

HEINRICH BÖLL STIFTUNG

What is your issue-area?

Economy & Finance	Global Governance	Corruption	Civil Society	New to the G20?
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Introduction

What this issue of the newsletter offers you

Nancy Alexander

Historically, Summit agendas have a way of being hijacked by current events and the 2011 Summits will be no exception. On May 26-27, the G8 Summit can be expected to address threats in the Middle East, especially Libya; in the Eurozone (where sovereign debt ratings for Spain and Portugal have been downgraded), and in Japan. Some G20 Leaders want the G8 to die a quiet death; they perceive G8 Leaders “pre-cooking” outcomes for their Summit, which is not until November. Meanwhile, as events unfold, the G8 and G20 Ministers and working groups continue to work in parallel. (See a calendar of known meetings [here](#).)

Even before these calamitous events, the G20’s efforts to boost economic recovery and rebalancing were proving ineffectual. The IMF’s Managing Director Strauss-Kahn warned that, “ultimately, we must extricate ourselves from the ruinous cycle of privatized gains and socialized losses.” (See: [The Triple Comeback - The Impact of the Financial Crisis on Global Economic Governance](#), Dominique Strauss-Kahn) In an uncharacteristic slam against its major shareholders, an IMF staff [report](#) warns that efforts by the US and Europe to rescue the global economy may be hurting it.

In her article – **“The US: Still CEO of the Free World?” Nancy Alexander (Heinrich Boell Foundation)** draws from a Wikileaks cable to describe the U.S. sherpa’s discussions with his European counterparts and to caution against dismissing the G20 as a sideshow of the political glitterati. Instead, the G20 is a prism to view alliance-building among powerful countries that are shaking up the international financial institutions and establishing new rules for global governance.

Amelie Canonne, President of ATTAC-France issues a call to action, “French Mobilizations on the G20,” which articulates this view – namely that the global financial system is not on a road to recovery. She states that the outcome of the February G20 Finance Ministers meeting is unacceptable and that “We need movements to unify their forces in calling for the kind of regime change that will democratize global governance and act

on the premise that – without social and environmental justice – our future is at risk.”

Alliance-building is essential in a body as diverse as the G20. A document in the “Must Read” column, **“Challenges and Opportunities for the French Presidency: The G20—2011 and Beyond,”** describes the staggering difficulties of the G20 in reaching a common diagnosis of global financial problems that might allow the body to move forward with solutions.

In their article, **“French Efforts to Rebalance the Global Financial System and Regulate Commodities,” Graciela Rodriguez and Karen Lang of International Gender and Trade Network (IGTN) and Our World Is Not for Sale (OWINS)** critique proposals for economic rebalancing and regulation of commodity prices, delve into the alliances between food exporting vs food importing states in the G20, and underscore the need for global leaders to promote “food sovereignty.” The **“Must Read” section links to a leaked document on price volatility in food markets** written by nine agencies at the direction of the G20. In describing this document, we highlight the implications of the G20 providing mandates to whole groups of international organizations which build consensus without the knowledge or input of civil society. Lack of transparency might have been a factor in the December cyber attack on some 150 computers in the French Finance Ministry in an attempt to capture information on the G20.

There are bright spots on the horizon. The Europeans are moving closer to the adoption of a financial transactions tax (FTT), even though the US Treasury is working with its allies to prevent adoption of the tax in the G20. Another bright spot is described by **Tom Cardamone, Managing Director of Global Financial Integrity in his article “G20 Countries Tackle Corruption.”** Ironically, Tom’s article mentions the corruption of Teodoro Obiang,

the son of the notorious Teodoro Obiang Nguema Mbasogo, dictator of Equatorial Guinea who, as President of the African Union, will be a guest at the next G20 Summit.

Obiang is featured in the box **“New Faces at the G20,”** which also includes a link to the just-released list of names of the G20’s High Level Working Group on Infrastructure Financing and Safeguards.

One of the **“Must Read” items links to proposals of the World Economic Forum for “redesign” of the global architecture,** particularly through public-private partnerships (PPPs). Views of PPPs are increasingly shaped by the perception that, increasingly, the private and public sectors are the senior and junior partners, respectively. As the senior partner, the private sector often captures the state and its regulatory apparatus. Indeed, to one extent or another, state capture is a thread running through a succession of highly improbable or unimaginable events (so-called “black swans”), such as the US-triggered global financial crisis, the Gulf oil spill, and the nuclear meltdowns in Japan.

Alarmed that state capture was not only preventing the regulation of financial markets, but also undercutting democracy, European elected officials have launched a [financial watchdog group](#), which is modeled to some extent on [Americans for Financial Reform](#).

After the Gulf oil spill, the G20’s Energy Experts Group began work on “global marine environment protection” and, now, it is likely to begin work on nuclear safety. The Group awaits the outcomes of a [Clean Energy Ministerial](#) on April 6-7 in the UAE and one can hope that the ministerial will focus resolutely on renewable energy alternatives that do not pose a threat to the human race and the ecosystem.



The US: Still CEO of the Free World?

How Alliances Shape a New World Order

By [Nancy Alexander](#) ([Heinrich Boell Foundation](#))

The G20 process is a prism through which we can witness the remarkable transition from a unipolar to a multipolar world order. As a [new paper by Bruce Jones of The Brookings Institution](#) states, “No longer the CEO of Free World, Inc., the United States now holds a position akin to that of the largest minority shareholder in Global Order LLC.” As with a minority shareholder in a corporation, the US now depends on building alliances to effect change or block initiatives by others.

For instance, a Wikileaks cable recounting discussions between the U.S.’s G20 Sherpa and his European counterparts show how the U.S. sees a stronger alliance with Europe as necessary to block initiatives of the BASIC countries (Brazil, South African, India and China). According to the January 2010 cable, the U.S. Sherpa told the EU officials,

“it is remarkable how closely coordinated the BASIC group of countries ... have become in international fora, taking turns to impede U.S./EU initiatives and playing the U.S. and EU off against each other. BASIC countries have widely differing interests, he said, but have subordinated these to their common short-term goals to block some Western initiatives. The U.S. and EU need to learn from this coordination, [he] said, and work much more closely and effectively together ourselves, to better handle third country obstructionism and avoid future tr ain wrecks on climate, Doha or financial regulatory reform.”

At the same time, the U.S. views the individual BASIC countries not only as competitors, but also as potential allies. Indeed, on every continent, the U.S. faces a major power with which it must

ally itself in order to achieve its ambitions.

In that spirit, President Obama traveled to Brazil on March 18th and declared, “let us stand together - not as senior and junior partners, but as equal partners.” He has a better chance of partnership with Brazil’s new President Rousseff than its previous President, known popularly as Lula, who accused the US of behaving like an “empire” and stated that “nothing had changed” under Obama.

At a [forum on Obama’s trip to the region](#), senior U.S. officials described hopes for U.S.-Brazilian cooperation in the G20, shaping the global development agenda, working as climate and energy partners, and building “trilateral” relations between the U.S. and Brazil and other South American countries.

Brazil is exercising its economic muscle. In early March, Brazilian Finance Minister Guido Mantega declared that Brazil had overtaken the UK and France to become the fifth largest economy in the world. Before an October 2010 meeting with his G20 counterparts, Mantega rattled the political elite by warning of a “currency war.” In January 2011, he called the IMF’s assessment of Brazil’s fiscal situation “totally wrong” and “stupid.”

Recently, Mantega indicated that he might side with U.S. Treasury Secretary Geithner in opposing G-20 commitments proposed by the government of France to regulate commodity futures markets. Global non-governmental groups appeal to

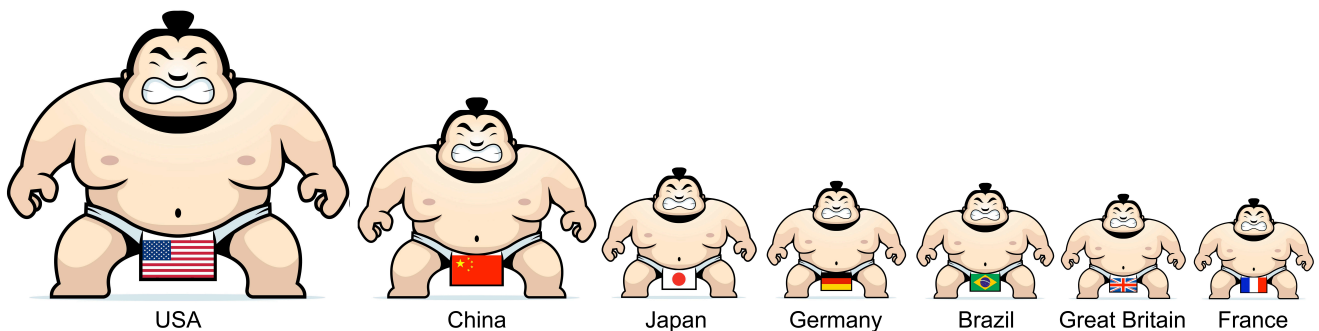
Mantega to rethink his position [here](#). Such appeals to officials of BASIC countries will soon be a common feature of advocacy in a multi-polar world.

Brazil, like other emerging market countries, wants to shake up the international financial institutions and is doing so. One way in which the World Bank is responding to emerging powers is to introduce a new lending instrument, the Program for Results (P4R), that will finance government expenditure programs. The P4R, which will constitute a major part of the Bank’s portfolio, will not require application of the Banks safeguards nor bring the recipient country systems (procurement, financial management, environment or social issues) up to World Bank standards. These standards are widely viewed as necessary to the Bank’s promise to “do no harm” to communities affected by operations it finances. The Bank has just launched a consultation on the P4R.

“As with a minority shareholder in a corporation, the US now depends on building alliances to effect change or block initiatives by others.”

Board and staff members of the IMF and World Bank report that they feel as though they are working in a different institution since the emerging market countries are “punching above their [voting] weight.” They are disturbed by the extent to which the institutions have been mesmerized by their major shareholders: For instance,

Brazil’s Rise in the New G-7 Hierarchy



Approximation of relative GNPs based upon estimates in the CIA Factbook

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the institutions have held up Egypt and Tunisia as exemplary pioneers in economic reform. Also, the IMF ignored warnings (e.g., the biggest bubble (in housing) in history) of the US-triggered global financial crisis. The IMF's Independent Evaluation Office, in [its evaluation of "IMF Performance in the Run up to the Financial and Economic Crisis"](#) described the extent to which the IMF was sometimes in awe of the authorities in advanced economies, which they speculate, could be caused by groupthink or intellectual capture.

In one of several "mea culpas" we are hearing from the IMF, Olivier Blanchard. The institution's chief economist recently pointed to key aspects of the old economic framework that have shown to be false or misleading, including the pre-crisis convergence on a "beautiful construction" of a single monetary policy target — low and stable inflation — and a single policy instrument — the central bank's policy rate. But, he concluded, "Beauty is not synonymous with truth."

A new report by the Economic Strategy Institute, "[The Evolving Role of China in International Institutions](#)," warns that China will not be content in the long run to continue operating within the confines of a US-led global system and that the rise of China's influence in international institutions including the IMF and World Bank is inevitable and must be accepted by the U.S. The report was commissioned by the US-China Economic and Security Review Commission, an agency that advises the U.S. Congress.

French Mobilization on the G20

by Amelie Canonne, President, ATTAC-France

On March 26, ATTAC and its partners held a mobilization in Paris against the G20 and its economic model. The mobilization brought social movements and civil society groups together in a process that began last month at the [World Social Forum](#), in Dakar, Senegal.

French movements are aware that, if President Sarkozy is to win reelection in 2012, he must polish his image through his leadership of the G20. But, we do not want any more false promises or declarations from Sarkozy or the G20 that are not followed up with concrete actions.

Three years ago, the G20 issued pronouncements about how the financial sector will be regulated in the public interest, but we see little or no meaningful action. Last month, the G20 Finance Ministers met in Paris with much fanfare surrounding the event. However, the outcome was only a set of new standards to measure global imbalances. Economic and financial liberalization enriches elites, but creates unacceptable risks for economies, not to mention the social and ecological dimensions of our countries.

For ATTAC and the French coalition, the G20 cannot represent the people since, to date, it has protected the interests of transnational companies and financial elites. It appears blind to

the impacts of the crisis on workers, farmers, and communities in either the North or the South where people struggle for decent jobs and housing and against the pollution that threatens their health and livelihoods. In France and in Europe, these struggles are fragmented and localized, but they have the same demands for a new economic model which puts the rights of people and the planet first.

"Three years ago, the G20 issued pronouncements about how the financial sector will be regulated in the public interest, but we see little or no meaningful action"

To these various groups and communities, we say that the G20 heads of state and governments have been responsible for the policies they are resisting. The G20 has undermined their rights in order to channel greater power and higher short-term profits to a few at the expense of the many.

We need movements to unify their forces in calling for the kind of regime change that will democratize global governance and act on the premise that — without social and environmental justice — our future is at risk. This is why we -- the French coalition -- are opening up a space for the convergence of multiple global movements of resistance to call the G20 to account at the Summits in May and November.

G8 and G20 - Dueling Agendas?

[Agenda for G20](#), Cannes, France, November 2011

- ▶ Reforming the international monetary system
- ▶ Strengthening financial regulation, including over the shadow banking system
- ▶ Combating commodity price volatility and enhancing food security
- ▶ Supporting employment and strengthening the social dimension of globalization
- ▶ Fighting corruption
- ▶ Acting for development, particularly in the areas of infrastructure financing, food security, and innovative financing instruments, such as the financial transaction tax (FTT)

[Agenda for G8](#), Deauville, France, May 2011

- ▶ Common challenges — namely, issues relating to: a) the political, economic, and security aspects of the internet; and b) green growth and natural resource use
- ▶ Peace and security (e.g., the Middle East, drug trafficking, and terrorism)
- ▶ The partnership with Africa, especially as related to health and food security. See here for details:

G20 MUST READS

Challenges and Opportunities for the French Presidency: the G20 - 2011 and Beyond by CIGI

Link: <http://www.cigionline.org/publications/2011/3/challenges-and-opportunities-french-presidency-g20-2011-and-beyond>

This report describes several meetings including one convened November 29-December 1, 2010 by CIGI and the Institut français des relations internationales (IFRI) on the G20 prospects. It offers recommendations for the French G20 Summit related to:

- 1) the **International Monetary System**. The G20 will focus on divergences in monetary policies in the short-term and deal with imbalances and currencies in the longer-term. It will strengthen the Financial Stability Board to deal with global regulatory gaps. With regard to implementation of the G20's Framework for Strong, Sustainable and Balanced Growth, the report highlights the "lack of agreement on rules of the game and a missing common diagnosis" of policies to foster growth.
- 2) **Lessons from the OECD**. The report states that "The OECD has adopted a holistic approach to world scenarios and can assist the G20 in finding common ground on many issues," such as standard setting, peer review, and promoting policy coherence.
- 3) **Institutional and political issues**. The G7 will deal with fewer issues, such as security, nuclear proliferation, failed and failing states, and the Middle East.
- 4) **Commodity Prices and Climate**. The report notes that the French may be unable to make progress on the issue of commodity prices and speculation and that, given that the Summit and the next Conference of Parties (COP) in Durban are both in November, the French will be expected to take the lead on climate issues at the COP and in the G20.

Strengthening International Cooperation in a More Interdependent World by World Economic Forum (WEF)

Link: http://www3.weforum.org/docs/WEF_GRI_StrengtheningInternationalCooperation_Book_2010.pdf

This book includes proposals from many of the WEF's 76 multi-stakeholder "Global Agenda Councils" and other initiatives to strengthen international cooperation which were developed over the course of a year-long process of consultations. In their introduction, the editors described halting or stalled progress plaguing a long list of intergovernmental initiatives: climate change negotiations; the Doha Development Agenda, MDG funding; G20 financial supervision reforms; non-proliferation treaty reforms; UN Security Council reform; voting reforms at the Bretton Woods institutions; and cooperation to reduce global economic imbalances. To tackle global problems, the authors support scaling up the use of public-private and multi-stakeholder partnerships; basing decisions on comprehensive, consistent and current information; and overcoming the thematically stove-piped nature of the global system to achieve policy coherence. The editors see the G20 as "an important new instrument, but as a top-down mechanism it alone is not sufficient to improve the effectiveness and legitimacy of the international system." Hundreds of recommendations address a multitude of issue-areas.

In the area of climate/energy, recommendations would create a new system of registering and benchmarking country progress relative to the Copenhagen Accord's measures; a principles-based international financial reporting standard for corporate climate disclosure; a global standard for the labeling of emission footprints; and a sectoral free trade arrangement for sustainable energy products and services.

Price Volatility in Food and Agricultural Markets: Policy Responses by FAO, IFAD, OECD, WFP, WB, WTO, UNCTAD, IFPRI

Link: [http://www.boell.org/downloads/G20PriceVolatilityMarch3version-1\(1\).pdf](http://www.boell.org/downloads/G20PriceVolatilityMarch3version-1(1).pdf)

The G20 asked these institutions for options to address the price volatility of agricultural commodities, "without distorting market behavior, ultimately to protect the most vulnerable." The report proposes a new global governance system with regard to food prices; trade; information management; and crisis avoidance. To this end, it makes some 28 recommendations, such as: establishing an Action Plan for strengthening the global food and agricultural system; implementing measures to restrain governments from restricting the export of food except in specific circumstances; establishing small emergency food reserves (rather than buffer stocks); with IMF and World Bank leadership, defining a mechanism to assist poor countries with high food import bills; and launching risk management schemes.

As the nine institutional authors attempt to reach agreement on the diagnosis and solutions to the food crisis, one can ask: Is this unity desirable? Or, does it ensure greater hegemony over weak agencies by strong ones and, in so doing, suppress important and diverse policy positions? Then, there is the question of the role for civil society given that G20 working and expert groups are not transparent or consultative.

See: [Relevant comments](#) by Steve Suppan, IATP

See: [Article by the International Centre for Trade and Sustainable Development](#) on the leaked report.

[Agriculture Priorities of the French Presidency](#) as presented to the UN General Assembly on February 17, 2011

French Efforts to Rebalance the Global Financial System and Regulate Commodities

By Graciela Rodriguez and Karen Lang

The French G20 Summit next November comes only months before the country's 2012 presidential and legislative elections. In a national scenario where the government's austerity measures have come under strong criticism and been contested by massive worker movements and popular sector mobilizations, President Sarkozy is attempting to seize the chance to lead the G20 in order to recover some of his lost popularity.

Even before France assumed the G20 presidency at the Seoul Summit last November, President Sarkozy adopted an ambitious agenda, placing the concerns of the richest countries high on the list of priorities, and launched significant efforts to consult with G20 partners and plan for the Summit outcomes.

The issue of the reform and regulation of the financial system has always been at the core of the G20's agenda. The G20 began meeting at a "Heads of State" level in 2008 when the G8 needed to broaden its global consensus-building capacity, gain legitimacy by including emerging market countries, and mobilize the financial reserves of these countries to address the crisis. The new money injected into the IMF and the small increase in the voting power of emerging countries in these institutions' governance set the initial tone for the reconstruction of the post-crisis neoliberal economic system.

While the emerging countries initially paid the price of their incorporation to the global governance club by providing IMF resources, since then, it has proven difficult for the G20 to produce new results in the area of re-regulating the financial system. This article focuses on specific French proposals to rebalance the global financial system and regulate commodity prices.

Rebalancing the global financial system

At their February meeting in Paris, the G20 Finance Ministers reached a new - but rather fragile - agreement that shifts the focus of

the G20 negotiations from purely financial aspects to building a framework for redressing global imbalances.¹ French Minister of Economy Christine Lagarde stated that it is urgent to change the way the economy is functioning: "The US increases its debt and consumes, Europe consumes and China saves and exports." That is, some sell more than they buy, thus accounting for significant surplus, while others accumulate considerable deficits.

In response to this call, the Ministers took steps, albeit timid, towards defining "indicators" to be used to measure the so-called "economic imbalances". To reach an agreement, countries had to overcome strong resistance from China, which refused to allow the value of financial reserves to be used as an indicator and only accepted the inclusion of an ambiguous reference to exchange rates. But this is where the real imbalance lies: the US dollar maintains its primacy as the international reserve currency and the basis for most international transactions, but does so at a heavy cost - large and prolonged deficits. It was the economies in the so-called "periphery," especially China, that financed the U.S. deficit through net resource transfers from the so-called Global South to the North. The U.S. subprime crisis of 2008 brought to light the imbalances, which have grown more pronounced and continue

to send shocks through the entire financial system.

In this context, developed countries have set forth "solutions" to avoid a "currency war," in which countries devalue their currencies to expand their exports, but these "solutions" are not so much about reestablishing balance in order to save the global economy or preventing a relapse into crisis per sé. Rather they are an attempt to determine who is going to pay the bill for unemployment and the adverse impacts on productivity caused by currency appreciation.

In that sense, the US has focused on cutting its trade deficit and putting pressure on China to export less and allow an appreciation of its currency, as a way to increase US exports not only to China but also to other emerging countries. "This is a battle for competitiveness of domestic production in a world economy with limited dynamism, which implies a global dispute to preserve local jobs."²

Commodity Price Regulation

France has proposed regulating commodity prices, but solutions to price volatility require a common diagnosis of the causes of this phenomenon. Food prices dramatically increased in 2007-2008 and, again, since December 2010, driving millions of people into poverty.³ The uprising of people in Northern Africa, inflamed by rising food prices,



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illustrates the gravity of the situation.

Some conventional “wisdom” attributes the price hikes to increased food consumption in China, India and Latin America.⁴ However, in our view, primary causes include: expansion of agribusiness, land grabbing, the commodification of food, agrofuels production, escalating speculation on basic food product futures, and the already visible impacts of climate change on food production.

Within the G20, some emerging countries reject the proposal to regulate commodity prices and “do not trust the French's intentions” as they believe that France is more worried about emerging countries' growth than defending the poorest countries and meeting their food needs.⁵ Evidently, Sarkozy is using this debate to mobilize public opinion during the current electoral period and to win support in rural areas of France. Brazil and Argentina, which are huge

social organizations around the world, is not “on the table” at the G20. This solution is food sovereignty – at the community and national level. “Food sovereignty” is a term coined by members of Via Campesina in 1996 to refer to the right of peoples to define their own food, agriculture, livestock and fisheries systems, in contrast to having food largely subject to international market forces. Instead, G20 talks tend to revolve around the false solutions of agribusiness and the ‘financialization’ of agriculture promoted by banks and speculative funds in the past few decades.

But the problem goes deeper. The debate on the solution to the multiple global crises is taking place at an important moment in history when the climate crisis and the limits of Nature and its “natural resources” are evident. The G20 only pays “lip service” to the climate crisis, which is one of the reasons it is not the proper forum for defining the solutions to the crisis. Other reasons include its insistence on neoliberal solutions and the exclusion of 173 countries from its membership. The exclusion of these countries – and the attempts by some G20 members, including France, to consolidate the G20 as a political body with the power to dictate which institutions have the mandate and responsibility for managing the world economy – has consequences that social movements and organizations must make visible.

This is why social movements, networks and organizations at the 2011 World Social Forum in Dakar launched a Call to Action, urging that people join forces and “build a strong international mobilization against the G8/G20” at their Summits in May and November 2011.⁷ It is crucial to shape the public debate on the global crisis and denounce the market mechanisms that the G20 is promoting in the interests of their transnational corporations in the South and the North. These “solutions” are false and an unacceptable infringement on peoples’ sovereignty.

The OWINFS Campaign against the G20 advocates that the only true solution to the global crisis is a profound change of the current system and believes that the steps towards this change must be defined by peoples from all countries, regardless of their economic, political, geographical and military position in the world.

exporters of agricultural products and have recently benefited from high commodity prices to ensure the feasibility of their wealth-redistribution policies, are now opposing proposals to regulate raw material prices.

Indeed, the diverging interests on agricultural issues may result in new convergences between countries: for example, Brazil, Argentina and the US are all large exporters of agricultural products which are opposed to commodity price regulation. Yet, they might join forces against India, China and some European countries, among others, that import significant volumes of commodities and as such, prefer price regulation.

Evidently, the French proposal will also generate contradictions within countries -- between peasant farmers and agribusiness -- given the different views of these interest groups regarding their government’s policies on international agricultural trade. Indeed, these policies are significantly controlled by a few transnational corporations.⁶

The solution to the food price crisis, as advanced by peasant movements and

Sources:

¹ Corradini, Luisa. “Reunión de Ministros del G20. Tímido impulso a la reforma financiera global” La Nación. February 21, 2011, Buenos Aires, Argentina.

² Zaiat, Alfredo. “Guerra de divisas”. Página 12 – 06/11/2010. Buenos Aires, Argentina.

³ Joachim von Braun, Akhter Ahmed, Kwadwo Asenso-Okyere, Shenggen Fan, Ashok Gulati, John Hoddinott, Rajul Pandya-Lorch, Mark W. Rosegrant, Marie Ruel, Maximo Torero, Teunis van Rheenen & Klaus von Grebmer, *High Food Prices: The What, Who, and How of Proposed Policy Actions*, Int'l Food Policy Research Inst. Policy Brief, (2008), <http://www.ifpri.org/sites/default/files/publications/foodpricespolicyaction.pdf>.

⁴ Eric Toussaint. Volvamos a hablar de las causas de la crisis alimentaria. <http://www.adital.com.br/site/noticia.asp?lang=ES&cod=35889>

⁵ Pereira, Merval. “No centro das decisões.” O Globo. 28 /01 /2011. Rio de Janeiro, Brasil.

⁶ “8 multinational corporations control more than 80% of world trade in food staples.” Alimentos básicos: commodities o bienes públicos. Gauster, Susana. Instituto de Estudios Agrarios y Rurales – CONGCOOP Guatemala. 2008.

⁷ www.altermob.org

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The “Our World is not for Sale” (OWINFS) network is a loose grouping of organizations, activists and social movements worldwide fighting the current model of corporate globalization embodied in global trading system. OWINFS is committed to a sustainable, socially just, democratic and accountable multilateral trading system.

G20 Countries tackle Corruption

By [Tom Cardamone](#) (Global Financial Integrity)

At their Toronto Summit in June 2010 the world's 20 largest economies created an Anti-Corruption Working Group in response to their growing recognition of the dire impact corruption has on development and poverty alleviation. In an annex to the official summit communiqué the G20 nations described corruption's corrosive effects by noting that it "threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust and undermines the rule of law." The working group was a first step to "make practical and valuable contributions ... to battle corruption and lead by example," the G20 noted. The working group follows, and complements, other multilateral anti-corruption efforts including the U.N. Convention Against Corruption (UNCAC) which was adopted in 2003 and the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business.

Five months later, at the November 2010 summit in Seoul, the G20 states reiterated their commitment to work in this area by creating an Anti-Corruption Action Plan. The plan lays out specific steps the governments will take to address corruption leading up to the next France summit in November 2011. In what was perhaps the most telling part of the statement announcing the plan the G20 said it would "directly engage [with the] private sector" to

combat corruption. Implicit in that phrase is the recognition that corruption is not just a problem to be addressed by governments but also by those who, in the heat of global economic competition, might be tempted to delve into those murky waters.

The key components of the G20 Anti-Corruption Action Plan include steps to:

- 1) "ratify or accede, and fully implement the UNCAC...[and] to invite non-G20 states" to do the same
- 2) "prevent corrupt officials from accessing the global financial system and from laundering their proceeds of corruption"
- 3) "prevent corrupt officials from being able to travel abroad with impunity"

While at first glance these efforts appear to be fairly modest, their importance should not be underestimated. Indeed, implementing the UNCAC provisions would create a legal infrastructure and establish operational bodies to confront corruption on a national scale. Further, improving global standards to keep proceeds of corruption out of the financial system while also preventing corrupt government officials from accessing funds (if they do find a way to launder them) creates a set of

successively more restrictive global norms that aim to frustrate corrupt officials in the first instance and keep them from their money in the last.

The first order of business for the G20 will be to urge member states to implement the UN Convention given that four of its members (Germany, India, Japan and Saudi Arabia) have not

"While at first glance these efforts appear to be fairly modest, their importance should not be underestimated."

ratified it in their national legislatures. Additionally, while Russia and China have ratified the convention their implementation of the convention's key mechanisms is generally seen to be lacking. The action plan may already be demonstrating its influence in the international arena given that China and Russia appear to be willing to move forward on implementation according to recent civil society discussions on the matter with a G20 member government.

The working groups' efforts to cordon off the global financial system from corrupt money is arguably the most critical component of the action plan because if the correct steps are taken not only will it be more difficult to launder corrupt money but it will also be more difficult to launder tax evading and criminal money as well. This is true because the system of tax havens, shell companies, fraudulent foundations and secret bank accounts that permit a government official to hide proceeds of corruption is the same system used by tax evading corporations, drug cartels, arms traders and other criminals. An estimated \$1 trillion in corrupt, criminal and corporate tax evading money flows out of developing countries each year. Much of that illicit flow of money would be halted if new financial transparency measures were put in place on a global basis.

Fortunately the G20 is getting some outside support in their effort to fight corruption. In February, two separate reports issued by the European Union touch on the issue. The first, by the EU Committee on Development, linked tax havens and corruption by noting that it



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“deplores the fact that tax havens weaken democratic governance.” The report also urges the European Union to “make the fight against tax havens and corruption a top priority.” French MEP Eva Joly, who chairs the committee, left no doubt about her desire to battle corruption when she referred to tax havens as “weapons of mass destruction” for the devastating effect they have on economies of poor nations.

Further, a [report](#) titled Innovative Financing at a Global and European Level by the EU Committee on Economic and Monetary Affairs noted that Official Development Assistance to developing countries “will fail to eradicate poverty if the G20, the EU and financial institutions do not take a determined stance in opposing corrupt” governments. Moreover, the report makes the link between fighting

“deficiencies.”

Blocking corrupt officials from traveling so that they are unable to enjoy their ill-gotten gains is another line of defense against corruption being discussed by the G20. A glaring case of a government official enjoying the proceeds of what is believed to be massive corruption was highlighted in a New York Times article in November 2009. The article describes the high-end lifestyle of Teodoro Obiang, who is the Minister of Forestry and Agriculture in Equatorial Guinea, especially the private jet and Malibu mansion he owns which are worth a reported \$70 million despite his small government salary.

The G20, in its action plan, seeks to “develop common principles ... to deny entry of corrupt officials taking into account existing practices and barriers.” One of those barriers has been set by the United States which has in place a system to prevent those suspected of corruption from entering the country. Presidential Proclamation 7750 was signed by President George W. Bush in 2004 and is intended to deny entry to people such as Minister Obiang and his family. However, claims have been made that implementation of the proclamation has been spotty at best due to what are seen by some as conflicting foreign policy objectives.

Differing objectives, not just within the U.S. government but among all G20 countries, are the primary sticking points that plague all multilateral bodies. The caveat underlying the Anti-Corruption Action Plan is that the G20 operates by consensus which, in effect, means that it makes decisions and puts

forth policies based on the least common denominator. The need for political will cannot be understated in this context. No matter how lofty the goals outlined in the action plan may be, only time will tell if the globe’s largest economies can agree to do the right thing.

Tom Cardamone is Managing Director of Global Financial Integrity, a Washington, DC based research and advocacy organization.

“What kinds of incentives can be devised to attract the largest possible pool of contributors to the FTT on a global scale?”

corruption and helping countries reach the Millennium Development Goals. Fighting tax havens, the study says, will “enable developing countries to increase their domestic resources” which can be used to spur their economies thereby alleviating poverty. For its part, the G20 tacitly recognizes the facilitating role played by tax havens in laundering corrupt money. However, it is far more genteel in its characterization of those jurisdictions and refers to them as merely having anti-money laundering

New Faces in the G20 - Invited by the French Presidency



▶ **Sheikh Khalifa Bin Zayed Al Nahyan**, Chair, Gulf Cooperation Council, representing the United Arab Emirates (of which he is President), Bahrain, Saudi Arabia, Oman, Qatar, and Kuwait.



▶ **Tidjane Thiam** (the Chairmen of the **G20 High Level Panel on Infrastructure Financing and Safeguards**), is CEO, Prudential plc and Member of the Africa Progress Panel. Thiam’s views on facilitating private sector led growth appear [here](#). The 17 members of this new HLP are named [here](#).



▶ **Teodoro Obiang Nguema Mbasogo**, President of Equatorial Guinea and Chair of the African Union. Recently, the French Supreme Court agreed to investigate a complaint filed by Transparency International against Obiang, a notorious dictator.



▶ **Meles Zenawi**, Prime Minister of Ethiopia and Chair of the New Partnership for Africa’s Development (NEPAD) A profile of his policies and his background can be found on the BBC homepage [here](#)

Photos taken from: <http://www.g20-g8.com/g8-g20/g20/english/the-2011-summit/invited-countries/the-countries-invited-to-the-cannes-summit.974.html>
<http://www.prudential.co.uk/prudential-plc/aboutpru/ourpeople/ourboard/>

Stay informed G20 Database & E-mail Group

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

G20 Database Structure

- 1 - Background
 - 1.1 - G20 Info & History
 - 1.2 - Global Governance
 - 1.3 - G7 & G8
- 2 - Summits
 - 2.1 - G20
 - 2.2 - Finance Ministers
- 3 - Issues
 - 3.1 - Finance
 - 3.2 - Climate Change
 - 3.3 - Development
 - 3.4 - Energy
 - 3.5 - Trade
 - 3.6 - Food Security
- 4 - Country Specific
 - 4.1 - Africa
 - 4.2 - Canada & US
 - 4.3 - South America
 - 4.4 - Asia
 - 4.5 - Middle East
 - 4.6 - Europe
- 5 - Power Dynamics
 - 5.1 - Within the G20
 - 5.2 - G20 to non-members
- 6 - Civil Society

In addition, every folder contains both a Word and PDF document with annotations of the documents included in the folder. 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 g20-newsletter@boell.de. To get started right away, here are the 3 easy steps to install the Database on your computer:

1. Install the Programm "Dropbox" from <https://www.dropbox.com/install>
2. Write to g20-newsletter@boell.de, you will then receive 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 Group

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.

Impressum

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