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G-20 – A new model of multilateral engagement?

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G-20 – a new model of multilateral engagement?

I – Introduction

Informally and publicly known just as G-20, the Group of Twenty Finance Ministers and Central Bank Governors was established in 1999, both in reaction to the financial crises of the late 1990s and in recognition of the growing role of emerging-market countries in the world economy. The inaugural meeting of the G-20 took place in Berlin, on 16 December 1999, hosted by the German and Canadian finance ministers.

The G-20 is a forum that aims to promote open and constructive discussion between industrial and emerging-market countries on key issues related to the global economic stability. Also, the G-20 has the objective of supporting growth and development across the globe, by contributing to the strengthening of the international financial architecture and by providing opportunities for dialogue on national policies, international cooperation, and international economic and financial institutions.

The G-20 is an informal institution, meaning that it has no written articles of agreement coordinating the relationships among its members or any rules defining its procedures or composition.

The members of the G-20 are the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States of America. The European Union is also a member, represented by the rotating Presidency of the Council of the European Union and the European Central Bank. To ensure close communication and collaboration with global economic institutions, the Managing Director of the International Monetary Fund (IMF) and the President of the World Bank, plus the chairs of the International Monetary and Financial Committee of the IMF and the Development Committee of the World Bank, also participate in G-20 meetings on an ex-officio basis.

The G-20 thus brings together systemically important advanced and emerging-market countries from all regions of the world. Together, these countries represent around 90 per cent of global gross national product, 80 per cent of world trade (including EU intra-trade), as well as two-thirds of the world's population. The G-20's economic weight and significant membership has made possible the exercise of its high degree of influence over the direction of the global economy and financial system.

2009 marks the tenth anniversary of the G-20. Therefore, it seems to be an appropriate time to reflect on the forum's origins, its developments and achievements.

The paper will be divided into five parts: a) a short history of the G-20 will show the process of consolidation of the group; b) the current performance of the G-20, briefly evaluating how the group evolved from a high-level debate forum into an action institution; c) the participation of Brazil in the G-20, with emphasis on its year as chair; d) an introductory argument about the emergence or not of a new multilateral arrangement, more inclusive, reflected in the G-20's new role; and e) conclusion.

II – Short History of the G-20

A short assessment of the history of G-20 is necessary to put in perspective one of the most dynamic institutions of the current days.[1]

Prior to the creation of the G-20, similar groupings aimed to promoting dialogue and analysis had been established at the initiative of the G-7. A group called G-22 met in Washington D.C. in April and October 1998. Its purpose was to involve non-G-7 countries in the resolution of global aspects of the financial crisis affecting emerging-market countries. Two subsequent meetings comprising a larger group of participants (G-33) held in March and in April 1999 discussed reforms of the global economy and the international financial system. The proposals made by the G-22 and the G-33 to reduce the world economy's susceptibility to crises showed the potential benefits of a regular international consultative forum with the participation of emerging-market countries.

Such a regular dialogue with a constant set of partners was institutionalized by the creation of the G-20. On 25 September 1999, G-7 finance ministers and central bank governors announced that they proposed "to establish a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, 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 that benefits all." They believed then that "discussions held in this group will prove useful to complement and reinforce the role of the governing bodies of the Bretton Woods

[1] Based on *The Group of Twenty – A History*, 15-16 March 2008, "Further publications". 3 Nov. 2009. <http://g20.org/pub_further_pubs.aspx>.

institutions." Therefore, they invited their "counterparts from a number of systemically important countries from regions around the world" to a meeting in Berlin in December 1999. [2]

The announcement marked the official birth of what subsequently became known as the G-20.

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[2] Above citations from G-7, *Statement of G-7 Ministers and Central Bank Governors* (Washington, D.C., 25 September 1999).

[3] World Trade Indicators 2008, The World Bank, Washington, DC.

[4] World Trade Indicators 2008, The World Bank, Washington, DC.

[5] World Development Indicators 2009, The World Bank, Washington, DC.

[6] The Group of the Twenty: a History, November 2007, G-20.

[7] Manila Framework, Meeting of Asian Finance and Central Bank Deputies, A New Framework for Enhanced Asian Regional Cooperation to Promote Financial Stability, Agreed Summary of Discussions (Manila, the Philippines: 18–19 November 1997).

[8] The G-22 comprised the following countries: G-7 (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) and Argentina, Australia, Brazil, China, Hong Kong SAR, India, Indonesia, Malaysia, Mexico, Poland, Russia, Singapore, South Africa, the Republic of Korea, and Thailand.

[9] Countries invited to attend the G-22 included the G-7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) and 15 other important economies (Argentina, Australia, Brazil, China, Hong Kong SAR, India, Indonesia, Malaysia, Mexico, Poland, Russia, Singapore, South Africa, the Republic of Korea, and Thailand). Also in attendance were the Managing Director of the IMF, the President of the World Bank, the Secretary General of the OECD, and the Chairman of the IMF's Interim Committee.

[10] The Group of Ten (G-10) refers to the group of countries that have agreed to participate in the *General Agreements to Borrow* (NAB) in 1962: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, the United Kingdom, the United States, Sweden and later on Switzerland (1964). Luxembourg is also an associate member. BIS, IMF, OECD and the European Commission are official observers of the G-20's activities.

[11] The FSF members comprised Australia, Canada, France, Germany, Hong Kong SAR, Italy, Japan, the Netherlands, Singapore, Spain, Switzerland, United King, United States, International Organizations (BIS, ECB, EC, IMF, OECD, World Bank) and international standard-setting bodies (BCBS, CGFS, IAIS, IASB, IOSCO).

[12] This group was composed by the members of the G-22 plus Belgium, Chile, Côte d'Ivoire, Egypt, Morocco, the Netherlands, Saudi Arabia, Spain, Sweden, Switzerland and Turkey.

[13] G. De Brouwer, "Institutions to Promote Financial Stability: Reflections on East Asia and an Asian Monetary Fund" in *The International Monetary System, the IMF, and the G-20: A Great Transformation in the Making?* ed. R. Samans, M. Uzan, and A. Lopez-Claros World Economic Forum, The Reinventing Bretton Woods Committee (Houndmills, Basingstoke and New York: Palgrave Macmillan, 2007), 82.

[14] APEC Finance Ministers, *Communiqué*, Sixth Meeting (Langkawi, Malaysia, 15–16 May 1999).

The immediate motivation for the establishment of the new international group was the crisis in emerging economies that had begun in Thailand in mid 1997, and which widened and intensified through the following two years, spreading to other relevant Asian economies, and later on to Russia and Latin America. However, the creation of the G-20 also reflected major changes in the global economy over the last 20 years, which continue to evolve today. During the 1970s, and even to a large extent during the 1980s, it had been possible for major industrial countries to address most global economic problems among themselves — through the G-5 or subsequently the G-7. By the late 1990s, this had become increasingly difficult as the weight of the G-7 countries in the global economy declined, owing largely to the rapid growth of emerging economies, especially those in Asia.

The global economy has also become more integrated. Cross-border trade has increased sharply in recent decades in response to trade liberalization. Worldwide, Most Favored Nation (MFN) average tariffs have fallen from 14.1 percent during 1995–99 to 11.7 percent during 2000–04 and further to 9.4 percent in 2007—a decline of more than 33 percent.[3] From 1991 to 2006, the value of the world trade as a proportion of global GDP rose from roughly 40 per cent to 62 per cent. In 2007, developed and developing countries trade grew on average by 7.7 percent in real terms. Much of this increase was again due to the growing participation of emerging markets in the international trade. This has also reflected the unprecedented additional momentum provided by the transition of largely closed centrally-planned economies to open-market economies. According to estimates from the World Bank, from now to 2030 the world trade will grow threefold, roughly half of this increase expected to come from developing countries.[4]

The importance of trade to low- and middle-income economies can be seen in the ratio of trade (imports plus exports) to GDP, which has risen rapidly, from 47 percent in 1990 to 70 percent in 2007 for low-income economies and 39 percent to 64 percent for middle-income economies, surpassing the share of high-income economies. Developing economies' share of world trade increased from 18 percent in 1990 to 28 percent in 2007. The 12 largest developing economies — China, India, Russia, Brazil, Mexico, Turkey, Indonesia, Iran, Poland, Argentina, Thailand, and South Africa — accounted for 67 percent of developing economies' exports in 2007, a share that has increased over time. China alone accounted for 27 percent.[5]

At the same time, the liberalization of domestic capital markets and the opening of capital accounts, first in industrial and later in emerging economies, contributed to the growth of cross-border capital flows. Certain emerging economies, such as China, became major recipients of foreign direct investment. The international reserve holdings of emerging economies also increased significantly, especially in recent years. The non-G-7 G-20 members' share of global reserves rose from 14 per cent in 1991 to 43 per cent by 2006, accelerating in recent years as part of an effort by many countries to self-insure against future crises.[6]

The increasing interdependence of all countries stemming from the ongoing expansion of cross-border trade and capital flows, and the parallel rise in the exposure of countries to economic and financial shocks emanating from sources beyond their borders, drew attention to the importance of broadening the scope of international economic and financial cooperation.

In the Summer of 1997 the Asian crisis began. It started in Thailand and there was a contagious deterioration in economic and market conditions throughout Asia, affecting Indonesia and South Korea in particular. The rapidly broadening crisis was characterized by large capital outflows from affected countries in response to negative market sentiment, the depletion of international reserves, large currency depreciations, sharply higher domestic interest rates, and marked declines in economic activity.

In response to the growing crisis in Asia, the IMF and World Bank provided conditional financial assistance to several seriously affected countries. Some were given multilateral assistance through international support packages. Asian countries reacted immediately by meeting in November 1997, in Manila, the Philippines, to share information, promote discussion, and "develop a concerted approach to restoring financial stability in the region among finance ministry and central bank officials of 14 Pacific economies, along with representatives of the IMF, the World Bank, and the Asian Development Bank."[7] This forum, called the "Manila Framework Group," was especially noteworthy because of the direct participation of China.

The Manila Framework Group was almost immediately overtaken by events, as it became apparent that the crisis was not restricted to Asia, but was spreading to emerging and other economies in other parts of the globe. In fact, risk aversion was also affecting credit markets in advanced economies. In addition, the economic downturn in emerging economies was having a dramatic negative impact on commodity prices, affecting producers and consumers in different ways around the world, advanced countries included.

In acknowledgment of the global dimensions of the crisis, at the Asian-Pacific Economic Cooperation (APEC) leaders' summit held in Vancouver, Canada, in late November 1997, U.S. President Clinton called upon U.S. Treasury Secretary Robert Rubin to organize a special meeting of finance ministers from around the world to examine and debate the problems of the global economy and, where possible, to seek consensus on solutions.

In reaction to President Clinton's call, the U.S. Treasury organized two meetings (in April and October 1998) which became known as the Group of Twenty-Two (G-22)[8], composed of finance ministers and central bank governors from advanced and emerging economies to examine the functioning of the international financial system.[9] The U.S. Treasury believed that a collective, international response to the growing crisis in Asia was imperative if confidence was to be quickly restored. Moreover, it felt that fire-fighting actions would be insufficient. Given the nature and scale of the problem, something needed to be done to reform the international financial architecture and that would require a global consensus transcending the G-7, or even the G-10 group of industrial countries.[10]

The G-22 broadened international cooperation beyond the industrial countries, and gave emerging economies a sense of partnership in the process. The work of the G-22 also helped to provide direction and support to international financial institutions, such as the IMF, in their efforts to promote reforms aimed at strengthening domestic and international financial markets. These efforts included greater disclosure and transparency, adoption of internationally accepted standards and codes, and development of a framework for crisis resolution.

The work of the G-22 also contributed to the G-7 initiative announced by finance ministers and governors in October 1998 to examine arrangements for cooperation among international regulatory and supervisory bodies. In response to the report drafted by Hans Tietmeyer, President of the Deutsche Bundesbank, at the request of G-7 finance ministers and central bank governors, the G-7 set up the Financial Stability Forum (FSF) in February 1999. The FSF was established to address vulnerabilities and to develop regulatory and supervisory policies in the interest of financial stability.[11]

As an alternative to the suggestion that an extraordinary meeting of the Interim Committee, then the IMF direction-setting body, should be convened to evaluate recommendations made at the G-22 level, the G-7 agreed in early 1999 to hold follow-up seminars on the international financial architecture, involving a much larger group of 33 countries. The Interim Committee suffered objections because litigious questions had been raised about its representativeness and because there were issues to be discussed that went past its duties.

Finance ministers and central bank governors of those 33 countries[12] were invited to participate in two ad hoc seminars, the first being held in Bonn, Germany in March 1999, and the second in Washington, D.C., in April 1999. Issues covered at these seminars included improving prudential oversight of financial markets; strengthening financial systems, especially in emerging-market economies; and encouraging the adoption of policies to better protect the most vulnerable.

In addition, the new seminars helped to address complaints about the representativeness of the G-22. It was hoped that international consensus would come together around G-7 proposals under consideration ahead of the 1999 Cologne Summit that were aimed at strengthening and reforming the international financial institutions, as well as financial markets in industrial and emerging economies.

The establishment of the G-22 and the more inclusive G-33 were welcomed by invited emerging and smaller industrial economies, and were seen as strengthening the international financial architecture. The success of the G-22's working groups demonstrated "the value of fresh, practical, and less institutionally based dialogue and cooperation."[13] Although the ad hoc groups had been initially struck in an effort to address challenges to international financial stability, it became increasingly apparent that a permanent forum for informal dialogue between advanced and emerging economies was required.

Meanwhile, many remained dissatisfied with the temporary ad hoc nature of these groups and called for the establishment of an "ongoing mechanism for inclusive dialogue."[14] Similarly, some G-7 countries were frustrated with the process, because large committees may be cumbersome. More precisely, there were concerns about the number of participants at the G-33 seminars, seen as excessive, which made it difficult to have a meaningful informal dialogue among key countries on important economic and financial issues.

Dissatisfaction with the ad hoc nature of both the G-22 and G-33 processes by both advanced and emerging economies was an important reason behind the establishment of the G-20. Also key was the awareness of G-7 countries of the merit of engaging systemically important emerging-market economies in a regular informal dialogue. These countries' growing meaning for the global economy, as well as their threatening vulnerabilities, had been exposed by earlier crises.

While the establishment of the G-20 was a direct response to the global repercussions of the economic and financial crisis in Asia, it also gave tangible recognition to the striking changes to the international economic landscape that had occurred over the preceding decades. Emerging countries had become important economic world partners.

Moreover, owing to the increasing integration of markets through globalization, domestic developments in these countries could have significant repercussions far beyond their borders. The effective functioning of the international financial and economic system authorized their active participation in the governance of the global economy. Therefore, it can be stated that the G-20 filled an important gap in the governance structure of the international economic and financial system.

III – Functioning and Performance of the G-20

After ten years of existence, the G-20 activities have evolved from a dialogue level to an outcomes-oriented level.

Unlike international institutions such as the Organization for Economic Cooperation and Development (OECD) or the IMF, the G-20 has a very light structure and has no permanent staff of its own. Proposals of procedures and actions are presented by the chair, consultations are made – normally first to the troika and then to the whole membership – and decisions are taken during the face to face meetings.

The G-20 chair rotates between members, and is selected from a different regional grouping of countries each year. Also, the chair is chosen among developed and developing countries alternately. The chair is part of a revolving three-member management troika, composed of past, present and future chairs. The incumbent chair establishes a temporary secretariat for the duration of its term, which coordinates the group's work and organizes its meetings. The troika's mission is to ensure continuity in the G-20's work and management across different host years, by advising the chair on current issues. The troika's members meet regularly, usually on the margins of other meetings attended by its members, but also through video or telephone conferences and are in constant contact with each other.

The secretariat is responsible for the activities related to the Group's operations and logistics. Until 2008, the G-20 had regularly two main deputies' meetings, one at the beginning of the year and another closer to the finance ministers and governors' meeting, held towards the end of the year, traditionally in November. The secretariat's actions are mainly related to the implementation of the agenda, research for papers to be presented at the meetings and general coordination of the G-20's activities, in addition to all logistics involved in the meetings.

In the new format after September 2008, the G-20 has been holding many more meetings than before, as the circumstances demand. leaders have met three times in less than one year. In 2010, leaders plan to meet twice a year. It is reasonable to think that the Leaders will meet less frequently as the global economy stabilizes. Another new feature is that the G-20 is now informally co-chaired by two countries, the United Kingdom and the United States, although only the United Kingdom is the designated chair. Next year, South Korea will be chairing the Group, but Canada will host a summit as well.

The G-20 publicizes the results of its activities through a communiqué, issued at the end of every finance ministers and governors' meeting and, more recently, at the end of each summit. Likewise, each such meeting is followed by a press conference attended by the troika top representatives. The Group does not have an officially appointed spokesperson or a public relations unit. The chair has played this role over the last years.

Since 2005, the G-20 has consolidated the practice of electing three main themes to be developed along the year, not precluding other issues to come up to the agenda or to be discussed by the Group. Each theme is then expanded in a workshop, hosted by a member country and attended by members' government officials and, when the discussion so allows or even requests, by experts from academia and members of civil society. The seminars have the objective of deepening the discussion on the main themes of the work programs. The contact with outsider experts is a means of bringing new ideas to the group.

Additionally, the G-20 members engage themselves in internal study groups to deepen investigations on special issues of interest, when time during regular meetings and seminars does not allow them to proceed. The resort to study groups, which are developed through virtual contacts among members, has proved to be a useful tool in identifying challenges to be addressed and policy insights.

Since its creation in 1999, the G-20 has contributed to strengthen the international financial architecture and foster sustainable economic growth and development. The G-20 has made progress in a range of issues, including agreement about policies for growth, reducing abuse of the financial system, dealing with financial crises, and combating terrorist financing.

A significant early achievement was the Group's endorsement of internationally accepted standards and codes aimed at improving economic and financial transparency and strengthening financial systems. Following the September 2001 terrorist attacks in the United States, member countries took a forceful stand against financing of terrorism and encouraged all countries to follow suit. G-20 discussions also contributed to the introduction of collective action clauses in international bond contracts, and to the adoption of an informal code of conduct between major sovereign borrowed and lenders.

At the 2004 meeting in Berlin, members agreed to the G-20 Accord for Sustained Growth and the G-20 Reform Agenda. The Accord lays out the guidelines that members' experience suggests can foster sustainable economic growth and development, both nationally and globally. The Reform Agenda sets out the steps being taken by each country to implement the Accord. The G-20 countries have committed to reviewing progress in implementing the Accord, and regularly publish an updated Reform Agenda at the official website.

Moreover, members committed then to standards of transparency and fiscal governance and exchange of information on tax matters. This aims to combat abuses of the financial system and illicit activities including tax evasion, money laundering and terrorism financing.

The G-20 has also succeeded in developing a common view among members on issues related to further development of the global economic and financial system. This includes providing political momentum for reform of, and strategic direction to, key international economic and financial institutions, like the IMF and the World Bank. In 2007 and 2008, the Group became one of the most important venues for discussing quota reform and representation at the IMF.

It has also provided support for clear analytic work on key issues, such as demographic issues, progress toward regional integration, and understanding international markets, including markets in goods and services, finance, and energy and resource commodities.

In 2008, the Brazilian Chair established a study group to research on the global credit market disruptions, led by Australia, which counted on the contributions of the full membership. The study did a thorough review of the causes and antecedents of the current financial crisis. In the previous year, South Africa had set up a study group which focus on the recovering the early history of the G-20. The conclusion of both studies can be found at the G-20 website.

The United Kingdom, which is the 2009 chair, has not presented a work program in the same format of the previous years. However, it can be taken from its welcome address at the G-20 website that its priorities are to tackle the international financial and economic crisis, restore worldwide financial stability, lead the international economic recovery and secure a sustainable future for all countries, on issues such as climate change and international development.

The recent accomplishments of G-20 are in fact remarkable. The G-20 members committed to restore lending and confidence in the stability of the financial system. They also undertook exceptional and coordinated fiscal actions to restore growth and jobs, to strengthen the national foundations of regulation of financial markets, and to enhance international cooperation including on tax transparency. In addition, the G-20 was successful in exerting pressure on the Financial Stability Forum and the Basel Committee to the expansion of their membership, and call on other standard-setting bodies to follow suit.

It is hard to deny the fact that the G-20 has come to put itself into service as an important addition to the international architecture, and that it has been making valued contributions to the improvement of global governance. The keys to its success seem to be the ability of the Group to engage in meaningful and frank debates and a commitment to seek consensus.

IV – Participation of Brazil in the G-20

This session looks into the participation of Brazil as an emerging-market member of the G-20, its degree of engagement and evolution of its role in G-20. Before Brazil, other emerging-market countries that had chaired the G-20 were Mexico, India, China and South Africa.

Nevertheless, it is worth mentioning that there are no internal divisions among members in any sort of category, each member having the same weight and voice as the next one.

Brazil is a founding member of the G-20, as well as it was invited to every composition of groupings formed before the full establishment of the G-20. Brazil is an actively engaged member in all levels of representation. In 2005, Brazil hosted a G-20 workshop in Rio de Janeiro, which focused the discussions on innovative ways to finance development. Since 2007, Brazil has been a member of the G-20 troika, which has the mission of ensuring the continuity of activities and smoothing the transfer of the chair of the Group.

During its term as chair, Brazil aimed to consolidate previous efforts and giving the Group a stronger impetus towards a more balanced and stable environment for the global economy. As is usual practice, each chair defines three main issues to be discussed during its leadership. However, flexibility is assured and often exercised, for example, with the setting up of study groups and discussion of other matters.

In the way of developing the work program for 2008, Brazil sought to combine new issues and existing themes. As a legacy theme, the G-20 took up South Africa's theme on fiscal space, to continue the debate by focusing on the expenditure side of the budget, particularly to issues of quality and efficiency in public spending. The discussion was centered on maximizing government spending, productivity growth, countercyclical fiscal policies, macroeconomic stability and debt sustainability. The emphasis was put on the realities of budgetary procedures, on the available record of country-specific successes and failures; on realistic ways and means of delivering objectives.

As a new element of the work program, Brazil introduced a discussion on competition in the financial industry. The focus was on the benefits and risks related to increased competition in the financial sector, the balance between competition and financial stability, the role of regulatory frameworks, the impact of greater openness to foreign bank competition on local financial systems, the implications of consolidation for competition in the financial sector and the role played by non-bank financial institutions in promoting competition in the banking sector, among other topics. In addition, the links between competition in the financial sector and economic growth were examined.

Finally, the G-20 decided to focus on clean energy, the commodity market and global inflation. In order to develop Australia's energy and resources theme and South Africa's commodities and financial stability discussion, Brazil decided to focus on clean energy, because of its importance for development and poverty reduction, and its impacts on commodity markets and on macroeconomic policy. The demand for primary energy is expected to increase significantly in the next few decades. Major energy sector challenges arise from this, especially when energy is thought as a source of poverty reduction and macroeconomic stability worldwide. Some of these challenges will have distinct economic effects on developed and developing countries. Also, the G-20 discussed the production and use of biofuels in the context of a transition to a low-carbon economy; the development of world markets for biofuels, and impacts on other commodity markets, especially agriculture.

In addition to the three themes, one of the main points of attention of the G-20 in 2008 was the reform of the Bretton Woods Institutions. The G-20 played a decisive role in the discussions on the reform of the

Bretton Woods Institutions and deliberated on specific issues during 2008. G-20 members were able to build consensus where further progress was required in order to contribute to a successful conclusion of the second stage of quota and voice reform.

It is worth mentioning that the G-20 has always been an attentive observer of the world economy, particularly its risks and prospects. Following the standard procedure of the G-20, the forum, during the Brazilian chair, carefully and periodically evaluated the risks and prospects of the global economy that could have an impact on the domestic policies of the members. The volatility that started in 2007 and continued in 2008 on the global market clearly suggested that there were issues requiring coordination. The fact that the G-20 was able to quickly identify the depth and extension of the nascent financial crisis and to take position immediately was crucial to determine its success in presenting rapid answers to combat the crisis. This fact was fundamental to propel its emergence on the front stage of the financial international scene.

In 2008, when Brazil held the chair, the G-20 met three times along the year, as was the practice. The first deputies' meeting was held in Brasilia in 14 and 15 March, when aspects related to the risks and perspectives of the global economy were discussed, with special attention to the resilience shown then by the emerging markets. The second deputies' meeting was held in 30 and 31 August 2008, in Rio de Janeiro. Discussion converged to the main aspects of the deterioration of the world economic crisis, with emphasis on global inflation and the crisis in the global financial markets.

At the ministerial meeting, finance ministers and central bank governors met in São Paulo, on 8 and 9 November, to discuss the new economic developments and the world financial stability; fiscal policy answers to the crisis; perspectives on inflation and global markets. Finance ministers and governors released a communiqué with the meeting conclusions, which was also the first document that made estimations about the issues to be approached by the G-20 Leaders on their first summit.

On 15 November, the first ever G-20 summit was held in Washington, D.C. As a result of the meeting, a Declaration was released, making public their perceptions about the world crisis and, for the first time, indicating 47 actions that should be implemented by international and national financial regulating institutions and by national policy making agents. These actions gave special emphasis to the soundness of the regulation and the strengthening of transparency, the reinforcement of the international cooperation and the promotion of the financial markets integrity, the reform of the international financial institutions, particularly the IMF and the World Bank.

From this unprecedented summit on, the G-20 has been a different forum. It is striking the transformation of the G-20 into a policy-setting body, with a central role in the entire financial and economic architecture as a guide in matters of global stability.

V – The New Role of the G-20

The time of the international relations seems to have accelerated since the financial commotions of last year. The global political agenda seems to be too long to simultaneously accommodate the issues that compete among themselves for the world leaders' attention. This is special true for the G-20, a body that has been given new assignments, along with a new level of representation.

According to Kissinger, the recent economic crisis has generated “a unique opportunity for creative diplomacy” to lead to “a world financial order” and show nations “to face the reality that its dilemmas can be mastered only by common action”. He also stated that “(t)he nadir of the existing international financial system coincides with simultaneous political crises around the globe. Never have so many transformations occurred at the same time in so many different parts of the world and been made globally accessible via instantaneous communication.”[15]

The G-20 has been playing a central role on the latest events on the international economic sphere. It has had the virtue of stepping forward and presenting analyses of the economic and financial difficulties and constraints challenging the global economy. More than that, the G-20 has been capable of producing an emergency plan to address the crisis in a timely way.

In addition, the deepening of the international crisis offered a valuable opportunity for the G-20 to reorient and evaluate its perspectives as an international institution. One of the consequences is that it has become, since the end of 2008, a forum of national leaders. The three first meetings in the new format took place in Washington, D.C., in November 2008, in London, in April 2009, and in Pittsburgh, in September 2009. These three summits focused on the coordinated fight

[15] Kissinger, Henry A. "The chance for a new world order - The New York Times." *The New York Times - Breaking News, World News & Multimedia*. 3 Nov. 2009. <http://www.nytimes.com/2009>

against the recessive effects of the crisis and the adoption of concrete measures to reform the world financial system.

The Washington Summit

The importance of the first G-20 Leaders meeting of 15 November 2008 in Washington was to define in general lines the international economic agenda. The Washington Declaration announced the actions taken by the G-20 to stimulate the economy, by providing liquidity, strengthening the capital of financial institutions, protecting savings and deposits, addressing regulatory deficiencies, and unfreezing credit markets.

The leaders then committed to implementing policies consistent with the five common principles for reform, i.e., strengthening financial markets transparency and accountability; enhancing sound regulatory regimes, prudential oversight, and risk management; promoting integrity in financial markets, by bolstering investor and consumer protection, avoiding conflicts of interest, preventing illegal market manipulation, fraudulent activities and abuse, and protecting against illicit finance risks arising from non-cooperative jurisdictions; reinforcing international cooperation, especially on cooperation on crisis prevention, management, and resolution; and reforming international financial institutions.

The meeting main objective was to rescue the credibility of the financial systems functioning. The Washington summit defined five main courses of action and instructed the finance ministers to propose recommendations for further details of reform in those areas.[16] The finance ministers were quick to establish four working groups, composed by national governments' officials and members of international financial bodies.

These four working groups focused on strengthening transparency and accountability (prudential oversight and regulation, compensation schemes and risk management, strengthening transparency), on regulatory regimes; prudential oversight, promoting integrity in the financial markets, reinforcing international cooperation and reforming international financial institutions, especially the IMF and the World Bank. These working groups had three and a half months to present realistic, implementable conclusions, which became the foundations for the Action Plan approved in London.

The working groups coordinated efforts with the IMF, the World Bank, the Financial Stability Forum, the International Organization of Securities Commissions (IOSCO), the Basle Committee on Banking Supervision, the International Association of Insurance Supervisors (IAIS) and other international standard-setting bodies. This successful collaboration has continued on the preparatory works for the subsequent summits.

At the moment where the world feared the start of a long period of stagnation, with significant social and political consequences with both domestic and international dimensions, the G-20 action was essential to restore global public confidence.

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[16] Declaration – Summit on Financial Market and World Economy, 15 November 2008, "Communiqués." *Home - G20*. 3 Nov. 2009. <http://g20.org/pub_communiques>

The London Summit

Unlike the more circumspect Washington summit, the London Summit in April 2009 was wrapped in mists of great expectations about its outcomes. The London summit was believed then to be the portent of the beginning of the end of the post World War II global economic order.

At the end of the meeting, the leaders reached a consensual agreement about the urgency of setting up new rules regarding the operational soundness of national and international financial markets.[17]

On the fiscal stimulus, there was substantial agreement on the need to do "whatever is necessary to return to growth"[18], according to the communiqué. The G-20 Leaders agreed to reform the financial system to prevent a repeat of the crisis.

The joint declaration of the G-20, after the London summit highlighted the need of more global transparency in the national financial systems, with no exceptions, to the point of having agreed about possible future sanctions against countries that refuse to adjust their bank legislation and practices. The UK Prime Minister Gordon Brown loudly announced the "start of the end" for tax havens refusing to be transparent about the money they hold; they would be "named and shamed"[19].

The G-20 Leaders agreed on a USD 1 trillion package to stimulate economic growth which would ensure that the world pulls out of

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[17] Declaration on Strengthening the Financial System, London, 2 April 2009, "Communiqués." *Home - G20*. 3 Nov. 2009. <http://g20.org/pub_communiques.

[18] "The London Summit: News." *The London Summit: The London Summit 2009 - Growth, jobs and stability*. 3 Nov. 2009. <http://www.londonsummit.gov.uk/en>.

[19] "Tax Justice Network: Links - April 8." *Tax Justice Network*. 3 Nov. 2009. <http://taxjustice.blogspot.com/2009/04/links-april-8.html>.

recession more quickly. About that, the UK Prime Minister, on his role of temporary G-20 spokesman, said: “this is the day that the world came together to fight back against the global recession, not with words, but with a plan for global recovery and for reform and with a clear timetable for its delivery.”[20]

The USD 1 trillion would be made available to countries in financial trouble via the IMF, World Bank and World Trade Organization (WTO), which would all have their resources increased. Half the money would come from IMF loans, with USD 250 billion to finance trade deals and a further USD 250 billion from the IMF`s currency reserve.

However, not everything happened in a smooth manner. The United Kingdom Prime Minister Brown and President Obama originally wanted the G-20 summit to call for higher government spending and tax cuts, but they run into opposition from European nations, led by Germany and France. However, the summit kept open the option of such action in 2010 in case the fiscal stimulus scheme does not present the expected results. The IMF got a new task in monitoring whether countries are doing enough to help the world economy grow at about 4 percent a year.

At the end of the summit, a cabinet British minister affirmed that the real significance of the agreement was not the USD 1 trillion package but the enhanced role it gave to world institutions like the IMF, whose budget would triple to USD 750 billion.

[20] It is curious how the G-20 is suddenly representing the whole world! Many may not agree with the Prime Minister!

President Obama was also emphatic to define the meeting as “a turning point in our pursuit of global economic recovery”[21]. He told the press: “By any measure, the London summit was historic. It was historic because of the size and the scope of the challenge that we face and because of the timeliness and the magnitude of our response”.[22]

The G-20 Leaders Summit in London made it evident, although sometimes in a symbolic way, that the first global crisis brought a new economic geography. It is reasonable to affirm that the United States will continue to be the dominant economic power because of its capacity of innovation, economic competitiveness, economic size and vitality. However, the relative weight of the American economy is smaller today than it was some decades ago. By the time of the World War II, the American GDP accounted for half of the world`s GDP, and today it is around 25%. At the same time, Asian economies have grown fast. In other words, the world economy has been changing lately towards a more decentralized dynamism.

In, sum, the importance of the London Summit derives mainly from the boldness and unprecedented measures taken in a fast way by an international forum.

The Pittsburgh Summit

In general, the Pittsburgh summit was considered a very successful meeting. The G-20 leaders committed to carry on the emergency economic measures until a durable recovery is assured and to work

21 "Obama: G-20 summit a 'turning point' - Europe- msnbc.com." *Breaking News, Weather, Business, Health, Entertainment, Sports, Politics, Travel, Science, Technology, Local, US & World News- msnbc.com*. 3 Nov. 2009.

22 "G20 Leaders Pledge New Aid, Tighter Financial Controls | Online NewsHour | April 2, 2009 | PBS." *PBS*. 3 Nov. 2009. <http://www.pbs.org/newshour/bb/europe/jan-june09/g20_04-02.html>.

together when the moment to terminate them arrives. Most auspiciously for the world economy, the Leaders also committed to launch an outline of a joint action plan to rebalance the world economic growth and to adopt more restrict regulations for the financial system.

The program approved at the conclusion of the summit had a comprehensive scope. The Leaders agreed to work together towards the coordination of their domestic policies and to evaluate whether they are collectively consistent with a more sustainable and balance growth. The agreement is called a “Framework for Strong, Sustainable, and Balanced Growth”.[23] The intention of the framework is to lead to a correction, and prevent the future recreation, of imbalances between countries with high current account surpluses and those with high current account deficits.

Many observers had brought to attention the blatant absence of global imbalances and a way to fix them in the London Summit agenda. It is laudable that just one summit later the G-20 Leaders decided to make the issue a central one in their discussion.

Unfortunately, this solution has already been tried before in vain. The IMF established in 2006 multilateral consultations on global imbalances[24], which did not achieve intended results. Some say the cause is that the United States did not take any initiative then to cut expenditures or to raise taxes. Similarly to the initiative in 2006, the agreement foresees that the new “Framework” will also be implemented and monitored by the IMF.

[23] Leaders’ Statement, the Pittsburgh Summit, 25 September 2009, "Communiqués." *Home - G20*. 3 Nov. 2009. <http://g20.org/pub_communiques>

[24] "Public Information Notice: IMF Executive Board Discusses Multilateral Consultation on Global Imbalances." *IMF -- International Monetary Fund Home Page*. 3 Nov. 2009. <http://www.imf.org/external/np/sec/pn/2007/pn0797.htm>.

In addition to the creation of a mechanism to rebalance the world economy, the G-20 countries announced other very ambitious targets: transfer 5% of IMF quotas to the under-represented countries, transform the G-20 in the main world forum of economic discussion, increase the required capital of banks, and restrict the salaries of high-ranked bank executives. The G-20 also committed to adopt more rigid rules on bank and other financial institutions' regulation and adopt a more attentive supervision over futures and derivatives markets – where by the way the current crisis originated.

Of course, it will take some time until these targets are implemented. Get to the details and put the measures in practice will be a very hard work. The G-20 also showed that the scope of its action is growing larger. The G-20 endorsed a plan to phase out the subsidies to fossil fuels as a means to combat the global warming, and to amplify the efforts to complete the Doha Round.

Also, the G-20 has become stronger, more relevant after the Pittsburgh Summit. It was designated as the "premier forum for the international economic cooperation"[25] of that group of countries. This reaffirms the role of the emerging-market economies in the world economic issues governance, more consonant to their weight in the world economy. It also avows the emerging economies as a key position for a more balanced growth in the future. As highly graded American government officials affirmed lately, Americans will not be the consumers of last resort anymore.

[25] Leaders` Statement: the Pittsburgh Summit, 25 September 2009, "Communiqués." *Home - G20*. 3 Nov. 2009. <http://g20.org/pub_communiques>.

One of the biggest achievements of the summit was the progression towards this new soft diplomatic architecture qualified as "new economic order", where the search for new pressure blocks are abandoned to benefit global alliances instead, respectful of different political systems and markets. The fact that the G-20 will be "the premier forum for the international economic cooperation" will give more influence and powers to emerging countries like Brazil, China and India.

International Regulatory Body

Even before the extent of the crisis was evident, a series of problems had already been identified within the financial system. Deficiencies in the governance of the international financial regulatory institutions generated a number of weaknesses in regulation. While the system of unofficial information sharing, coordination and communication witnessed some advances, the formal regulatory policies pursued were seen by many as inadequate.

There was a strong set of incentives to promote the financial services sector that competed with the focus to manage risks within it. Countries with extensive and sophisticated financial sectors had an incentive to protect their booming and profitable financial sectors. On the other hand, the risk management services were not as developed as the operational financial services. Therefore, by under-regulating, systemic risk was allowed to build up.

Some people advocated that the design and creation of a global financial regulator is one of the main institutional challenges that the international community faces after the global financial crisis. Such an institutional structure would be consistent with the fact that capital and banking markets have very large parts that operate at a global level. The figure of a global regulator could be justifiable so that the domain of the market would be consistent with the domain of the regulator, and thus regulatory arbitrage between countries and financial centers could be avoided. By pooling and sharing their power internationally regulators would be increasing their joint control over global financial markets, so those can better serve public policy goals. This would help to make costly financial crises less likely in the future, when financial markets are sure to be more global, more sophisticated, and even more difficult to contain and regulate than today.

Although virtually nobody at the G-20 has never publicly mentioned the establishment of a single global regulator, the increase in the powers of sector global standard-setting bodies can be seen as a proxy for a global controller.

Broad Participation in the Regulatory Framework

Some recent reforms in the international financial architecture, accomplished after the helpful pressure put by the G-20, represented important steps in the direction of the further collaboration of developing countries. The fact was relevant to resolve the dilemmas of both legitimacy and effectiveness of the international financial institutions. Following the Washington summit in November 2008, which encouraged the international financial standard-setting bodies to review some aspects of their governance, a number of important institutions expanded their memberships, particularly to developing and emerging countries.

Early in 2009, the International Organization of Securities Commissions (IOSCO) which had no developing country members aside from Mexico expanded its membership to include Brazil, China and India. In March, accepting the recommendations for reform made by the G-20, two more expansions occurred. First, the Basel Committee on Banking Supervision expanded its membership to include Brazil, China, India, South Korea, Mexico, Australia and Russia, most of which are developing countries.

Shortly thereafter, the Financial Stability Forum increased its membership to include the entire G-20, plus Spain and the European Commission, and has since been renamed as the Financial Stability Board, probably to reflect the new additional functions.

These events amount to a highly significant expansion of representativeness within the global financial regulatory institutions. For the first time, a large inclusion of developing and emerging countries in the major decision-making bodies of international financial regulation occurred simultaneously in such a short period of time.

These changes in the governance of some international regulatory bodies should be able to enhance their legitimacy and representativeness. These changes occurred most likely because financial market regulation has been acknowledged as a global public good, which requires global stakeholders to support it and design it. Most importantly, it will allow the concerns of a diversity of developing countries to be better reflected in international regulatory arrangements. Since a great diversity of views, reflecting these countries` experience, may lead to better outcomes, improving the Group`s effectiveness.

New World Currency

One of the most debated proposals made along the G-20 discussions was the creation of a new international currency of reserve, based on the issuance of Special Drawing Rights (SDR) by the IMF. In theory, a monetary system whose liquidity is generated by the new SDRs could reduce the liquidity restrictions in the developing countries and ultimately help the transition towards a new reserve system.

However, the current decision-making process to approve the issuance of SDRs is still very slow to be able to respond to the fluctuations in the world demand for liquidity. More importantly, the SDR is eminently a unity of account and not a means of payment. Its effective transformation into an international currency would demand the settling of financial assets denominated in SDRs, as well as the acceptance of such a currency in transactions among central banks.

Finally, the creation of a new international financial system would have to include not only mechanisms of liquidity generation but also instruments of currency exchange coordination, i.e., of definition of the value of national currencies in relation to the new unity of account. The matter of the coordination of exchange policy is vital to the management of macroeconomic imbalances among countries.

The creation of liquidity by SDR emission would also have to be accompanied by a modification in the IMF quota distribution, because in the current situation the new resources are mainly allotted to advanced economies, those that hold the biggest number of quotas. The developing countries have been pushing for a greater say in the IMF. As chief economist at the IMF once said, "(e)veryone in the world except the small European countries think that the small European countries are over-represented at the IMF”.[26]

Unfortunately, the G20’s attempt to do this without a substantial reform of the reserve and monetary system that has led to the current crisis will render the effort meaningless.

The greatest reason for the setting up of a new international currency of reserve may lie on what is known as the “Triffin Dilemma.” This is the problem generated by the use of a national currency (in the current global economy, the US dollar) as the currency of choice for the settlement of international trade transactions and the accumulation of reserves. Such situation eventually leads to overextended demand of such domestic currency which eventually fuels trade imbalances. The country issuing such currency tends to grow a deficit which fuels and is fueled by ever-increasing amounts of holdings of such currency by surplus countries. This feature of the system is aggravated in a context of free capital mobility and flexible exchange rates.

The IMF Reform

The reform of the IMF is an essential element to increase its legitimacy and enhance its effectiveness. Also, the IMF must be modernized to maintain its central role in promoting global financial stability and growth. Many countries share the idea that the G-20 is the appropriate

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[26] Independent, Stephen Foley UK. "G20 Summit: New World Order?." *Liberty News Environment Civil Liberties Alerts News Wildlife Conservation Earthhope Action Network*. 3 Nov. 2009. <http://earthhopenetwork.net/forum/showthread.php?tid=1487>.

forum to take the reform agenda forward. Indeed, the G-20 has been arduously discussing the IMF reform for the last three years.

In a new economic order, the reform of the IMF is much needed. As for the more immediate actions, the G-20 proposed changes in the IMF standing, with the softening on the liquidity loan conditionalities to countries in need. Some G-20 recommendations were already translated into concrete actions, among which the creation of the Flexible Credit Line, with more favorable and simplified access conditions to countries with good macroeconomic fundamentals. There are obviously a lot more to be improved in the conduct of the IMF, but it is undeniable that the G-20 pressure has already succeeded in incremental improvements at that institution.

The IMF, as the London summit resolved, would henceforth carry out "candid, even-handed and independent surveillance" of the "economic and financial sector" of member states, "of the impact of their policies on others" and "of the risks facing the global economy".[27] The IMF will probably no longer – or at least in the near future– be regarded as a last resort option for nations facing bankruptcy. Realistically speaking, the function of last resource was believed to be necessary only for developing countries. Most probably, the IMF will instead have a more prominent preventive action role and will naturally continue to be a valuable recourse for many countries in trouble.

It makes incumbent upon countries to consent to the IMF some extra-sovereign intervention into affairs of global risk. However, it remains to be seen whether the development of IMF monitoring and consequent

[27] The Global Plan for Recovery and Reform, 2 April 2009, "Communiqués." *Home - G20*. 3 Nov. 2009. <http://g20.org/pub_communiques>.

advising functions will encourage and enable countries to be become more open and transparent in their transactions.

Finally, the reform of the IMF governance is an old claim of the entire community of developing countries. The effectiveness and legitimacy of the international financial institutions, in general, and of the IMF and the World Bank in particular, depend crucially on actions to redress the democratic deficits in these institutions by enhancing the voice and representation of developing countries in the decision making structures. This deficiency has been partially mended in 2008 with the first phase of the reform on quotas and voice.

Emerging-market countries in the G-20 are commonly seen by the advanced countries as pushing for a greater voice in the IMF as a quid pro quo. Reform of the IMF would instead have the advantage of bringing in the new powerhouse economies of the world firmly into the club of leading nations.

In Pittsburgh, the G-20 agreed in support the transfer of at least 5 % of the voting power of the IMF to the under-represented countries. The International Monetary and Financial Committee (IMFC) met in Istanbul in October, and ratified the decision, the next quota review being completed by January 2011. The transfer of voting power will increase the political influence of emerging countries from 43% to 48% in the IMF. However, finding the right way to formulate the transfer requires long and hard negotiations.

The IMFC also committed to approve in April 2010 a new process for the selection of the IMF management, which will be “open, merit-based and transparent”[28]. This is a direct result of discussions held in the G-20 for the last three years and represents an old claim from IMF members to destroy the unspoken agreement between the two major shareholders of the Fund and the World Bank, European countries and the United States, which shared the top positions of the two institutions among themselves.

The G-20 and the Emerging-Market Economies

Unlike what happened in the past, this crisis witnessed the presence of a new actor, the G-20, which was able to take concrete decisions, stressing its prominence to the whole world during a moment of crisis.

The consolidation of the Group as a central forum of deliberation on international economic and financial themes is certainly perceived as a major achievement for emerging-market countries. However, the developing countries are not the only interested party in this movement of consolidation. In fact, it is straightforward to conclude that some countries – even advanced countries – not belonging to the G-7 would have the interest in the further affirmation of the G-20 as a top institution.

Also, this crisis shed some good light on developing countries in general, but on BRIC countries in particular. These countries showed a special resilience to this crisis, demonstrating that they have more mature economic structures compared to past crises.

[28] International Monetary and Financial Committee (2009), Communiqué, IMF, October, <www.imf.org>.

In 2001, the BRIC countries were named by Jim O'Neill, from Goldman Sachs, to designate Brazil, Russia, India and China, which in his opinion could be world players by 2050. By the way, together, the four countries have 40% of the world population and 15% of the world GDP.

By the time of the G-20 summit in November 2008, the BRIC countries met as a group for the first time in the format of finance ministers and central bank governors and stepped forward to consolidate a strategic partnership which can earn them greater voice on the relevant decisions in the international financial system.

In a meeting in Eckaterimburg, Russia, in June 2009, the BRIC countries' leaders decided to act in a coordinated way before forums that debate changes in the world financial architecture. However, to be truly heard and taken into account, BRIC countries need to go beyond the conventional discussions of ordinary problems and focus on offering the international community viable proposals that will highlight the group as realistic and necessary. This would certainly consolidate the BRIC countries as an important and active group.

In the BRIC group, the most promising country, in terms of its emergence as an economic power, is undoubtedly China. An example of the notably bigger role China has been playing is the pledge of a USD 40 billion for the improvement in the IMF`s resourcing. On the same occasion, Brazil, India and Russia pledged USD 10 billion each. China has publicly called for an increased role for the IMF's own 'world currency', the SDR. Also, a long-awaited reform of the governance of the IMF should deliver China more votes and influence.

In brief, the recent crisis has imposed the recognition of the relevance of the heterogeneous emerging-market group, due to their economic weight and regional leadership. Instead of resorting to the hard discussion of the G-7 extension, the practical approach was to take the G-20 to the center stage. It is still to be known if this centrality is permanent or just a temporary mechanism while the crisis last.

Concerns of the G-20

The G-20 – as much as some other international forums or institutions – has allegedly governance issues that have undermined its functioning. Indeed, the G-20 is not seen by many as a legitimate representative of the world community to solve economic and financial problems, in despite of the recent self proclamation as the central guidance forum in economic issues.

This supposed setback is posed mainly by those countries that are not members of the G-20. This point may be difficult to resolve. Accepting one extra country in the G-20 composition brings the burden of having to accept or to turn down a next demanding country and so on.

In addition, some claim that some actual members do not have a solid justification to be a G-20 member. This brings a much more complex problem, which is to judge if any of the present members should be cast out from the Group.

If a solution is to be found in the short run, it appears to be not to evaluate the entry conditions on a case by case basis. Otherwise, any country will want to be the last twenty-first member to enter the Group. The indiscriminate acceptance of new members could end up in the dilution of the G-20 and it could quickly turn in a mini United Nations kind of institution, losing efficiency in its decision making process.

The G-7 members probably feel more comfortable with a more restricted format. Doubts have risen about the ability of such a large and heterogeneous group as the G-20 to manage global issues. Some believe that a block with 20 members is just transitory in this moment of crisis management. It is seen as a movement of playing down the relevance of richer countries and wreaking the ambition of emerging countries. In time, it will probably be more and more difficult to obtain success and take decisions in this amplified forum. Some believe that the G-20 is an overcrowded body and that it will be difficult to reach consensus among all its members. Some even risk saying that the group will likely be reduced to a number around 12 members.

Therefore, preventing the G-20 from a disorganized enlargement of its membership, but also working on ways to increase its legitimacy, would contribute to the Group's invigoration. Besides, for a group of that size, it is also perceived that since the G-20 does not have a permanent secretariat, which could be beneficial for its overall governance. Many countries, especially the emerging market countries, have a strong interest to see a more institutionalized G-20 in the short run.

Taking the Agenda Forward

Although the G-20 has been working hard since the onset of the crisis in September 2008, there remains some areas that will need further and deeper attention in the near future.

The G-20 on its Leaders' Statement promised to "turn the page on an era of irresponsibility" to adopt policies, regulations and reforms needed. The increase on reforms will be elaborated up to the end of 2010 and be operational two years later. In addition, the G-20 turned to fight extravagant salaries and benefits paid to bankers, although it has not established a clear limit, having assigned this task to national regulators.

The G-20 countries need to build a stronger, more balanced economy (meaning most likely an increase in US savings and China consumption), reform the international financial system, improve the standard of living of the poorer citizens, diminish greenhouse gases emissions and combat the effects of the global warming, possibly by creating a trust fund.

Moreover, the G-20 has to continue to discuss and investigate the issue of whether the global economy demands empowered global institutions of surveillance. Some favor the establishment of a democratically elected global assembly to scrutinize the policies and operations of the new global economic institution. In addition, the tackling of destabilizing market speculation, through the introduction of a Tobin tax on international currency speculation, may also gain attention.

The promise about the world trade, just to mention a previous target of reaching an agreement in 2010, raises doubts on whether the countries are ready to take politically difficult decisions that are necessary to close the Doha Round.

On the difficult issue of reforming the IMF, under the guidance of the G-20, there will be the need to review the IMF policy evaluation mechanisms, as well as the amplification of the Fund's mandate to include a larger scope of policies that affect the global stability.

An agenda of basic demands could also include a renewed commitment to achieving the Millennium Development Goals, recognizing the productive stimulus this would give the world economy in recession.

As the crisis apparently wanes and the recovery is more viable in the near future, the G-20 action plans are in general less detailed about the scope and timeline for implementation to complete the self-imposed chores.

It is worth mentioning that the weakest part of the package is probably the financial element. Banks are still gravely hurt by the crisis, which will last much longer if major countries delay or refuse to clean up their problem banks. Given the range of countries at the G-20, having one formula to fit to bank rescue to all members will never be feasible. However, the absence of detail about a common approach to cleansing the banks of their toxic assets is extremely alarming.

Finally, it is noteworthy that the G-20 does not have an internal structure with the authority to impose pressure, so that it would be able to speed up the reforms or to monitor the implementation of the Group's decisions in each country. The G-20 instead tries to promote the reforms supported by a moral authority, not by its ability to impose sanctions to those that do not fully comply to the decisions taken.

VI – Conclusion

Transformation and evolution often happen in consequence of moments of crisis. The world needed to feel the financial earthquake of September 2008 to acknowledge that it would be very difficult to get out of the crisis without coordinating with the emerging market countries.

The G-20 is today a totally different forum from the one established ten years ago. The G-20 has been playing a fundamental part in this transitional period and in what appears to be the inevitable emergence of a new global institutional settlement.

The G-20 seems to have elected as its main mission to help to create a new democratically accountable architecture of global economic cooperation – in which new institutions would pursue new policies.

One of the reasons for the change in directions was certainly the swerve of the United States government attitude. The new administration and the recent crisis made unsustainable the conventional ways by which the American hegemony had been exercised. Of course, it is still too early to affirm that the path is a really new orientation or merely enthusiasm of newcomers that will soon fade away. Also, these motives have intensified the effects of a new configuration of global power, resulting in the ascension of large emerging-market economies.

Furthermore, the G-7 countries have seemingly conceded that the world's current problems are too big for them to solve and that G-20 is a more appropriate forum. The emergence of the G-20 as a new center of debate has dislocated the previous centrality away from the G-7. As a result, the G-20 meetings have given Asia and Latin America a much-needed voice at the top table.

On the other hand, this movement brings in itself the big challenge of making successful a forum composed by twenty nations in a context of a serious economic crisis.

The G-20 has been successful because it has held positive events with outcome-targeted conclusions. It was very auspicious to see such proactive steps from politicians who so often favor caution over positive action. The G-20 meetings also catalyzed important ingredients for a recovery: cooperation, helping the less well-off, assessing the compensation schemes, acknowledging common hazards, building consensus and, most important of all, attempting to build confidence throughout the world.

It is also worth mentioning the importance of the process in terms of the design of the new institutions and policies. The conferences of San Francisco and Bretton Woods happened under the inspiration of predominantly Anglo-Saxon proposals. Now the international community seems to have opted for a collective and continuous effort for building a post-crisis order through the dialogue and convergence among different visions. The big challenge of the new G-20 is to promote better governance in the international economy within a multifaceted world, in the sense of replicate the positive aspects of Bretton Woods and to avoid the mistakes made during the 1930s.

This is perhaps the lesson the G-20 teach us, which should reflect not only the necessary arrangement to combat a crisis but the beginning of a democratization process at the international institutions.

Of course, this is still a story in progress and the chances are that there are many actions and dealings to come until it can really be called a new world order.

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