

G20 UPDATE

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HEINRICH BÖLL STIFTUNG

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The G20 from Toronto to Seoul

Disappointment and renewed expectations

A summary report by Sandro Gianella

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

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

On the issue of growing public debt problems, however, the G20 did reach an agreement to cut government deficits in half by 2013 and stabilize the ratio of public debt to GDP by 2016. Many Keynesian economists, such as Paul Krugman, criticize these **austerity measures** as coming too early and putting the world economy at risk to plunge into a double-dip recession (see *the G20's Dead Ideas on the next page*). As a



matter of fact, even the decision to emphasize debt reduction was accompanied by divisions among the G20, so that the final communiqué included a delicately worded call for deficit reduction *tailored to national circumstances*. In addition, a global bank levy supported by the U.S., Germany, France and Great Britain was scrapped after strong opposition from Brazil and Canada. A lesson that can be drawn from these experiences is that developing countries are becoming more and more confident when it comes to global policy making at venues such as the G20.

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

“Without a consensus on either collective stimulus or one-size-fits-all deficit-cutting, the Toronto G20 will be remembered for the skill with which these disagreements were papered over.”

Andrew Cooper - distinguished fellow at The Center for International Governance Innovation (www.cigionline.org)

Society involvement on page 5) The Korean government will also continue to host a Business 20 Summit (B20) that brings together leading global businesses to meet with representatives of the G20 member-countries. It therefore becomes clear, that Korea intends to highlight the role of the private sector in fostering development. Nonetheless, Korea realizes that it has the potential to act as a bridge between advanced, emerging and developing worlds by applying lessons learned through experience.

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

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

G20 MUST READS

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

By [Bruce Jones](#)

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

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

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

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

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

By [Ngozi Okonjo-Iweala](#)

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

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

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

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

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

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

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

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

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

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

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

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



G20 Database & E-Mail Listserv

Stay informed - the easy way

Database

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

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

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

If you would like to know more about the Database or sign up for access please send an Email to Sandro Gianella at gianella@boell.de.

To get started right away, here are the 3 easy steps to install the Database on your computer:

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

E-mail Listserv

In addition, the Heinrich Böll Foundation is part of an international network of NGOs and policy-analysts, which have set up a G20-related E-mail Group. It is administered by Markus Henn of [WEED](#).

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.



Civil Society and the G20

HBS sponsored Workshops

By Nancy Alexander & Sandro Gianella

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

The situation at the G20 summit in Toronto (read in the box below) has showed how difficult it is for members of civil society to have their voices heard and provide alternative solutions and agendas. The Böll Foundation itself has decided not to engage in “summit hopping” or have the G20 agenda dictate our work. We would rather pursue work that is sensitive to individual countries and issues that are at the core of the Foundations principles. Nonetheless, we have helped to fund an international initiative which allows members of civil society to share knowledge and collaborate on their G20 work.

So far, there have been **workshops in Washington, Toronto and Seoul**. They can be described as teach-in’s to help local civil society to put pressure on their governments and inform the public about alternative and critical views of the G20. Nancy Alexander, of the Böll

Office in Washington, has participated in these workshops and gave highly positive feedback of the work being done. At the same time, this initiative allows the Böll Foundation access to intelligence sharing with other civil society actors that are working on Global Governance issues.

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

At every meeting, members of civil society focused on the **illegitimate and unrepresentative nature of the G20**. In addition, many raised concerns about the fact that, in the absence of a formal secretariat, the IMF has played an important role and expanded its mandate, which is peculiar, since so many G20 countries suffered under IMF requirements that they prioritize stabilization over growth.

An additional point of interest is the **lack of developing country leadership** in the G20. Albeit the group signals a significant shift in the global balance of power, many emerging market countries are (not yet) promoting their agendas or exercising much leadership in the G20.

Moreover, the participants of the workshops discussed the scope of the G20’s remit, with some groups urging that the G20 should restrict itself to

economic and financial issues, while others encourage it to expand its focus to include **development** and **climate** on its agenda.

In terms of concrete policy issues, the events in Washington, Toronto and Seoul discussed the rebalancing of the global economy, a potential new paradigm for Global Finance and the agendas of future G20 summits. While there is much talk in the G20 about protecting taxpayers from future bail-outs of financial institutions that are causing crisis, little has happened on this front; in fact, the financial system has concentrated wealth, while the masses suffer from disinvestment in pensions, health care, and clean energy. At some point, the process of **privatizing gains and socializing losses** is no longer politically acceptable. On the topic of financial system reform, many civil society organizations believe that the body needs to invent a new financial paradigm. To create such a framework, it is important to keep in mind that the purpose of the financial system is to serve a “real economy” oriented toward (low carbon) growth with equity.

For the Seoul G20 Summit, there are at least two civil society coalitions seeking to influence the outcomes of the G20. The Korea Civil Society Network on Financial Reform is organizing a People’s Summit from November 8 to 10, which will focus on financial re-regulation and taxation on speculative

Media Apartheid

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

Media and Civil Society at the G8



Civil Society and the G20 Continued

capital. The Global Coalition Against Poverty (GCAP) is organizing a number of events, including the Stand up MDG Campaign, as it did at the Canadian Summit in June 2010. Looking ahead to the Summit in France in 2011, which will most likely have a focus on **agricultural markets**, many civil society groups are preparing to focus on commodity speculation and **food security**.

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

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

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

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

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

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

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

The final report of the Toronto workshop: <http://halifaxinitiative.org/sites/default/files/Final%20Report%20-%20Bridge%20to%20South%20Korea.pdf>

The following organizations (among others) participated in the Toronto workshop:

- [Halifax Initiative](#)
- [Canadian Council for International Co-Operation](#)
- [The North-South Institute](#)
- [Oxfam Japan](#)
- [Bretton Woods Project](#)
- [Institute for Policy Studies](#)
- [Coordination Sud](#)
- [GCAP South Africa](#)
- [Korean Confederation of Trade Unions](#)

G20 Links

G20 Research Group

Research Group at the University of Toronto, a great resource for documents and analysis on both the G8 and the G20

Korea G20 Summit

The official website of the Korean Summit

CIGI

The Center for International Governance Innovation is a great place for G20 analysis.

