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Introduction to the Group of 20 (G20)

SUMMARY

ORIGIN AND PURPOSE. In 1999, in response to the East Asian Financial Crisis, the finance ministers of the United States and Canada chose the members of the G20, including 19 countries and one region, the European Union.

Until 2008, the G20 met as a forum for finance ministers and central bankers. Then, the Group began meeting at the level of Leaders' (Presidents and Prime Ministers) in order to address the global financial crisis.

The G20 is more inclusive than the Group of 8 (G8); its member countries represent about 85% of global output and trade and two-thirds of the global population.

GOVERNANCE AND AGENDA. In 2014, Australia is the President of the G20. It coordinates G20 governance with its "Troika" partners -- the past and future G20 presidents, which are Russia and Turkey, respectively.

Although the G20 Leaders meet only once a year, the G20 works year-round through many ministerial and working groups.

The agenda includes two themes and ten topics. The first theme centers on the question how to stimulate global growth, through: 1) investing in infrastructure, 2) reducing barriers to trade, 3) promoting competition and 4) lifting employment and participation.

The second theme aims to strengthen the resilience of the global economy by: 1) delivering on the G20's core financial regulation reforms, 2) modernizing the international tax system, 3) reforming global institutions, 4) strengthening energy market resilience, 5) identifying how the G20 can help strengthen the global trading system, and 6) addressing corruption.

CHALLENGES. The G20 excludes 173 countries and lacks adequate transparency and mechanisms for participation by and accountability to these countries and important groups, such as civil society and parliaments.

1. Introduction

The G20 evolved into an annual Summit of Leaders (Presidents and

Prime Ministers) in 2008. At the September 2009 hosted by the US (in Pittsburgh), the Leaders declared that the G20 would be the "premier forum for international economic cooperation." (See Box, Timeline.)

In many ways, it has not lived up to this exalted title. However, the G20 is more inclusive than the Group of 8 (G8); its member countries represent about 85% of global output and trade and two-thirds of the global population. The creation of the G20 at the Leaders' level symbolizes the beginning of the end of Western domination and a decisive shift in the balance of power from "the West to the rest."

Importantly, the G20 sits at the apex of the global governance system with a growing agenda of issues and the power to give mandates to dozens of international organizations. Therefore, it should not be underestimated.

This article introduces the G20 – its leadership, membership, origin, agenda, and constituency groups.

TIMELINE: EVOLUTION OF THE G7/8 AND THE G20

1976 – The Group of 7 (G7) comprised a "steering committee" for the global economy – Canada, France, Germany, Italy, Japan, United Kingdom, and the United States.

1997 – In this year, Russia joined the political discussions of the Group of 7 (G7). In 2002, when Russia became an official member, the G7 became the Group of 8 (G8).

1999 – The U.S. and Canada created the Group of 20 (G20) as a body of finance ministers and central bankers in order to respond to the 1997-98 East Asian Financial Crisis.

2005 – The G8 met with leaders of five emerging market countries (Brazil, China, India, Mexico, and South Africa). In 2007, the G8 +5 process was strengthened.

2007 – The U.S. triggered the global financial crisis.

2008 – The G20 began meeting at the level of Leaders (Presidents and Prime Ministers).

2009 – At the Pittsburgh Summit, the G20 declared itself the "premier forum for international economic cooperation," which was a direct challenge to the authority of the G8.

2014 – Due to Russia's annexation of Crimea, Russia's membership in the G8 has been suspended.

2. Leadership and Membership of the “Club”?

As of December 1, 2013, Australia assumed the G20 presidency and began to govern the Group in coordination with its Troika partners – namely, the former and future G20 presidents: Russia and Turkey. Australia presides over the G20 Summit on November 15-16, 2014 in Brisbane.

The G20 membership, which includes 19 countries and one region, are among the 30 countries with the highest absolute GDP (in nominal prices).

- The G8: Canada, France, Germany, Italy, Japan, Russia, U.K., and U.S.
- The “Rising 9”: Argentina, Brazil, China, India, Indonesia, Mexico, South Africa, South Korea, and Turkey
- Australia and Saudi Arabia
- The European Union

Invited Participants: Each G20 President is asked to invite four guests in addition to Spain, which is a “permanent observer.” In 2014 Australia has invited Mauritania, as the 2014 chair of the African Union; Myanmar, as the 2014 Chair of ASEAN; New Zealand; Senegal, representing NEPAD; Singapore. In addition, representatives of international organizations attend the International Monetary Fund (IMF), the World Bank, the United Nations, the World Trade Organization, the Financial Stability Board, the Organization for Economic Cooperation and Development (OECD) and the International Labor Organization (ILO).

Table: G20 Summits 2008-2015*

	Date	Host Country	Host City
1st	Nov 2008	 United States	Washington, D.C.
2nd	April 2009	 United Kingdom	London
3rd	Sep 2009	 United States	Pittsburgh
4th	June 2010	 Canada	Toronto
5th	Nov 2010	 South Korea	Seoul
6th	Nov 2011	 France	Cannes
7th	June 2012	 Mexico	Los Cabos
8th	Sep 2013	 Russia	Saint Petersburg
9th	Nov 2014	 Australia	Brisbane
10th	2015	 Turkey	TBA

Source: http://en.wikipedia.org/wiki/List_of_G-20_summits

3. Origin and Background of the G20

In 1999, the G20 was created as a forum for finance ministers and central bankers to deal with the aftershocks and implications of the 1997-1998 East Asian financial crisis, which had ripple effects throughout Asia and the world (e.g. Russia, Brazil, Argentina). The finance ministers of the U.S. and Canada dominated the selection of G20 member countries.

The crisis demonstrated that a worldwide economic meltdown was possible due to financial contagion. It also created a backlash against the prescriptions of the IMF which were widely perceived as contributing to the crisis and deepening its recessionary aftermath. At the first G20 meeting (in Berlin, Germany), Asians sought help from the West. In 2007, the US-triggered a profound global financial and economic crisis and, in 2008, the G20 Leaders (i.e. presidents and prime ministers) met for the first time in Washington, D.C. At this G20 Leaders’ Summit, the “tables were turned” – insofar as Western countries sought help from Asian and other emerging market economies.

Particularly in the East (e.g., China), countries could help because they had massive levels of foreign reserves. Why? Not only because of the revenues from export sales, including to “deficit countries,” such as the United States, but also because the East Asian financial crisis taught them that, in the event of another financial panic, high levels of reserves would protect them from ever again going to the IMF on “bended knee” with a “begging bowl.” Indeed, the IMF was widely viewed as a colonial power that was implementing Western-inspired reforms.

The G20’s coordinated stimulus policies of 2008-2010 began a recovery process. However, since 2010, the fragile global economy has been threatened by a meltdown in the eurozone, the deceleration of the BRICS’ economies, and weak global growth. The G20 has failed to blaze a path that balances fiscal prudence with the need for growth and job creation. Nevertheless, as discussed below, the body is not doomed to irrelevance, as some would claim.

4. Agenda and Governance Bodies

The G20 Presidency has considerable control over the Summit agenda, particularly since the Troika countries have not always worked well together. In 2014, the Australian’s new, conservative Prime Minister has launched the G20 into the past by, among other things, ignoring climate change. In 2015, Turkey ascends to the G20 Presidency.

The mandate of the G20 has expanded to include a wide range of issues: e.g. economic recovery and rebalancing, financial regulation and oversight, corruption, trade and investment, development, infrastructure, food security, green growth, energy and commodities, and climate finance.

Although the G20 Leaders meet annually, there are many bodies that work throughout each year and report to the Leaders. Please see diagram below for details about the G20 governance bodies.

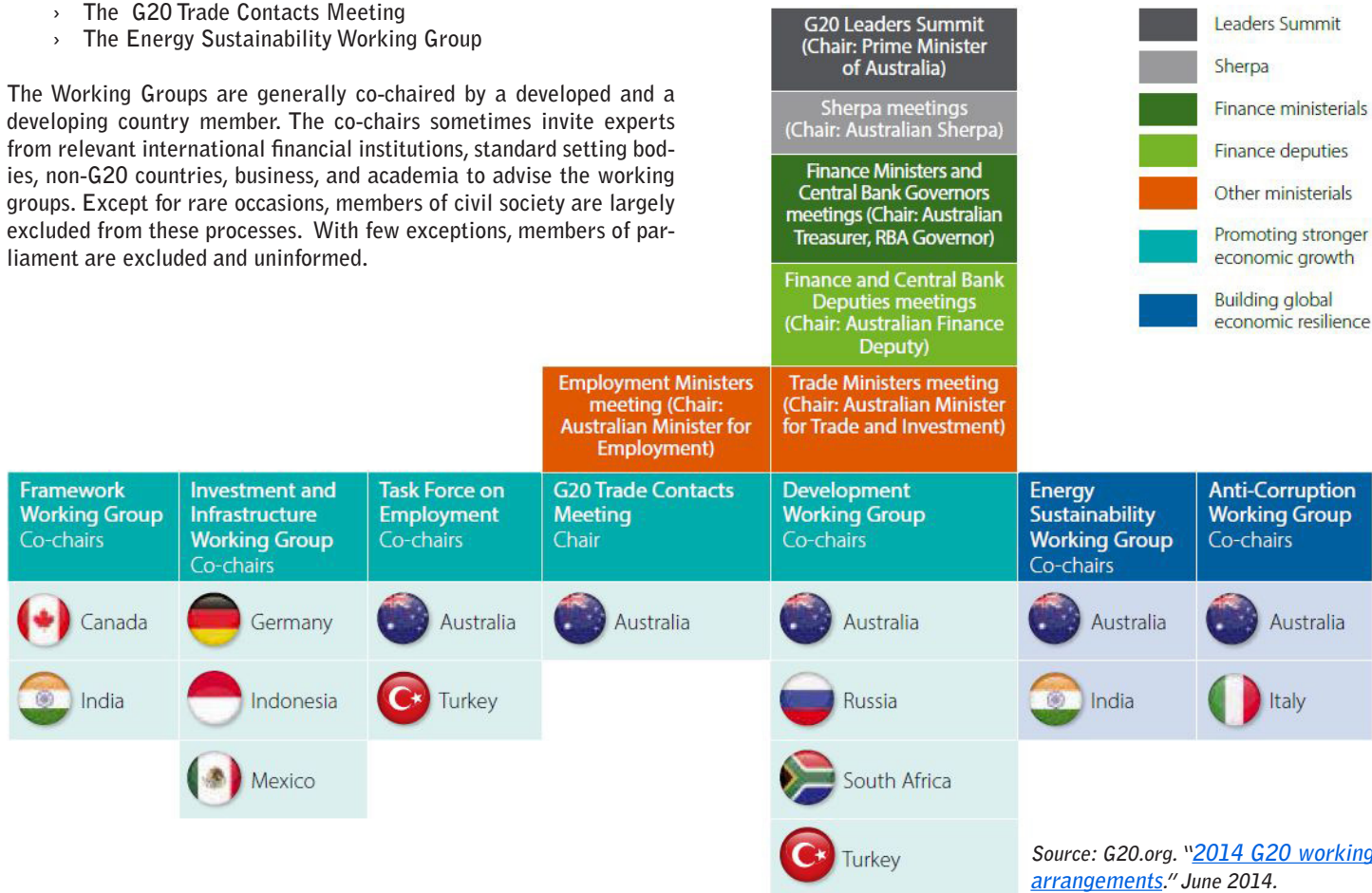
- **Sherpas:** Each Head of State has a representative called a “sherpa” and, for each Summit, these individuals meet regularly to do the heavy work of negotiating the agenda, the analyses of issues and the outcome documents.
- **Ministerial Meetings:** In addition to the meetings of the powerful G20 Finance Ministers and Central Bank Governors, the G20 troika may convene meetings of other ministries. To date, there have been meetings of Agriculture Ministers, Labor/Employment Ministers, Foreign Ministers, Trade Ministers, Energy Ministers, and Tourism Ministers.
- **Working Group Meetings:**
 - › The Framework Working Group on “Strong, Sustainable and

Balanced Growth," which contains the policy commitments of each G20 member country

- › The Investment and Infrastructure Working Group
- › The Development Working Group, which emphasizes infrastructure, taxation, and financial inclusion
- › The Anti-Corruption Working Group
- › The Task Force on Employment
- › The G20 Trade Contacts Meeting
- › The Energy Sustainability Working Group

The Working Groups are generally co-chaired by a developed and a developing country member. The co-chairs sometimes invite experts from relevant international financial institutions, standard setting bodies, non-G20 countries, business, and academia to advise the working groups. Except for rare occasions, members of civil society are largely excluded from these processes. With few exceptions, members of parliament are excluded and uninformed.

G20 GOVERNANCE BODIES



Source: G20.org. "2014 G20 working arrangements." June 2014.

5. G20 Constituency Groups

The G20 is increasingly seen as the "sun" in the "solar system" of international organizations around which international organizations and constituency groups rotate like "planets" or "moons." However, since the G20 is an "informal" organization without Secretariat or a charter, it has few mechanisms to build accountability to the 173 countries that are excluded from its membership or from constituency groups.

Some excluded UN member countries have organized themselves as the Global Governance Group (3G) which Singapore has sometimes represented at the G20.

The number and type of constituency groups that seek to influence the G20 has grown over time to include: the Business 20 (B20); the Labor 20 (L20); the G20Y of young business leaders; the Think Tank-20 (T20); Civil Society Organizations (C20); and the Girls 20. The work of the B20, L20, T20 and C20 can be viewed here. <http://us.boell.org/categories/group-20-brics>

The G20 has formal relations with business, but not civil society groups since some G20 governments do not believe that civil society groups are legitimate participants in their deliberations.

The Business 20 generally has its Summit on the eve of the G20 Summit. It works closely with a) the G20 Advisory Group of the International Chamber of Commerce, which consults with companies around the world in order to consolidate business positions in advance of G20 Summits; b) the World Economic Forum; and c) consultants, such as McKinsey and Company.

RUSSIA: SUSPENDED FROM G8 IN 2014 AND PRESIDENT OF BRICS IN 2015

The Ukrainian crisis created unbearable tensions in the G8. After having presided over the G20 in 2013, Russia was planning to preside over the G8 in March 2014. However, after the Russian annexation of Crimea, the Russian Sochi Summit was canceled and a G7 meeting in Brussels on June 4-5 was held. In 2015, Germany will preside over the G7 or G8 and Russia will preside over the BRICS (Brazil, Russia, India, China, and South Africa) in 2015.

6. Challenges for the G20

The G20 can realize the potential for democratizing global governance and achieving sustainable development by taking actions such as:

- Democratizing Global Governance. Challenges facing the G20 in this area include:
 - › Enhancing transparency. The G20 lacks transparency (many documents are not publicly disclosed; others are disclosed, but only in final drafts).
 - › Respecting the governance of global institutions. The G20 often gives mandates to dozens of international organizations (e.g. the IMF, the World Bank, the Financial Stability Board, and United Nations agencies). Where these mandates evolve from the full membership of international organizations, they can reinforce participatory governance. Otherwise, they bypass and undermine existing governance structures.
 - › Relinquishing “veto power.” The G20 can paralyze decision-making in other global bodies. For instance, the G20 commissioned a report from ten international organizations on the volatility of food prices, which called for an end to mandates and subsidies for biofuels. Because the G20 rejected this advice, the World Committee on Food Security (CFS) will not contradict the G20. The G20 now exercises a policy “veto” on this issue and others.
 - › Ensuring Accountability. The G20 is not accountable to more democratic institutions, such as the United Nations, the International Monetary Fund or the World Bank, with universal or nearly-universal memberships.
- Achieving Sustainable Development:
 - › Implementing commitments. Where the G20 has positive sustainable development policies (e.g. the call to remove fossil fuel subsidies), implementation is a problem.
 - › Valuing public goods. In general, the G20 puts a higher priority on austerity than on investing in public goods, including creating decent jobs, protecting the environment, and regulating the financial system.
 - › Mobilizing financial support for mega-projects. The G20 is mobilizing support, particularly long-term institutional investments, in large-scale infrastructure, particularly in the energy, water, transport, and ICT sectors. To date, the G20 has paid insufficient attention to the need for infrastructure projects to be selected and designed with attention to: appropriate scale, participation (especially by affected communities), transparency, job creation, carbon footprint, and norms (environmental, social, gender, and human rights impacts).

HELPFUL LINKS

- Heinrich Boell Foundation, North America, G20 and BRICS website: <http://us.boell.org/categories/group-20-brics>
- Lowy Institute's G20 Studies Center: <http://www.lowyinstitute.org/programs-and-projects/g20-studies-centre>
- The B20: b20coalition.org
- The Global Summitry Project: <http://globalsummitryproject.com/>
- The G20 Information Centre, University of Toronto: <http://www.g20.utoronto.ca/>
- Triple Crisis Blog's "G20 Spotlight": <http://triplecrisis.com/category/spotlight-g20/>
- InterAction (US) recommendations for the summit 2014: <http://www.interaction.org/document/recommendations-2014-g20-summit>
- BOND, UK: <http://www.bond.org.uk/advocacy/g20>
- OXFAM, "Left Behind: How inequality and environmental degradation threaten to exclude poor people from the benefits of economic growth," <http://policy-practice.oxfam.org.uk/publications/left-behind-by-the-g20-how-inequality-and-environmental-degradation-threaten-to-203569>
- Official site of the G20: <https://www.g20.org/>