regional policy autonomy, monitoring the IMF and its role in the G20, implementing regional capital controls, controlling tax havens and ensuring environmental protection.

Africa - African representation in the G20, maintaining or increasing the flow of aid and development finance from G8 countries, pursuing inclusive economic growth, ensuring fair trade, regulating the financial sector, promoting the Financial Transaction Tax, ensuring climate justice and reducing maternal mortality.

Asia - curbing speculative capital flow, climate change, IFI governance, development finance, the Financial Transaction Tax and promoting the MDGs.

If you want more information on what was discussed at the civil society workshops, please have a look at the following links:

An overview of the Toronto workshop can be found on the website of the Halifax Initiative:

<http://www.halifaxinitiative.org/content/bridge-south-korea-global-civil-society-meeting-g20>

For detailed minutes of the April kick off workshop in Washington send an [Email to Sandro](#) or ask for access to the Database

The following organizations (among others) participated in the Washington and Toronto workshops:

- [Halifax Initiative](#)
- [IBASE \(Brazil\)](#)
- [Heinrich Böll Foundation \(Berlin & Washington\)](#)
- [Canadian Council for International Co-Operation](#)
- [Perkumpulan Prakarsa \(Indonesia\)](#)
- [The North-South Institute](#)
- [Oxfam Japan](#)
- [Third World Network](#)
- [Arab NGO Network for Development](#)
- [Bretton Woods Project](#)
- [Social Watch \(Uruguay\)](#)
- [Institute for Policy Studies](#)
- [Coordination Sud](#)
- [GCAP South Africa](#)
- Korean Federation of Clerical and Financial Labour Unions
- Korea Civil Society Network on Financial Reform
- [Korean Confederation of Trade Unions](#)



Photographer Nancy Alexander (HBS)

BACKGROUND

G20

By Sandro Gianella

A short history of the G20

The G20 originated in an initiative dating back to 1999, when the finance ministers and central bank governors of the G7 announced their intention to “broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote cooperation to achieve stable and sustainable world economic growth that benefits all (Kirton, [What Is the G20](#)).” This announcement marked the official birth of what subsequently became known as the Group of Twenty countries (G20). This new group was launched primarily to address challenges to international financial stability posed by the widening crisis in emerging economies that had begun in Asia in 1997. In particular, the Group was seen as an important forum for the discussion of ways to **prevent and resolve international financial crises**. Since then, however, the G20 has widened its agenda and has taken up subjects including the abuses of the financial system, regional economic integration, demographics, and resource security.

It is important to note that there was no codified list of criteria to determine which countries would be invited to join the new forum. It was

accepted, however, that countries had to be systemically important to the global economy and have the ability to contribute to global economic and financial stability. Selection was therefore made because of the countries relevance in certain policy issues, and not owing to the fact that they are similar or like minded. **African representation** was a debated issue and although a number of possible candidates were discussed, only South Africa was invited to join, also because of the G20’s focus on financial stability rather than on development issues. However, in light of the Soul Summit which in fact puts development high on the agenda, the issue of representation will certainly be at the forefront again. In terms of which countries get to host the summits, it was agreed that there “should be an equitable annual rotation among all regions and between countries at different levels of development (The Group of Twenty, [A history](#)).” In 2002, G20 deputies also agreed to establish a management “Troika,” consisting of the previous, current, and immediately upcoming chairs.

The G20 was designed as a deliberative body rather than a decisional one, but as a forum tailored to encourage the “formation of consensus on international issues (Canadian Department of Finance, [G20 Background](#)).

It was conceived from the start to be a major source of

political-level strategic leadership, rather than a technically oriented, limited, issue-specific forum. In many respects, the G20 was modeled on the G7: without a charter, votes, or legally binding decisions, members are supposed to interact as equals while the meetings provide an informal forum for debate. As a result of the lack of a bureaucratic machinery of its own, the G20 has relied on analysis from institutions such as the IMF and the World Bank as well as other networks such as the Financial Stability Board and the Basel Committees to follow through and implement its recommendations. It has only indirect ways to follow up and ensure that its instructions are implemented by international organizations. Moreover, since there is no G20 secretariat and the leadership of the Group changes every year, it is very difficult for civil society to enter into a dialogue and have their critics heard. Especially the post-crisis **renewal of the importance of the IMF and the World Bank** calls for continued critical monitoring of their role vis-a-vis the G20.

The early reaction of academics to the formation of the G20 ranged from opposition through skepticism, to mild optimism. [Gerry Helleiner](#) from the University of Toronto saw the G20 as “a small step towards improved global governance” but argued that it “fails completely” on “all major requirements of appropriate process since it does not possess any mechanisms either for reporting or for accountability to the broader international community.”

To increase the effectiveness, accountability, inclusivity and credibility of decisions, the G20 must provide for more effective articulation of information and positions from the international civil society, policy research communities, as well as excluded countries. In addition, particularly on the country level, critical monitoring of the governments positions at the G20 level is crucial. Many decisions are made at the so-called Sherpa Meetings, which are



closed to the public and make it difficult to track the decision-making process. This is especially important for emerging economies, since many fear that the G20 might simply turn out to be an extended version of the G7, run by a small group of industrialised countries who use it to build greater support for their preference. However, it does look like the developing members of the Club have become more confident in global policy-making; in fact, the BRIC countries (Brazil, Russia, India and China) did give out a separate communiqué prior to the London Summit in 2009. Nonetheless, this in no way guarantees that decisions at the G20 reflect opinions in emerging economies, let alone in the least developed countries. In addition, civil society actors in many of these countries have only limited scope to influence the policy process.

Why the renewed emergence now?

The speed at which the G20 emerged from the rooms of technical negotiation in the financial sector to the self-labeling as the premier forum for coordination in matters of the international economy shows that we are witnessing a reconfiguration of the international system. The shock of the global financial crisis in 2008 and the immense pressure on politicians to coordinate their policy-responses culminated in high-level G20 meetings in Washington (November 2008), London (April 2009) and Pittsburgh (September 2009). No matter how one might assess the usefulness of such meetings or the policy recommendations that emerged from them, a new global governance institution is born. Now, with the inclusion of “development” onto its agenda in Seoul, the G20 believes that it can affirm its legitimacy.

Why is the G20 a Club to be reckoned with?

Informal Clubs such as the G20 are more and more becoming a structural factor in global governance alongside more established organisations. Many scholars around the world agree that we have now entered an era with an intricate web of different intergovernmental forums and mechanisms. The possible implications are large and it is unclear as to what kind of reconfigured system will emerge in the future. The international role the G20 has assumed, and in particular the accountability of this forum, are questionable. It remains a **self-selected body and has no mandate** other than its own regarding the global economy - or indeed any other issue.

Nonetheless, many pundits agree that over the next years the G20 will become the most important body for the global regulation of financial markets and addressing global economic imbalances. Beyond that, it can be expected to place further global issues such as climate protection, food security or questions of development on its agenda. Therefore, to watch, critically monitor, voice critique and request transparency of the G20 becomes more and more important. At the same time, it is vital to **strengthen existing UN-based professional institutions** that have a legitimate mandate to tackle the problems of climate change, climate finance or food security to name a few examples.



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G20 Links

[G20 Research Group](#)

Research Group at the University of Toronto, a great resource for documents and analysis on the G20

[Korea G20 Summit](#)

The official website of the Korean Summit

[CIGI](#)

The Center for International Governance Innovation has a G20 section on their site.

Impressum

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Heinrich-Böll-Foundation
Schumannstrasse 8, 10117 Berlin

T 0049 30 285 34 - 0

E info@boell.de

Editorial Responsibility

Heike Löschmann
Head of Department
International Politics

Assistance

Sandro Gianella

The G20 Database is meant as a way for the Heinrich Böll Foundation to share and collect information surrounding the G20 and related issues. Feel free to ask your regional partners to join as well.

G20 Database & E-Mail Listserv

Stay informed - the easy way

Database

If you would like to read more on the G20, recent changes in Global Governance and what it means for specific regions or issues, the G20 Database of the Heinrich Böll Foundation is the right place to go. It is subdivided into the following folders, so you can easily access the analysis and information that is of interest to you:

- 1 - Background
- 2 - Summits
- 3 - Issues
 - 3.1 - Finance
 - 3.2 - Climate Change
 - 3.3 - Development
 - 3.4 - Energy
 - 3.5 - Trade
- 4 - Country Specific
- 5 - Power Dynamics
 - 5.1 - Within the G20
 - 5.2 - G20 to non-members
 - 5.3 - International Organizations
- 6 - Civil Society
 - 6.1 - G20 Civil Society Network

In addition, every folder contains both a Word and PDF document with annotations of the documents included in the folder.

So far, regional offices in **Washington, Mexico City and Johannesburg** have asked to access it. More importantly, the database is designed in a way that every member can add documents himself, which are then instantly synchronized so that everyone can access it. This is a great way to share information and build up institutional capacity.

If you would like to know more about the Database or sign up for access please send an Email to Sandro Gianella at gianella@boell.de. To get started right away, here are the 3 easy steps to install the Database on your computer:

1. Install the little Programm "Dropbox" from <https://www.dropbox.com/install>
2. Write to [Sandro](#), who will send you an Email invite to share the G20 Database folder.
3. Accept the invite and you should be able to access the database through a Dropbox icon on your Desktop.

E-mail Listserv

In addition, the Heinrich Böll Foundation is part of an international network of NGOs and policy-analysts, which have set up a G20-related E-mail Group.

To subscribe, send email to: alternative-g20+subscribe@googlegroups.com

To unsubscribe, send email to: alternative-g20+unsubscribe@googlegroups.com

To customize your subscription, go to <http://groups.google.com/group/alternative-g20> (but you need to create a Google account, if you do not have one)

Replies automatically go the whole group. To minimize email traffic, please do only reply to the whole group if necessary. There is no moderation.

