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DESIGNING EQUITABLE ECONOMIC POLICIES: THE CASE FOR A G193 RATHER THAN A G20

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THE BIRTH OF THE G20

The Group of 20 (G20) was created as part of the policy response to the 1997 East Asian financial crisis. It was established in 1998 to “broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote cooperation to achieve stable and sustainable world economic growth.”[1] The group met at the level of finance ministers and included all the members of the Group of 7/8 (Canada, France, Germany, Italy, Japan, Russia, UK and USA)[2] plus a number of governments of so-called “systemically important countries”[3] and the European Union.

In spite of its creation as a forum for broadening dialogue, the G20 did not have much bearing on the role played by the G7/8 as the main focal point for the developed countries to coordinate their policies. However, in the wake of the Wall Street crisis of 2008 and the threat of a new global depression, it became clear that responses to the emergency could not be devised without some forum to involve emerging economies. Speculation ensued about the proper size of a group that could involve more than the G7/8 without becoming too large. In November 2008, the US government decided to host a meeting of the Group of 20, but at Heads of State level, which was a way to settle expediently the matter of size while avoiding the potentially perilous politics of having to make determinations about who would be ‘in’ – as opposed to the large majority of countries that were to remain ‘out’.

The G20 meeting that was held at Heads of State level indicated that there was a clearly defined need for an emergency response. The G20 soon adopted an agenda that went further, addressing also a reshaping of the international financial system and the coordination of financial and monetary policies in the long term. At its third summit, held in Pittsburgh, USA in September 2009, the Heads of States’ statement declared they “designated the G20 to be the premier forum for [their] international economic cooperation.”[4] At the fifth summit, held in Seoul, Korea, in November 2010, they further enlarged their agenda by agreeing to include issues of development.

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IS THE G20 A STEP TOWARDS GREATER INCLUSION AND DEMOCRATIC GOVERNANCE?

The upgrading of the G20 to a summit-level meeting which, essentially, brought the G20 configuration in from the cold, in which it had been since its creation as a finance ministers forum, was interpreted by many in the mainstream media as a positive trend towards more democratic global governance. The ‘new’ G20 was seen as taking the mantle of the old G7/8, which was much criticised for its limited membership. It seemed that the G7/8 had finally let go of its commanding role and decided to include voices of developing countries. What could be wrong about that?

In this view, the UN – the multilateral organisation that most perfectly embodies universalism and inclusion by having a membership of 193 countries – was seen as too slow and cumbersome.

The world needed a small group of countries to lead a swift and tailored response to the global economic challenges of our time. There was always going to be a trade-off between representativeness and capacity to act. The smaller the group, the argument goes, the less representative it is, but the faster it can react. On the other hand, the larger the group – the UN's universal membership being the archetypical example – the greater the representativeness, but the longer it can take to act.

Indeed, the G20 seemed to assert its claim to be precisely this sort of effective, rapid action body when, in its first intervention and still amidst the global financial crisis of 2008-9, it mobilised a coordinated stimulus that is credited with saving the global economy from the brink of disaster.

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However, even officials attending G20 meetings agree that as time goes by and the echoes of the emergency fade away, the G20 is less able to muster consensus to take joint and decisive action on global economic issues that require attention. What they would probably not recognise is that this shows the G20, as a body, is afflicted by the same difficulties and contradictions that make consensus difficult in larger membership bodies. In light of this, it follows that the case for holding gatherings restricted to a club-type structure that excludes most countries from economic decisions loses much of its merit. In fact, even the much-touted stimulus of 2008-9 might have resulted from actions that the largest economies had domestically agreed to take and decided to announce in a coordinated fashion, rather than one that can be credited to the G20 as a forum to bridge positions where they were initially divergent.

THE ACCOUNTABILITY CRITIQUE OF THE G20

The main challenge to the G20, however, is not as much its limited membership as the issue of who those members represent. Indeed, much ink has been spent debating whether the G20 needs more African representation, or representation from Least Developed Countries or Low Income Countries, or whether population and democratic governance should be the criteria to decide on who is a member. This debate misses the point.

In all fairness, even the universal-membership UN is not a place where 193 members meet every time to make every decision. In fact, the members that gather together to negotiate resolutions and other documents, especially at the most critical moments, tend not to exceed 12: representatives of major blocs plus a few countries not affiliated to any bloc. This is why drawing a contrast between the 'swift' action by a 20-member body and the 'slow' action of a 193-member body does not amount to more than a caricature.
But it is also why the main critique of the G20 is that it lacks accountable mechanisms for representation of a broader membership. In the UN, the countries finally negotiating – however limited their number may be – have a mandate from, and are accountable to, broader groups or blocs, unless they are

clearly dealing with issues for themselves. country other than themselves.

THE G20 VERSUS THE G193

Former President of the General Assembly Father Miguel d'Escoto coined the expression G192 (at the time when the UN had 192 member countries) to refer to the UN and contrast it, as a more desirable option, with the G20. Nevertheless, the truth remains that the UN is much more than a G193. The G20, as an informal grouping is, in that sense, impossible to compare with a fully-fledged institution such as the UN. Ultimately, what the G20 outcomes represent are political commitments to do certain things that need to be implemented through the appropriate multilateral institutions, including the UN. So what, some might ask, is the point of expressing concern about the democratic deficit of the G20? There will always be a 'universal' test for anything that this group of countries wants to push through, in the form of a decision endorsed by an institutional actor.

The reality of global decision-making does not however support such clear-cut assurances. First, informal agreements reached at the G20 level may pre-empt a wider debate within universal membership institutions. G20 countries command the real political power to promote their will in global institutions. An alternative that non-G20 countries raise may not be seen as worthy of debate, thereby curtailing the scope of rights to raise, frame and debate issues that non-G20 members would have in global institutions.

These dynamics were clearly in evidence in 2009, when, in the wake of the global financial crisis, the UN convened a global summit to decide on a coordinated approach. The exercise was informed by a report from a commission of experts convened by the President of the General Assembly that included economics Nobel Prize winner Joseph Stiglitz. On the most critical issues of financial regulation and reform of the monetary system, G20 countries, which had met in advance both in Washington and in London for the first two G20 Summits, had a collective position that left limited space in the political process for any meaningful discussion beyond their points. As put by former South Centre Executive Director Yash Tandon, one can expect multilaterally-negotiated agreements to represent some sort of 'negotiated truth'. Except that, in this case, the 'negotiated truth' of the G20 trampled the 'negotiated truth' of the 193. In more than one place, the UN agreement ended up mirroring word by word the G20 statements.

Second, the G20, in practice, resorts to the staff of the same global institutions for servicing its deliberations. Background papers and studies are routinely commissioned by the G20 from a number of multilateral organisations, including universal membership organisations and agencies that are part of the UN. Without the G20 requests, the staff in these agencies would have been bound to implement their work plans, as agreed by the full membership. Since the staff complement remains the same, and, given the ongoing financial crisis, in some cases is shrinking, prioritising the service of G20 needs will come at the expense of assignments approved by the legitimate governing bodies, comprising full membership, of such institutions.

The expansion of the subject matters the G20 tackles only heightens such concerns. In the time they have been meeting, the G20 Summits have ventured far beyond the issues of global financial regulation and macroeconomic policy that initially triggered its creation. Deliberations have covered issues such as infrastructure, trade, social security, investment, corruption, food security and climate finance. In all of these issues, the risk of serious encroachment on the mandates of formally established institutions and of bypassing universally agreed commitments is very high.

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One example of these risks can be found in 2013's St Petersburg Summit, where one of the key priorities the G20 focused on was tax evasion and avoidance. There is no question that international cooperation to tackle tax evasion is very much needed. However, the way the G20 addressed it was to endorse a Plan of Action on 'Base Erosion and Profit Shifting' put together by the OECD, a club of the world's richest nations. The OECD-authored exercise, if ultimately adopted as the blueprint for international tax cooperation, may reinforce biased tax principles that would harm the ability of the poorest countries to raise revenue through taxation in their jurisdiction.

CONCLUSION

It is correct to say that any group of countries can decide to meet amongst themselves to coordinate positions they will take in fora to which they belong, without being deemed illegitimate or accused of lacking accountability to the rest of the world. However, when the countries in question can muster the strength to move their positions through in institutions that comprise 173 more, the wholly different character the situation acquires cannot be ignored. In this context, justifying the non-transparent and ad hoc practices of a body under the cloak of a group of friends trying to better work together is disingenuous at best. An old adage that never loses its currency applies: 'with great power comes great responsibility'.

[1]What is the G8? G8 Information Centre, 2011, http://www.g8.utoronto.ca/what_is_g8.html.

[2]These countries have been meeting as the Group of 7 at Heads of State level since 1977 and were gradually joined by Russia to become the Group of 8.

[3]These were Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

[4]The Leaders Statement: The Pittsburgh Summit, G20, 24-5 September 2009, available at: http://www.g20.utoronto.ca/2009/2009communique0925.html.