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G20 UPDATE

E-NEWSLETTER

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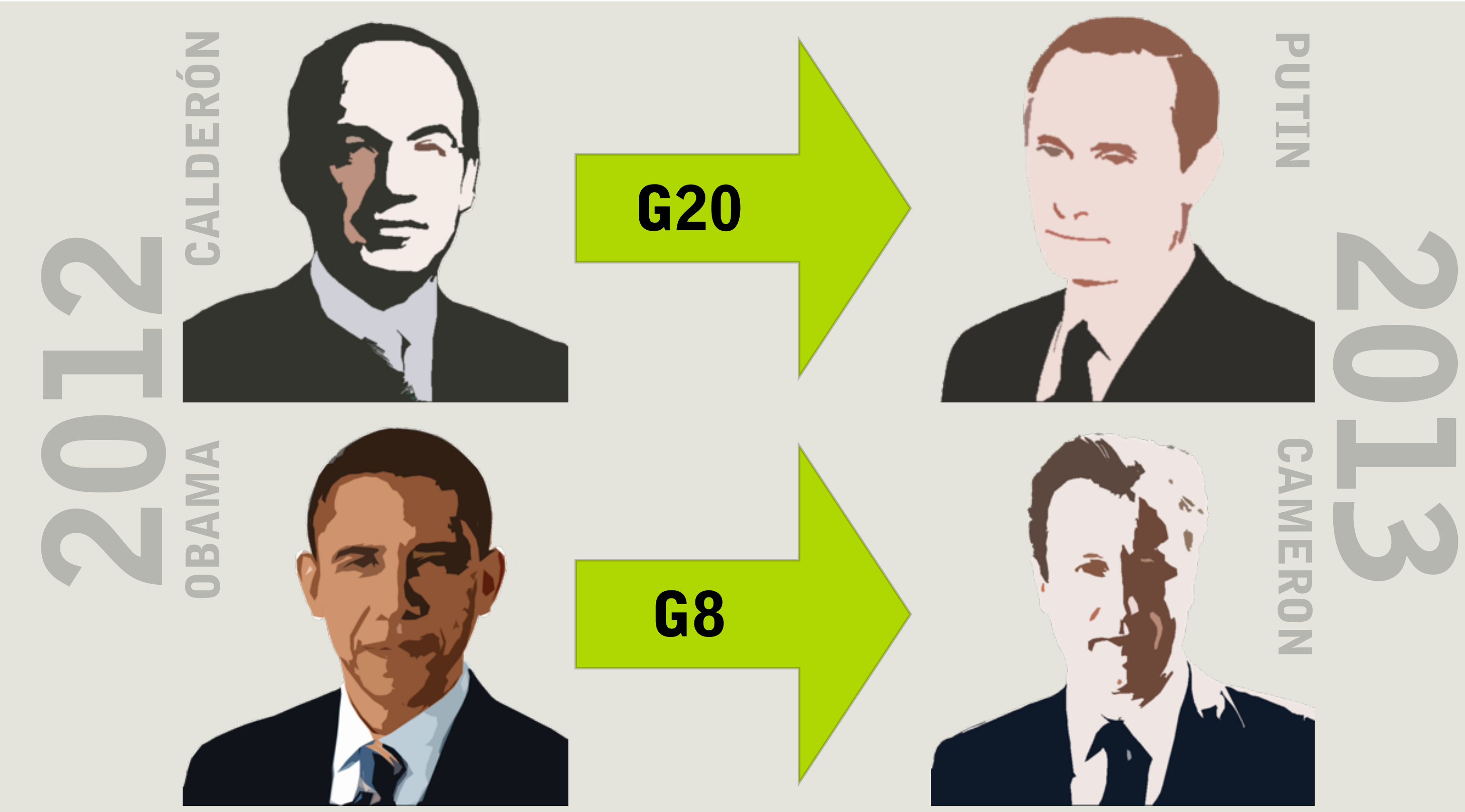
LEADERSHIP TRANSITIONS



Introduction

By Nancy Alexander, Director, Economic Governance Program, Heinrich Boell Foundation-North America

> **"The theory that developing countries have de-coupled from growth in advanced economies and can continue with high growth even during the global slowdown is not based on proper examination of facts."**[1]

Since the Mexican G20 Summit, the Eurozone crisis and the U.S. slowdown are hitting many emerging and developing countries suffer from declines in industrial output, export growth, trade and inflows of capital.

Has the G20 been helping or hurting the prospects for recovery and sustainable development? Has it been delivering on its promises? This G20 Update contains diametrically opposed opinions on these questions.

However, the Business 20 (B20) is not satisfied with opinions; it wants evidence. Working with McKinsey & Company, the B20 is developing a "dashboard" to answer these questions, which will be revealed in November 2012. Based on an existing methodology devised by the University of Toronto,[2] the dashboard will feature a traffic light system to measure Key Performance Indicators (KPI). The B20 will use this system to drive the decision-making in the run-up to the September 2013 B20 and G20 Summits in Russia. Upon seeing a draft of the dashboard, The Economist reports

that it makes "dismal reading, in places" as many countries have failed to follow through on their pledges.[3]

The lack of follow-through by the G20 is also evident from a review of a "scorecard" prepared by InterAction based on the Los Cabos Declaration.

Some would claim that – in judging the Summit process – one must not "lose sight of the forest for the trees." The Mexican G20 Declaration includes some 95 commitments and the accomplishments of the Summit should not be overlooked just because it suffers from an overreach of ambition.

According to experts at the G20 Information Center,[4] the Mexican G20 Summit was a "significant success" not only due to its support for the Eurozone ($456 billion in new IMF capital was raised), but also its strategy to generate growth and jobs while addressing a myriad of development crises, including food security, social protection, and gender. But, they also concede a number of shortcomings with regard to the G20's failure to eliminate fossil fuel subsidies, address health concerns, or involve key constituencies (academia, youth, women and girls) in their activities or action plans.[5]

In her article, **"From the Mexican to the Russian G20 Presidency," Marina Larionova**, Head of the International Organizations Research Institute, Higher School of Economics, Moscow, trains her expert "eye" on the successes and pitfalls of the Mexican Summit, identifies the shifts in the content of the G20 agenda, and recommends five principles that should guide the priorities of the Russian Presidency.

New to the G20?

To find out more about the G20's history, the power dynamics and the issues the group addresses, click on the link below.

INTRODUCTION TO THE G20

Among these priorities, Larionova suggests that the G20 should manage and mitigate global economic risks, close gaps in financial regulation, address the volatility of food and energy prices, diminish income disparities (improve employment opportunities; provide social protection), and build infrastructure.

In his article, **"The Mexican G20 Summit and Employment," John Evans**, General Secretary of the Trade Union Advisory Committee (TUAC), describes the pro-growth and job creation language of the Mexican G20 Declaration, but wonders whether talk will translate into action. In meetings with the G20 and the B20, the Labor 20 (L20) has extracted promises of new apprenticeship programs and expanded infrastructure development.

Unfortunately, the "Los Cabos Growth and Action Plan" contains a far more resolute focus on growth than job creation, although the two issues are connected.

In his article, **"Russia, Fossil Fuel Subsidies and the G20," Vladimir Slivyak**, Co-Chairman, Ecodefense (Russia), describes how eliminating fossil fuel subsidies and shifting to renewable energy can solve both economic and environmental challenges. Slivyak mentions the 3-year history of G20 attempts to phase out subsidies[6] and the failure to follow through despite widespread agreement on the necessary actions.

The implication of the article by **Oscar Ugarteche, "Are We Moving Toward the Privatization of International Governance?"** is that the G20's scorecards or dashboards may not matter. Ugarteche, Senior researcher, at the National Autonomous University of Mexico, suggests that what really matters is who is making the decisions about global governance. He describes how the Business 20 and the International Chamber of Commerce, among others, are working closely with the G20 to weaken public governance systems (e.g., the United Nations, the World Trade Organization). Instead, they prefer to use public money (e.g., through the World Bank or the International Development Finance Club) to leverage private investment – as well as plurilateral trade and investment agreements (led by "coalitions of the willing") that will codify their rights.

In her article, **"The Banking System: For Whom and For What Purpose?" Adriana Labardini Inzunza**, Co-founder and Director of Alconsumidor, AC (Mexico) outlines the ways in which action by the G20 is falling short of actions needed to protect consumers and build a banking system that serves society. Whereas Ugarteche asks "who makes the decisions?" in global governance, Labardini asks "who does global governance serve?" She makes a strong case for lighting a fire under the G20, urging it to serve ordinary consumers and entrepreneurs rather than big business and speculators.

The **"Must Reads"** include:

- "The Group of Twenty: Origins, Prospects, and Challenges for Global Governance," Brookings Institution (US)
- New publications by Heinrich Boell Foundation on Public-Private Partnerships (PPPs)
- "The G20: Overestimated and Underperforming," Peter Wahl, WEED (Germany)

References

1. Yilmaz Akyuz, South Centre Research Paper No.44.
2. The University of Toronto's methodology and compliance report for the French G20 Summit appears here.
3. The annexes of "The Los Cabos Growth and Jobs Action Plan" includes an "Accountability Assessment Framework."
4. John Kirton and Julia Kulik, G20 Research Group, "A Summit of Significant Success: G20 Los Cabos Leaders Deliver the Desired Double Dividend," (June 19, 2012).
5. John Kirton and Julia Kulik, "The Shortcomings of the G20 Los Cabos Summit," June 27, 2012.
6. See: "Phasing out Fossil Fuel Subsidies in the G20," Oil Change International and Earth Track and "Low-Hanging Fruit: Fossil Fuel Subsidies, Climate Finance, and Sustainable Development," (2012) by Oil Change International for the Heinrich Boell Foundation-North America with Natural Resources Defense Council and contributions from Vasudha Foundation (India) and Greenovation Hub (China).

How International Organizations Report to the G20

The box shows, "How International Organizations Report to the G20," lists the measures of each G20 country that opens up or restricts trade and investment. Through such means, it "names and shames" countries that are protectionist even though there is no shared definition of "protectionism" and measures such as prohibiting large "land grabs" is deemed "protectionist."

OECD, UNCTAD, "**Seventh Report on G20 Investment Measures**," finds that global foreign direct investment inflows rose by 17% in 2011, to US$1.5 trillion, surpassing their pre-crisis average and predicts only a modest rise in flows in 2012. Measures that open or restrict investment regimes are listed country-by-country (e.g., Argentina's limit on foreigners' right to acquire land; Russia's limit on foreign ownership of radio broadcasting).

World Trade Organization, et al., "**Report on G20 Trade Measures**" (mid-October 2011 to mid-May 2012) describes a sharp deceleration in world trade between 2010 and 2011 and continuing rise in protectionist measures: It states that, "Out of a total of 802 measures that can be considered as restricting or potentially restricting trade implemented since October 2008, 18% have been eliminated." Measures that open or restrict trade regimes are listed on a country-by-country basis (e.g., India's new telecoms regulation which promotes the domestic production of telecom equipment).

International Monetary Fund (IMF), "**Toward Lasting Stability and Growth** ," Umbrella Report for the G20 Mutual Assessment Process," assesses country performance against their policy commitments. It states that "More attention is required to tackle stubbornly high unemployment in the near term in advanced economies, while doing more to ensure the soundness of public finances over time—especially in light of longer-term fiscal challenges."

Financial Stability Board, "**Overview of Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability**," (June 2012) describes the record of countries in adopting regulations to prevent future financial crises, including by introducing transparency to shadow banking.

From the Mexican to the Russian G20 Presidency

By Dr. Marina Larionova, Head of the International Organizations Research Institute, Higher School of Economics, Moscow

Expectations of the Summitry

The G20 has proven that it can respond to crises. Challenging a plethora of skeptics, the G20 is now a long-term process in motion. Still, it has to live up to the expectations that it can prevent global risks and break deadlocks that paralyze other institutions responsible for resolving critical issues.

The G20 leaders' decisions on the Mexican 2012 Presidency's five priorities, which are broadly shared across the G20 members and beyond, are expected to:

- advance global financial and economic stability;
- promote growth and jobs creation through structural reforms;
- make progress towards international financial institutions reform;
- strengthen financial regulation;
- enhance food security and mitigate commodity price volatility.

Whether or how the G20 (and relevant institutions) implements the Los Cabos Summit commitments will show if our expectations are realistic.

> **The G20 has to live up to the expectations that it can prevent global risks and break deadlocks that paralyze other institutions responsible for resolving critical issues**

Los Cabos Attainments and Pitfalls

Analysis of the outcomes of the G20 Los Cabos Summit demonstrates success on the three dimensions singled out for assessment given their relevance for the G20's effectiveness and legitimacy:

- the balance of national interests of the Presidency and the interests of Mexico's G20 partners in the summit agenda as well as the balance of continuity and innovation in the agenda;
- the engagement with G20 partners, third countries, international and regional organizations, civil society, business community, thinks tanks and academic institutions in the run up to the summit and over the course of the leaders' meeting;
- the quality of "global functions implementation" reflected in the summit documents, with a focus on consistency of implementing commitments and transparency of the outcomes. Attainments and setbacks are registered on each of the dimensions.

First, the Presidency has managed to strike a balance of national interests and the interests of Mexico's G20 partners in the summit agenda, while also balancing continuity and innovation in the agenda. Mexico has included its key national priorities into the summit deliberations. However, on green growth, no breakthrough decisions have been made. On tourism, disaster management, financial literacy and inclusion the declaration includes several statements that set policy directions, but practically no commitments were made.

Under the Mexican Presidency, the trend relating to the focus of the G20 agenda continued. That is, the share of macroeconomic issues increased and the share of financial issues on the G20 agenda decreased. As a percentage of all issues addressed, economic priorities reached a peak of 53% and finance issues dropped to the historic low of about 30%. Trade issues retained a modest 1.14% share of the discourse below the average of 2.22% for the full G20 cycle. Green growth and environmental protection reached a maximum share of 3.53%.

Second, manifest strengths of the Presidency include active engagement with the international organizations and integration into the G20 process of new formats. Alongside with the traditional regular meetings of finance ministers and "sherpas" (the representatives of Leaders), this year, the Mexican Presidency also convened meetings of trade ministers, foreign ministers, and ministers of tourism. Deputy secretaries of agriculture also met.

Other strengths include recommendations of the international financial architecture working group on IMF resources, quota and governance reform, quota formula review; the development of Local Currency Bond Markets; promotion of Mexican Presidency priorities in numerous international forums; integration of Latin American countries into the consultations; and creation of space and opportunities for the bilateral meetings between Leaders at the summit. However, the potential for drawing upon the substantial expertise of international organizations has been underutilized.

> **The G20 has been unable to fully process and respond to the 50 reports, materials and recommendations produced by the international organizations**

The G20 has been unable to fully process and respond to the 50 reports, materials and recommendations produced by the international organizations. At the Mexican G20 Summit, the total number of mandates to international institutions amounted to 31 which is lower than the average of 38 for all G20 Summits and much lower than the 57 mandates issued by the French Summit in 2011. Although the G20 declaration welcomed the launch by the Business 20 (B20) of the Green Growth Action Alliance, proposals from the experts' community and the civil society are not been reflected in the summit documents. Obviously all stakeholders of the G20 process should make efforts to enhance the quality of engagement in the future.

Third, on the main global governance functions of deliberation, direction setting, decision-making, delivery and global governance development performance the Los Cabos summit discourse was the most balanced in G20 history as reflected in the documents. Content analysis of the functions included in the documents (using absolute and relative data of the number of symbols denoting a certain function in the text) allows us to conclude that, as a percentage of the total discourse,

- deliberation comprised 17.5% of the discourse,
- the setting of policy directions amounted to 27%,
- decision-making comprised 27%, and
- implementation of commitments was a primary concern with a 29% share of the discourse.

Progress was made towards creating G20 accountability mechanisms, which should be carried forward under the Russian Presidency of G20.

Russia's Presidency should also consolidate the progress made and reenergize cooperation on laggard issues.

Russian G20 Presidency: Principles for Agenda Setting

In taking over the G20 Presidency from Mexico in 2013, Russia should build its agenda on several principles.

First, focus on complete and timely implementation of the G20 key commitments on priority areas. Assessment of the progress in implementing the key commitments will help identify which pledges of the G20 core agenda have been delivered, which ones remain fully relevant and what impetus is needed for further collective and individual actions.

Second, concentrate on a limited number of priorities which should balance continuity and innovation, as well as leave space on the agenda for accommodating emergency issues arising on the eve of the summit (as was the case in Cannes, where the leaders had to work on the planned agenda and the emergency agenda).

Third, build on G20 comparative advantages. Bringing together the world's major advanced and emerging market economies, the G20 is an indispensable forum for economic policy coordination. Macroeconomic rebalancing, economic growth, reforms of the international financial and monetary architecture, and improvement of financial regulation should remain at the heart of the G20 agenda.

Fourth, consolidate inclusive strategies, inviting leaders from non-G20 countries and engaging with international and regional institutions. For instance, the Eurasian Economic Community may be represented by its General Secretary. This would bring Russia's eight regional partners into the G20 process. As surmounting of global risks and implementation of the G20 decisions falls both on the G20 members and on the global institutions, the G20 should continue to collaborate on the strengthening of the necessary institutions: the UN and its entities, the IMF, and the World Bank. If it completes the work on consolidating the mandates of the Financial Stability Board in 2012, the G20 will reinforce its earlier decisions on strengthening financial regulation.

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Fifth, send a clear message on the importance of the G20 process and how its decisions affect people. Establishing an effective consultation mechanism with civil society may help the G20 improve the quality of social dialogue and promote peoples' awareness of the G20's contribution to their wellbeing and the global public good. To clarify its relevance to the global community, the G20 should set up an accountability process, along with the highly technical review process that the G20 asked specialized international institutions to implement. Establishment of a permanent official G20 web-site would help sustain G20 engagement with the citizens, academia and business.

The Focus on Managing Global Economic Risks

The G20 should focus on managing and mitigating global economic risks with chronic fiscal imbalances as the center of gravity by the World Economic Forum Global Risks 2012 report definition. This risk is exacerbated by related risks: unmanageable inflation and deflation, recurring liquidity crises, chronic labor market imbalances and prolonged infrastructure neglect.

Four critical connectors, which join the five centers of gravity (economic, geopolitical, environmental, societal and technological) into one system, are also important: increasing income disparity, major systemic financial failure, unforeseen negative consequences of regulation, and extreme volatility in energy and agricultural prices. Most of these issues constitute the G20's legitimate mandate.

Russia's Presidency should consolidate the incremental progress made by the G20 on macroeconomic imbalances and financial safety nets, sustain progress on the international financial and monetary system reform, and reenergize the impetus for structural reforms. Progress on financial regulation should be coupled with a rigorous assessment of unforeseen negative consequences of regulation. The G20 should continue collaboration to mitigate volatility in agricultural and energy prices. By putting priority on the goal of restoring growth and employment levels, Russia should boost attention to policies aimed at overcoming income disparities. This will prove G20 leaders' commitment to ensuring a fair and sustainable recovery as they promised back in April 2009.

Russia's Presidency should consolidate the incremental progress made by the G20 on macroeconomic imbalances and financial safety nets, sustain progress on the international financial and monetary

Russia's Presidency can also contribute to overcoming income disparities by promoting the following G20 policies:

1. Making employment a formal indicator in the Mutual Assessment Process (MAP), which is used by the IMF to assess the performance of G20 countries relative to their commitments in the Framework for Strong, Sustainable and Balanced Growth as proposed by the International Trade Union Confederation (ITUC) and the Trade Union Advisory Committee to the OECD (TUAC);
2. Adopting the G20 action plan to support the implementation of social protection floors at the national level.
3. Delivering on the commitments to generate investment for infrastructure development as a condition for strong, sustainable and resilient economic growth in developing countries.

G20 would benefit from a structured dialogue with civil society and academic institutions

The Summitry Spirit

The G20 process is increasingly difficult to manage due to the large number of issues under its purview, multilevel coordination, diverse perceptions among G20 members, as well as non-members: states, international organizations, business, civil society, trade unions and other actors. Still, the G20 would benefit from a structured dialogue with civil society and academic institutions.

Improved coordination among the 2013 Troika (Russia, Mexico, and Australia) at different levels may prove an asset to the forthcoming and subsequent presidencies and to the G20 performance and credibility as the hub of global governance. G20 decisions on economic and financial issues require political leadership, vision and responsibility. At Summits, the leaders should have more extended opportunities for strategic discussions. Meanwhile, the details should be left to the meetings of ministers, working groups and experts. Such an approach by the Presidency could culminate in a summit with fewer seats at the table, thus creating space for the leaders' face-to-face engagement on big issues in a spirit of political vision and solidarity. This is the way forward to attaining the G20 priority of protecting against and responding to crises and making globalization work for the world.

Ksenia Yudaeva

Newly appointed Russian Sherpa Ksenia Yudaeva was the Head of the Macroeconomic Research Center of Sberbank. She also holds the position of Deputy Head of the Expert Committee at the Russia Government Committee on Enhancing Resilience of the Russian Economy. As a member of the Committee she advises the Government on policy issues related to the global financial and economic situation. Yudaeva worked for several Russian think tanks. She has numerous articles in Russian press and publications in Russian and international academic journals and conference volumes.

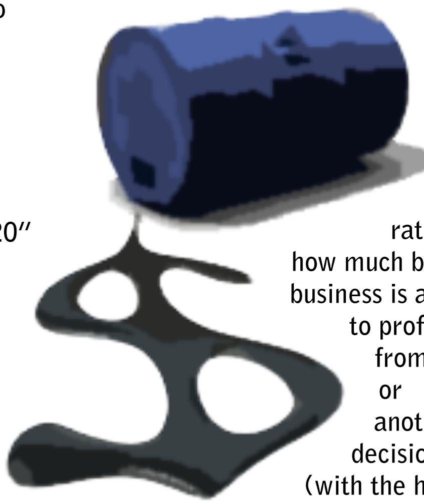
Russia, Fossil Fuel Subsidies and G20 in Mexico

By Vladimir Slivyak, co-chairman of Ecodefense (a Russian environmental group) and instructor of environmental policy at the Higher School of Economics, Moscow

The latest G20 meeting in Mexico brought together G20 Leaders to decide how to address another economic crisis. Most Russian commentators question whether these G20 decisions will be implemented. In parallel, the environmental conference "Rio+20" brought together representatives of various governments to address the question how to avoid future environmental crises. Russian President Vladimir Putin went to Mexico and prime-minister Dmitry Medvedev attended Rio +20. For Russians, the priority – the G20 Summit -- was clear because Putin is considered as the most powerful politician while Medvedev, the prime minister, lacks political power.

The Mexican newspaper El Universal published an article by Putin on the eve of the G20 summit, in which he urged other Leaders to agree on an acceptable level of protectionism at the times of economic crisis. In his view, protectionism has become more widespread, especially in the form of "environmental and technology limitations."

Unfortunately, in Russia, politicians do not take environmental problems seriously even if it affects the world economy on a major scale in comparison to the 20th century. For the Russian government, what matters is not the environment, but



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rather how much big business is able to profit from one or another decision (with the help of friendly, influential politicians). Business priorities do not include protecting the environment as a matter of survival.

> **Unfortunately, in Russia, politicians do not take environmental problems seriously even if it affects the world economy on a major scale in comparison to the 20th century**

At the "Alternative G20 Forum" in La Paz, Mexico, civil society representatives from about 30 countries emphasized the need to change policy priorities to protect the environment and address food shortages, desertification, take-overs of natural resources by multinational companies, etc.

Sometimes the public achieves major victories. On the eve of the G-20 Summit, a big tourism project on the Mexican coast was cancelled due to environmental protests. The Russian government would consider such a cancellation "protectionist."

It is surprising that Russian politicians are always looking for some type of conspiracy behind one or another decision by other countries. This is a feature of Russian political culture. For a long time, the problem of climate change was treated by the government as a western conspiracy aimed at pushing Russian companies out of Western countries' markets. This view persists, even as the permafrost in Russia is melting and putting oil pipelines and nuclear reactors built on it at risk.

From this point of view, it is logical that Putin, the President of Russia was not in Rio, where dangerous climate change was discussed, but in Mexico talking about protectionism. But if important decisions were made in Rio, it would not influence Russian politics either. Real decision-makers went to Mexico trying to protect their national businesses without much concern for the impending global environmental catastrophe. Ironically, it is big businesses (with the help of world leaders) that bear responsibility for the acceleration of environmental and economic crises.

> **Annually, fossil fuel industries are getting about $1 trillion of subsidies from governments for making environmental and economic problems even worse**

At the same time there are steps which can help solve both environmental and economic problems. These include eliminating subsidies for fossil fuels and the global development of renewable energy sources (nuclear power is of course NOT renewable energy). Annually, fossil fuel industries are getting about $1 trillion of subsidies from governments for making environmental and economic problems even worse. Eliminating these could cut greenhouse gases emissions by half of the total needed to prevent catastrophic global warming.

There are important things to be done in this direction that were outlined in a study[1] by Oil Change International and colleagues from the Heinrich Boell Foundation-North America on the issue:

1) Define Plans to Phase out Fossil Fuel Subsidies by 2015

In Pittsburgh in September 2009, G20 leaders pledged to "phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest." Progress however has been slow. In order to fulfill this historic commitment, Leaders should immediately establish a time-line for this process. The G20 Summit in Los Cabos, Mexico, and the Rio+20 Summit provided key opportunities. Countries should agree to eliminate fossil fuel subsidies by 2015.

2) Increase Transparency and Consistency in Reporting of Subsidies

An obvious first step to removing subsidies is to catalog all existing fossil fuel subsidies. Reporting and reform should be separate processes. Up until now, the disclosure of producer subsidies in particular has been lacking in many countries. It is imperative that governments commit to fully and fairly disclosing the existence and value of all fossil fuel subsidies in order to inform robust plans for reform.

3) Incorporate Assistance and Safeguards to Developing Countries, as well as Poor and Vulnerable Groups

Fossil fuel subsidy removal, particularly consumption subsidies, will only be successful by incorporating gender-aware safeguards for poor and vulnerable groups, and by assisting with financial, technical and capacity building in developing countries, where needed.

4) Establish or Identify an International Body to Facilitate and Support Fossil Fuel Subsidy Reform

An international body should be created or identified to support the global effort to phase-out fossil fuel subsidies. This body, wherever it is housed, should be transparent, inclusive (to allow for civil society participation and representation), include balanced representation from developed and developing countries, and be sufficiently empowered to assess commitments by countries.

In Russia, the government provides about $14 billion per year in subsidies to fossil fuel industries. Burning fossil fuel is not only affecting the environment and public health, but also preventing the speedy development of renewable energies.

It is well-known that developing renewable energy is the best way to produce energy without carbon emissions. And, opinions about renewable energies as unreliable sources are out-dated. Germany, for example, is investing about $263 billion in a revolutionary program to phase out nuclear power and build up the base for its future economy based on renewable energy. Recently, Japan decided to introduce subsidies for renewable energy that, by volume, are four times greater than Germany's. After all, renewable energy gets cheaper over time.

Re-directing subsidies from fossil fuel to renewable energy not only results in a greener economy, it also creates three times more jobs compared to an economy based on fossil fuels.

In Rio, environmental groups presented a petition to Leaders calling for the elimination of fossil fuel subsidies, which garnered the signatures of 1 million people from around the world. But the Mexican G20 Summit would have been a much more appropriate place for this action. We should demand that world Leaders take urgent action to address the crises they have caused. This time, action must address the real problems instead of attempting to survive the crisis through corporate welfare at the expense of poor people.

Corporations in G-20 countries are demanding the elimination of environmental and other rules and regulations in order to grow their profits in developing countries. This strategy further impoverishes poor people. We need to erect barriers to this strategy. In 2013, the fight will be taken up at the G-20 summit in Russia where the agenda will likely be the same as Mexico's.

References

1. "Low-Hanging Fruit: Fossil Fuel Subsidies, Climate Finance, and Sustainable Development," (2012) by Oil Change International for the Heinrich Boell Foundation-North America with Natural Resources Defense Council and contributions from Vasudha Foundation (India) and Greenovation Hub (China).

Employment and the Los Cabos Summit

By John Evans, general secretary of the Trade Union Advisory Committee to the OECD

Against a deteriorating economic background, the language of the G20 Los Cabos Declaration has shifted from talk of austerity and deficit cutting to growth and job creation. This shift is particularly noticeable when compared to the language of the 2010 G20 Summit Declarations of Seoul and Toronto. Despite the priority given to jobs, the questions remain as to whether this will lead to effective follow-up action to reduce unemployment and get people back to work.

G20 Leaders met in Los Cabos against a background of deepening economic crisis. The Eurozone and other parts of Europe are in recession. Growth is slowing significantly in other regions and unemployment is once more rising. Panicking financial markets continue to attack many governments over their economic management. An ITUC poll released on the eve of the Summit found that only one in ten of those surveyed felt that current austerity policies were working. Half of the G20 Leaders who are elected democratically have been replaced since the Pittsburgh Summit in September 2009.

Against this background, perhaps we should not be surprised that the language of the G20 Los Cabos Declaration has shifted from talk of austerity and deficit cutting to growth and job creation. This shift is particularly noticeable when compared to the language of the 2010 G20 Summit Declarations of Seoul and Toronto.

The first substantive sentence of the Declaration (#2) states that "we are united in our resolve to promote growth and jobs". This is followed up with a reference to the need "to strengthen demand and restore confidence" to create "high quality jobs" (#5). The second substantive section of the Declaration is on Employment and Social Protection (#20-25).

Despite the priority given to "quality jobs" the questions remain as to whether this will lead to effective follow-up action to reduce unemployment and get people back to work.

At Los Cabos, trade union leaders represented in the "L20" maintained their practice of active engagement in bilateral meetings with most of the G20 Leaders. But, importantly, President Calderón hosted the first joint meeting of the Labour (L20) and Business (B20) representatives with over half the G20 Leaders in order to have an informal discussion about the social partners' priority recommendations.

Immediately prior to that, the B20 and L20 held their own second joint meeting and reached an agreement on the need to prioritise investment in infrastructure (especially enabling green investment to create jobs), inclusion of young people by dramatically scaling-up quality apprenticeships, and working to reduce informality in the labour force. These common priorities were highlighted in a joint B20-L20 letter to the G20 Chair (available here).

The joint discussions were facilitated by the inclusion of non-business stakeholders in the B20 Task force on Employment that forged a set of recommendations in the six months leading up to the summit. Rather than being a lobbying exercise for a business "wish list" (as had tended to be the case in the Seoul and Toronto Summit processes) the recommendations focussed on a set of shared commitments that if acted on might have an immediate impact on employment.

The G20 leaders welcomed the B20-L20 dialogue in their conclusions of the Los Cabos Summit. They also endorsed the conclusions of the G20 Labour and Employment Ministers' Conference in Guadalajara and extended the mandate of the G20 Task Force on Employment for an additional year. The Task Force is due to meet in Geneva in October and assess what action can be taken. In the same timeframe, the B20 and L20 also plan to meet to try to move from words to action. Priorities are likely to be scaling up the provision of quality apprenticeships for young people and stimulating infrastructure investment.

Following the Los Cabos Summit, there are several tracks to advance employment priorities at G20 level. The L20 will be working on bilateral discussions with G20 governments; the G20 Task Force on Employment will meet; the B20-L20 process will have to move up a gear; and discussions will begin with the Russian Presidency. However, since there are mixed signals from the G20 governments, the L20 members will be working intensively to formalise their gains in terms of access to the G20 and, most importantly, to keep up the pressure for genuine collective G20 action on the global economy.

Are We Moving Towards the Privatization of International Governance?

The G20 and the Recommendations of the Business 20 and International Chamber of Commerce on Trade and Investment

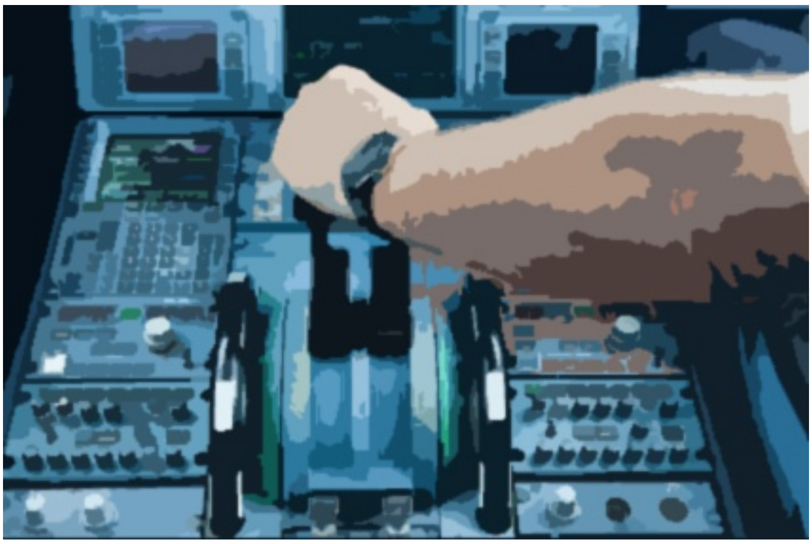
By Oscar Ugarteche, Senior Researcher, Instituto de Investigaciones Económicas, National Autonomous University of Mexico (UNAM), CONACYT SNI, and Advisor to Latindadd

Since the beginning of this new century (and millennium), the multilateral governance system, which was designed at the end of World War II, has weakened. The UN is weaker, having lost leadership and funds. The UN's "specialized agencies" – the International Monetary Fund (IMF) and World Bank – have lost credibility for failing to reform their governance and keep pace with the times. (The leaders of the IMF and World Bank are still European and American, respectively.) But, the global financial crisis saved the IMF from irrelevancy, since it caused demand for IMF resources to skyrocket.

Created in 1995, the World Trade Organization (WTO) began negotiating the Doha Round in 2001 and, now, eleven years later it is failing in its effort to consummate the deal. Many countries, including the United States, are replacing the WTO governance mechanism with bilateral, regional, and plurilateral trade and investments agreements. When leaders in the U.S. and Europe are accused of "leading the charge" with these new trade and investment agreements, they inevitably say that, since multilateralism is failing, these agreements (led by "coalitions of the willing") are the "next best thing."

The modus operandi of these agreements is to privatize the governance system, since they expand the rights of investors and contract the rights of the state. For instance, the agreements apply the Anglo-Saxon standards in financial market regulation (e.g., restricting regulation of banks or the use of capital controls), as does the WTO's Financial Services Agreement for that matter.[1] In this article we will review some G20 trade and investment policies in this light.

Today, the international financial system is more accurately described as a financial-banking complex



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Global regulations and private negotiations

Today, the international financial system is more accurately described as a **financial-banking complex**. For example, the recommendations of the 2009 UN Commission[2] chaired by Joseph Stiglitz regarding international regulation of the monetary and financial system were disregarded. Instead, countries are acting unilaterally, as did the United States by enacting the 2010 Dodd-Frank act. The **financial-banking complex** substantially influenced this law through the workings of the financial and banking lobby on Capitol Hill and through the role of the US Secretary of the Treasury who has been a prominent leader in this complex for more than thirty years.

The financial sector obtains access to elected government and central bank officials by being their main external source of policy information and advice as well as through campaign contributions.[3] According to the Center on Public Integrity, for every member of the U.S. Congress, there are five lobbyists promoting the interests of the financial industry.[4]

Examples of the influence of the financial sector include the "Scorecard on G20 Performance" of the International Chamber of Commerce and the "Report of the Business 20 (B20)."[5] These were presented to the G20 before and also at the Los Cabos Summit in June 2012. The ICC

Scorecard covers four areas, three of which are related to global finance: Trade and Investment, Green Growth, Transparency and Anticorruption, and Financing for Growth and Development.

The B20's Green Growth Task Force launched a new initiative called the "Green Growth Action Alliance" (G2A2), which mobilizes public money to leverage private investment in public-private partnerships (PPPs) in order to deliver "green growth." This initiative is managed by a financial sector club comprised of international financial institutions, development banks, companies, banks, and private investors.[6]

The G20 and the financial sector

At the November 2008 G20 Summit, two principles were set forth to guide financial market reform: One was enhancing sound (national) regulation and the other was reinforcing international cooperation so that (national) laws were more consistent across borders and markets. In this view, national economic systems were treated as closed and the G20 discussion was about coordinating these systems and embedding them in a transnational regulatory structure.

Four years later, the G20 is emphasizing establishing cross-border regulations (e.g., through the Basel Committee on Banking Supervision and the Financial Stability Board). However, the transnational business community (the B20 and the International Chamber of Commerce) expresses little interest in Basel III rules (e.g., bank capital reserves and liquidity levels) and would prefer to become the G20 secretariat.

Speaking at a June 2012 meeting, Mr. Johnston, Senior V.P. for International Government Affairs, Citigroup expressed his difficulties with regulatory processes as they relate to:[7]

1. Extra-territoriality or how to deal with cross-border institutions and the cumulative impact of regulations.
2. Resolution – in particular, how "shocking" it is that the process is of identifying procedures for winding down unviable institutions is so slow.
3. Risk-weighting of assets. There is a conflict between the US and the EU on how to approach the financial stress tests and comply with Basel III rules.
4. Lack of regulation of shadow banking, which impacts the ability to raise capital.

> **It could also be said that the weight of the financial industry is sufficient to influence the global agenda of governments of the G20**

In order to understand the dynamics, US policy-making must be understood. There, the combined action of the financial sector and government creates a **financial-banking complex**, to use Eisenhower's felicitous phrase referring then to the **military-industrial complex**.

Given that the complex owns a part of the Federal Reserve System and names and assigns the Secretaries of the Treasury, it has the capacity to privatize the regulatory process. According to Adam Posen, the new President of the influential, Washington-based Peterson Institute for International Economics:

"When measuring a political system's openness to interest-group influence, it must be known who decides on policy goals within that system, and who implements them. The answers can be termed a political system's discipline of legislating and its centralization of policy execution."[8]

According to the Center for Responsive Politics, the financial sector in the US has doubled its spending per day from US$ 641,000 in 2000 to US$ 1.3 million in 2011 in lobbying and has also become the top donor to Congressional candidates.

The U.S. Congress passes the laws launched by the White House and Treasury Department. And, given that the Secretary of the Treasury is the linchpin of the **financial-banking complex**, he rules over the U.S. Government finance and banking agenda which, at times, expands into the G20 agenda. This dynamic – combined with British and European pressures – facilitates the privatization of global governance.

Alternatively, it could also be said that the weight of the financial

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industry is sufficient to influence the global agenda of governments of the G20. There is the growing conviction that public multilateralism is unworkable and must be replaced. To put it in the words of Mr. Carrier of the ICC, "multilateralism is a failing force."[9]

The Trade and Investment Priorities of the International Chamber of Commerce

The priorities of the ICC Trade and Investment Task Force[10] are:

1. **Capital markets**. How can they be enhanced to, for instance, raise US$70 trillion for infrastructure by 2030 or US $40 trillion by 2016?
2. **Trade**. The WTO is not providing the necessary leadership; trade and investment talks are not moving fast enough.
3. **Services**. The services sector is the biggest sector and, if intellectual property rights (IPR) are not protected, there's a big problem.

The most important trade nevertheless is not goods, but services and within services, intellectual property rights

It is clear that shadow banking regulations of Basel III affect capital market development from the **financial-banking complex** point of view, and with it, its capacity to grow. The most important trade nevertheless is not goods, but services and within services, intellectual property rights (IPR).

The IPR spearhead was the now-defunct ACTA, the "Anti-Counterfeiting Trade Agreement" promoted by the EU because "Europe's economy can only remain competitive if it can rely on innovation, creativity, quality, and brand exclusivity."[11] This EU proposal was signed by 22 European countries plus Japan and Mexico amongst others, but the European Parliament rejected it on 4 July 2012.[12] Such a law could have left the U.S. behind the EU business initiatives and the Asian business community out of the game. As it is, the IPR initiative will re-surface, possibly with U.S. leadership.

In sum, what matters the most is not what appears in the final statements of the B20 and the G20, but rather the backroom talks and deals. The weight of the US financial sector in these deals is very significant and the implications of IPR rules (e.g., threats to privacy; curbs on technology transfer) are not being debated adequately.
What seems to be clear is that the G20 view of financial regulations has shifted from one that is nationally dominated and internationally embedded to one that is dominated by "coalitions of the willing." This is an area of growing conflict between the leaders of the G7 and the rest of the G20 members. There is recognition that the WTO is nearly defunct in many respects and is being replaced by growing presence of private governance bodies, such as the B20 itself, and the surge of plurilateral trade agreements such as the Trans-Pacific Partnership (TPP) Agreement and the Pacific Alliance.

The mostly private governance of the B20's Green Growth Action Alliance (described further in the "Must Read" section) advances the "financialization" of natural resources by making public funds available to the international capital markets in order to expand infrastructure and agricultural production, among other things.

If civil society and its allies are to succeed in holding multilateral governance structures accountable to the public good, they must come to grips with ways that the G20 is fostering the rise of corporate power and the proliferation of trade and investment agreements that codify corporate rights.

If civil society and its allies are to succeed in holding multilateral governance structures accountable to the public good, they must come to grips with ways that the G20 is fostering the rise of corporate power and the proliferation of trade and investment agreements that codify corporate rights

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4. Read full article.
5. The ICC Scorecard and May B20 report appear here. The June B20 report appears here.
6. Ibid., B20, June 2012, page 5.
7. See transcript of event on "Outlook for G20 in Los Cabos" sponsored by the Center for Strategic and International Studies (CSIS), the US Council for International Business (USCIB) and the ICC G20 Advisory Group, on June 5, 2012.
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The Current Banking System:

For Whom and For What Purpose?

By Adriana Labardini Inzunza, Co-founder and Director of Alconsumidor, AC, Mexico[1]

In April 2012, I traveled to Washington D.C. as a member of the delegation of Consumers International (CI) to meet with Jose Antonio Meade, the Secretary of Finance and Public Credit of Mexico. This year, Meade chaired the G20 Finance Track under the leadership of the President of Mexico and the G20, Felipe Calderon Hinojosa.

In meeting with Meade, CI had three objectives:

1. To present the CI recommendations of March 2011[2] on the importance of protecting consumers of financial services. CI also expected the Organization for Economic Cooperation and Development (OECD) to consider these recommendations, since it is charged with preparing guidelines for consumer protection;

2. To reiterate the importance of the new agency created by the G20, the FinCoNet, which brings together the G20's financial ombudsmen. This agency has the resources and capacity to receive and consider comments and proposals from CI and other civil society organizations. In this process, it can raise awareness of abuses, distortions, unsafe products and opacity suffered by consumers of financial services. The ultimate goal is to create international standards among regulators or consumer advocates (in the case of Mexico, CONDUSEF) and thereby forging uniform and effective consumer protection worldwide.

3. To emphasize that financial inclusion efforts promoted by Mexico at the G20 should be accompanied by the strengthening of consumer protection to ensure a secure, fair and competitive financial market. This is critical, since consumer financial education is insufficient to prevent financial crises and abuses ranging from high fees and interests to fraudulent charges and contracts.

> **Consumer protection is one aspect of the financial inclusion issue, which is a high priority for the G20 Mexican Presidency**

Consumer protection is one aspect of the financial inclusion issue, which is a high priority for the G20 Mexican Presidency. The financial inclusion issue has great importance for the lives of ordinary people. For instance, in traveling to Washington, I was constantly interacting with the banking system: receiving a money transfer to pay for travel expenses, buying an airline ticket, booking a hotel, buying a sandwich on the seven-hour flight (to avoid a fast), and registering at the chosen hotel.

In all market economies, including those of the G20, governments want consumers to be part of the banking system to ensure timely salary payments, save money, and receive basic services, such as telephone and Internet access, among other things. In certain situations, people without a credit history cannot participate in the economy and, in that sense, they are invisible. Of course, this is only true for a minority of the population.

Urban middle class citizens are part of the formal economy and, therefore, inspire the banks' confidence. This small universe of consumers is already saturated with services. Therefore, for several years, bankers have attempted to enlarge their markets in emerging economies and throughout the developing world. Indeed, there are more than four billion people who are "unbanked" and exist at the base of the economic pyramid.[3] Despite their low purchasing power, the people in this vast group[4] have cell phones[5] and make payments for purchases, and send remittances home, or collect them. Yet, they conduct these basic operations in places without bank branches.

Thus, just by having a mobile phone, people at the base of the economic pyramid effectively become low cost bank "branches" and provide juicy possible transaction fees for banks.[6] Because they provide such a fabulous business opportunity, the G20 blessed "financial inclusion" and "mobile banking" campaigns (launched especially by Mexico) which are touted as a way to reach the unbanked and provide a panacea for poverty, inequality and underdevelopment.

Ironically, a few days after the G20 Summit in Los Cabos and the dissemination of the G20 Declaration, a new money laundering scandal was exposed thanks to investigations by the U.S. The bank HSBC made illegal transfers amounting to about $15 billion (U.S. dollars) from Mexico to other countries in just one or two years. Inevitably, millions of citizens asked: Is this the banking system in which the G20 invites our participation?

> **Over and again, the global financial system has proven not to be sustainable, safe, or ethical**

Over and again, the global financial system has proven not to be sustainable, safe, or ethical. It is a system that turned the essence of capitalism – "compete and win or disappear" – into "speculate, launder, prey on" and be then bailed out by your government and taxpayers. This formula undermines the credibility of the system and its sponsors, especially when banks are rarely engaged in financing rural development, sustainable development, renewable energy, sustainable consumption or projects of entrepreneurs and small and medium-sized enterprises.

Instead, coal mines and governments, are the favorite "dishes" of international banks. Lending for consumption, rather than for investment, is the norm, at least in Mexico. That is, the banks facilitate purchasing a car – and its corresponding insurance – housing, and other goods, rather than investing in start-up firms.

Rather than investing heavily in capitalizing the productive sector in urban and rural areas, the financial sector has created a range of financial products to stimulate excessive consumerism and risky virtual businesses, such as derivatives. These instruments repackage and securitize debt in order to produce high, short-term revenue for issuers and speculators. At the same time, they not only fail to generate social wealth, but also tend to create unpayable debts for large numbers of people and governments (e.g., municipalities).

The system needs to be reinvented and designed in a way that is safe, fair and competitive. Some products are dangerous, such as flammable items, baby toys, or motor vehicles; therefore they should be subject to official standards to ensure their safety and quality. Therefore, they should not be sold to the public, which lacks the information to judge the products accurately. In a similar way, the consumers of financial products should be protected.

At the Los Cabos Summit, most G20 countries made the disappointing decision to merely draft "effective approaches" to consumer protection rather than voluntary guidelines. In time, the OECD will draft the guidelines, which is also disappointing because it has no enforcement power. It is disturbing that heads of state are so submissive to the international financial system and will settle for non-binding measures instead of enforceable regulations that are standardized across countries.

Ironically, some of the same leaders that are nervous about regulations flagrantly break the law by laundering money from organized crime. In Mexico, we are proud of having one of the healthiest, most stable and solid public and private financial systems in the world (better than Europe in these respects) – except for this "detail" of facilitating the traffic of trillions of dollars of dirty money through one of the largest global banks. No one dares to revoke the operating license of the bank or demand accountability of its executives who are engaging in criminal activity.

In the long term, the challenge is to create an alternative financial system

In the short term, the challenge is to ensure that consumer protection measures have a prominent place on the international agenda and that countries are monitored, so that the public knows which countries adopt them and which do not. It is also necessary to strengthen the role of ombudsmen, which are too tolerant and shy when they have to face up to banks. In this regard, the Mexican government was very receptive. In the long term, the challenge is to create an alternative financial system. There are already several models operating in the world.

Some Latin American countries, such as Uruguay[7] and Mexico are creating models on a small-scale which are profitable but not usurious[8] and which provide a more sustainable, responsible and affordable option to many groups – citizens, peasants, farmers, craftsmen, small traders, students, professionals (male and female) as well as small and medium enterprises, which generate 95% of national jobs.

In order to survive, the current financial system should take into account the fact that the stability of a financial system is directly proportional to the degree of consumer protection included in the design. Otherwise, the financial system will eventually destroy itself, compromising the welfare of present and future generations. The system should not be over-regulated, but rather have moderate measures, which take into account the viability of products based on their level of risk. Taking such measures makes those in the corridors of ministries of finance and the banks themselves, uncomfortable since it implies brakes, market surveillance, assessment of financial products, sanctions, accountability, and controls against virulent products and money laundering. Such a system is a guard against greed, speculation and disguised fraud. It is much more popular to talk with policy-makers and bankers about providing financial education to illiterate consumers, as if that were the panacea.

> **We need to maintain and enhance contact with the representatives of international organizations**

It is essential that civil society organizations engage with, and appear before their Ministries of Finance, the OECD, the FinCoNet and the G20 (under its new President, Russia, as of December 2012) in order to remind them of why consumer protection matters, and be watchdogs of the financial system and its regulators.

If anything distinguished this Summit, it was the greater involvement of civil society organizations and a greater openness of some Sherpas to listen to them. We need to maintain and enhance contact with the representatives of international organizations, such as the OECD, to ensure that the recommendations of CI are on their agendas.

We also need to act globally through our extraordinary social networks, which have growing impact, so that more organizations collaborate as watchdogs and negotiators before the G20 Leaders, finance ministers, and working groups.

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2. Available here.
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4. According to World Bank figures 70% of the Mexican population is not part of the banking system, and according to the Mexican Ministry of Finance and Public Credit only 40% of the population does not.
5. Mexico has 93 million mobile lines.
6. The new system, Transfer, a joint venture between Telcel, Banamex (Citibank) and Inbursa, launched in 2012 and promoted by the Mexican government, allows phone - phone transfers via a text message, which is paid by the customer, and the payment of a one dollar fee. To withdraw cash outside banks or ATMs Banamex, the commission raises to USD 7. In the absence of bank branches in rural areas this would be the applicable commission. See here: www.transfer.com.mx or www.telcel.com.mx.
7. See Cooperativa Uruguaya Solidaria de Afiliados.
8. About twenty years ago, the Grameen Bank-style micro credits were the most outstanding innovative revelation, but are still very expensive and have high margins. Some could say that the risk is high as well, but figures show that the percentage of borrowers who pay on time is very high (90% of them pay promptly). This, coupled with innovative schemes to reduce risks that have been successful at the community, help to find new credit schemes to the base of the pyramid.

MUST READ

"The Group of Twenty: Origins, Prospects, and Challenges for Global Governance" (2012)

Homi Kharas and Domenico Lombardi, Brookings Institution, US

This report has three interesting features.

First, it provides a detailed review of the evolution of the G20 and the literature proposing ways to enhance its representativeness and legitimacy. The authors draw upon the literature of Robert Wade and Jacob Vestergaard[1] who object to the composition of the G20 and, in its stead, propose a Global Economic Council (GEC) to oversee the IMF and World Bank. Four criteria would guide the selection of GEC members to ensure its representative and legitimate character. Another proposal by Jose Antonio Ocampo and Joseph Stiglitz[2] proposes a Global Economic Coordination Council (GECC), which as with the GEC proposal, would operate on weighted voting. The GECC would oversee the United Nations, including the IMF, World Bank, and World Trade Organization.

Second, the report offers an insider's view of the development work of the G20 and different emphases between its development agenda and that of the G8:

Contrasting Emphases of the G20 and G8

G20	G8
National Growth	Human Welfare
Global Adjustment of Imbalances	Country Structural Adjustment
Systemic Risk Management	Shock Mitigation Impact
Modeling Good Practices	Common Standards and Global Rules
Coherence among aid, trade, investment packages	Official development aid

The authors state that "the G20's work streams are heavily influenced by international institutions that are called upon by the G20 to develop proposals for discussion and action by the leaders." This causes the institutions to jockey for influence.

The G20 development agenda also suffers from:

- Isolation from key decision-makers. The G20 Development Working Group (DWG) is comprised of sherpas, which divorces its discussions from those of finance ministers (in the international financial institutions) and foreign ministers (in the UN or the OECD). This may account for the decline in priority assigned to the G20's development agenda.
- Invisibility. The G20 works "with and through existing institutions, rather than supplanting them," which has the disadvantage of "making it appear as if the G20 cannot add value to the current system of global governance and force tangible results and announcement value."

They authors conclude that "The G20's development agenda will converge more closely with a broader global growth agenda once more progress is made on topics like climate change, green growth, and other public goods."

Third, building on earlier work,[3] the report sets out a proposal to establish a revamped, representative group of G20 finance ministers and central bank governors as an authoritative Ministerial Council of the IMF (the current ministerial group – the International Monetary Financial Committee – has only advisory powers). The proposal states that this proposal "nests" the G20 and the IMF together in a mutually reinforcing way.

The authors state that non-G20 countries have the best chance of influencing the G20, in its current configuration, through regional bodies.

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2. "From the G-20 to a Global Economic Coordination Council," Ocampo, José Antonio / Stiglitz, Joseph E., Journal of Globalization and Development. Volume 2, Issue 2, January 2012.
3. The 2009 Committee on IMF Governance Reform (Manuel Report) and the 2009 Fourth Pillar Report (Lombardi) representing views of civil society on IMF governance.

MUST READ

Public-Private Partnerships (PPPs): A Means to Sustainable Development?

In its formal Declaration at Los Cabos, the G20 welcomed the Green Growth Action Alliance (G2A2) of the Business 20 (B20, which aims to dramatically increase the use of public resources (e.g., development assistance, taxes) to leverage private investment in key sectors.

The basic facts and strategies of the G2A2 are further described here:

- Green Growth Action Alliance Factsheet 2012
- Green Growth Action Alliance to Address $1 Trillion Annual Shortfall in Green Investments

The PPP approach has become very popular, not only with the new G2A2, but also in other initiatives nurtured by the G20 and its Development Working Group. (For instance, see: The High-Level Panel report on Infrastructure and the MDB Infrastructure Action Plan.)

Two papers seek to critically examine the PPP initiatives of the G20 and G8 from the perspective of the Heinrich Boell Foundation. These papers take the position that, under the right circumstances (e.g., good governance, transparency, participation, accountability mechanisms), PPPs can make contributions to sustainable development. But, in general, these necessary preconditions for success are neglected or ignored.

"What are the pros and cons of public-private partnerships (PPPs) as a means to achieve food security, expanded infrastructure investment and green growth?" by Nancy Alexander (September 2012). This paper was commissioned by the Matias Romero Institute of the Mexican Ministry of Foreign Affairs to contribute to an on-line forum during the week of September 3-7 for the Mexican Foreign Service. The intention of the Forum was to assess the outcomes of the Mexican G20 Summit and the implications for the future. Part I comprises the background paper for the discussion of PPPs by the on-line forum; Part II describes the conclusions of the discussion.

"The G20: Playing Outside the Big Tent" by Nancy Alexander and Peter Riggs of the Ford Foundation (June 2012) compares the agendas of Rio +20 (in the "big tent" of all UN member states) and G20 (an elite club) and explains two trends – one in which nation states are moving away from binding commitments (e.g., environment, climate, human rights, biodiversity) to the public interest; the other in which private actors commodify and 'financialize' natural resources and launch PPPs, particularly in infrastructure and agriculture, which often jeopardize sustainable development. Given these trends, the paper lays out an agenda for action.

"The G20: Overestimated and Underperforming"

(2012) Peter Wahl, WEED (Germany)

This paper describes the emergence of the G20 as "more than just a new structure in the system of global governance. It is a symbol for an historic turn, which marks the beginning of the end of 500 years of Western dominance." In that light, it assesses the performance of the G20 since the Pittsburgh summit and acknowledges that G20 Leaders did not make the mistake of the Great Depression and leave the crisis to the markets. Instead, they used rescue packages for the financial sector and stimulus programs for the economy.

But, Wahl sees the G20 as a body that has lost momentum, implemented too few reforms of the financial sector too late, and misunderstood the roots of the crisis (e.g., Euro zone) in finance capitalism. Also, the G20 has been hampered by the struggle to create a new global hierarchy as the West declines (with the relative weakening of the US and the decline of the EU) and the rise of new powers.

Several emerging countries are creating alternatives or complementary structures to the G20, such as the BRICS (Brazil-Russia-India-China-South Africa) or the 'Shanghai Cooperation Organization' because, according to Wahl, "They do not want the G20 to have a monopolistic position in the overall system of global governance."

The paper discusses whether the mandate of the G20 should be restricted to economic issues or be expanded to other areas, such as green growth, development, tourism corruption, and trade. The paper highlights the risks of civil society and other interest groups (Labor 20) pressuring for an expanded agenda when the G20 has so many problems, including its lack of representativeness; its emphasis on the private sector as the driver of growth without sufficient considerations of distribution or environmental impact; and its lack of solidarity with poor countries (including through the United Nations). Wahl takes the view that, due to its heterogeneity and internal contradictions, the impact of the G20 is blunted.

At the same time, the paper argues for involving civil society in the member states of the G20 and beyond in shadowing the activities of their governments and of the G20. It views such engagement as necessary to coordinate civil society strategies in an effective manner.

Annexes include a graphic on the Mexican G20 agenda and a chart that compares the G20 countries in terms of population, income, trade, military expenditures, and poverty.

Impressum

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