Evolution of G20 Process: From Crisis Management to Development Cooperation

Abstract: With two decades of functioning, G20 Process seems to be maturing with much wider scope of engagement among the member states. G20 Summit Agenda has diversified from a finance focus to hard-core development issues. While it is being viewed as a welcome step by the global community from the perspective of an alternative forum for deliberations on common issues affecting the world, there is suspicion over the legitimacy, ownership and effectiveness of G20 commitments by the member states and the third countries. The article discusses the evolution of G20 Agenda in that spirit.

Introduction

Inter-country groupings and regional economic communities (RECs) have been integral parts of global governance in the post-war period. The critical areas of contributions of these entities were often manifested in building coalitions among the like-minded countries or countries of similar development characteristics on regional and global issues particularly trade and investment promotion, poverty alleviation, job creation, heath and education, environment protection, climate change, social inclusion and other mutually-beneficial development concerns. Most of these multilateral and regional platforms have attempted to articulate aspirations of the regions or country groupings which were either not effectively addressed in existing institutions of global governance like the United Nations (UN), International Monetary Fund (IMF), World Bank, etc. or demanded special attention. A wild retrospective assessment would rather suggest that country groupings like G7, G20, G77, Non-Aligned Movement (NAM), G77, BRICS, IORA, NAFTA, ASEAN, EU and similar organisations have contributed to global governance in manifold ways along with establishing their unique positions on certain issues.

In that parlance, G20 seems to have gathered more attention in recent years than any other inter-country organisations in the world even though it does not have any legal status yet despite being active for the last two decades. Having a unique membership composition involving both developed economies and emerging markets, G20 appears to be quite ambitious in its mandate and coverage of
issues. It, therefore, requires a systematic understanding of the evolution, genesis, mandate, agenda setting and expected outcomes of the G20 process.

In this context, it is interesting to recall the emergence of minilateralism in the 1960s. The impression of minilateralism had emerged in the early 1960s when a group of administrative officials and ministers gathered to address the most urgent needs of global economy in those days, based on informal relationship rather than on a formal set-up for rule-making. After the World War II, policy coordination, global economic governance and regulations were controlled by a number of small networks outside the ambit of formal global governance institutions. In the 1970s, after the breakdown of the Bretton Woods exchange rate system, global stagflation and subsequent oil crisis in 1973, major industrialised economies started meeting at the level of Heads of States for discussion of economic and financial issues among the major industrial countries. The lack of coordination mechanism in the formal governance system—the UN Security Council, the International Monetary Fund (IMF) and the World Bank caused the emergence of such small groupings. In the 1970s, after the breakdown of the Bretton Woods exchange rate system, global stagflation and subsequent oil crisis in 1973, major industrialised economies started meeting at the level of Heads of States for discussion of economic and financial issues among the major industrial countries. The lack of coordination mechanism in the formal governance system—the UN Security Council, the International Monetary Fund (IMF) and the World Bank caused the emergence of such small groupings. The first in this series was Group of Ten (G10) that was established in 1962 by Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, the United Kingdom and the United States with Switzerland as an associating country (Shome, 2014). This group of countries participated in the General Agreements to Borrow (GAB), a supplementary borrowing arrangement of the IMF.

The Group of 7 (G7) was established in 1975 by Canada, France, Germany, Italy, Japan, United Kingdom and the United States at the level of Finance Ministers and Central Bank Governors. The Finance Ministers and Governors met semi-annually to monitor developments in the world economy. These groups had emerged to cope up with the new global challenges of economic and financial stability in the major industrial countries. The objective of this informal minilateralism was to improve the mechanism of global economic collaboration to effectively address macroeconomic instability. The expansion of G7 to G8 including Russia became the global steering committee through the 1990s when a series of market crises hit the global economy. In September 1999, the Finance Ministers and the Central Bank Governors of G7 announced the broadening of G7 mandate for preventing future financial crises. Seven countries (G7) announced their intention 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.” This announcement marked the official birth of the Group of Twenty (G-20). Argentinia, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, the United States and European Union are currently the members of G20.

G20 hosts 20 leading economies of the world accounting for 85 per cent of the world’s economy and over two-thirds of the world population. It periodically holds summits, meetings and deliberations involving the Heads of the member states, Finance Ministers and the Central Bank Governors including the G7 and the European Union which is represented by the rotating Council Presidency and the European Central Bank. The Managing Director of the IMF, President of the World Bank, and the Chairs of the IMFC and the Development Committee also participate in G20 meetings on an ex-officio basis. The G20 ‘Sherpa’ meets once a year to discuss macroeconomic policy, financial regulation, trade, development and environmental issues, regional security and governance matters, and reform of international financial institutions and other multilateral institutions.
Since G20 asserts influence in global policy-making and mobilise public opinion on various facets of global economic governance, this article attempts to review the evolution of G20 as an international institution in terms of coverage of sectors, issues, approaches to agenda setting and the role of different presidencies. It also tries to assess the functioning of G20 in terms of finance track and development track drawing inputs from the last three Leaders’ Summit Declarations.

Agenda Setting and Sectoral Coverage in G20

G20 agenda has broadened and deepened over the years. While the first decade of its existence was at the level of Finance Ministers, the issues covered in the G20 meetings were essentially related to finance and macroeconomic stability. Unlike that phase, the G20 agenda has diversified significantly in the second decade at the leaders’ summit level. Although financial crisis-related issues continues to occupy maximum space in G20 leaders’ summits held during 2008-2018, a good number of development issues gradually assumed attention in successive summits. The widening of G20 agenda provides mixed signals about G20 and its global relevance. While passionate coverage of development issues like food security, women empowerment, migration, urbanisation, etc might situate G20 as a responsible global institution in the realm of global governance, sceptics might interpret it as ‘no man’s organisation’ due to lack of focus. In fact, many studies view that G20 communiqués were dominated by the G7 preference and other non-G7 countries were silent and neutral (Shome, 2014). Against this backdrop, it is necessary to objectively assess the evolution and scope of G20 agenda in terms of select broad themes including finance, trade & investment, technology, development and social sectors.

Finance

The major task before the G20 in the first three Leaders’ Summits (2008 to 2010) was to identify suitable monetary and fiscal policy responses to the global economic recession 2008-2009 and ensure macroeconomic coordination among the advanced economies and the emerging markets to restore global growth and stability. The Summit Declarations during 2008-2010 lists the measures that were suggested to prevent persistence of the downturn and announced fiscal stimulus packages to boost aggregate demand. The 2008 Washington Summit called forth mechanisms to stimulate the economy, provide liquidity, reforming the financial institutions for strengthening market transparency and reinforcing international cooperation. In addition, certain reform-oriented actions were undertaken to enhance adherence to sound financial regulation. Global credit rating agencies took adequate steps to improve accounting standards in the affected economies. Proper guidelines were formulated for banks and financial institutions for reassessing risk management practices. This phase marked the prioritisation of immediate short-term and medium-term remedial actions in the areas of finance, trade and investment.

The financial crisis led to severe collapse of economic activity and job losses. Hence, massive fiscal expansion was warranted as an immediate macroeconomic policy intervention. This typical Keynesian solution reflects the fiscal policies of the inter-war period aiming to restore economic stability in the world.

G20 also called forth for immediate reforms of International Financial Institutions (IFIs) in order to promote integrity and stability of global financial markets. These measures included reviewing the valuation and leveraging process in operationalising banking activities; anticipating potential stresses; expansion of Financial Stability Forum (FSF) to Financial
Stability Board (FSB) to integrate regulation and supervision into macro-prudential policy and revision of lending instruments of IFIs. To boost global economy, G20 members committed to allocate USD 1.1 trillion for IFIs for trade financing and USD 750 billion to IMF in 2009 London Summit. Further, IMF resources were expanded through immediate financing of USD 250 billion which was to be subsequently increased up to USD 500 billion through introduction of New Borrowing Arrangement (NBA).

With strong signals of recovery in the affected economies, the focus of G20 members gradually tilted in favour of promoting economic activities (particularly accelerating growth in low income countries), job creation, and building resilient financial system. In this context, it is worth highlighting certain issues which were deliberated in the Seoul Summit. The Action Plan envisaged in the Seoul summit was comprehensive and cooperative, and aimed at country-specific policy actions focused on measures for fiscal consolidation, enhancing exchange rate flexibility, and range of structural reforms in order to replenish global demand. The Seoul Summit also came up with flexible Small and Medium Enterprises (SME) financial framework, access to financial services and strengthening global financial safety nets. It also aimed for innovative financial inclusion by developing a set of principles for it.

The summits, in their endeavour to be farsighted and provide sustainable solutions through international cooperation, announced various measures to be achieved in medium term. G20 agenda stressed on financial regulations like registration of credit rating agencies, liquidity supervision of central and other banks, and strengthening integrity of financial markets in tackling illicit financing (like money laundering, terrorist financing, etc.). Summits (2009, 2011, and 2012) also pressed for rigorous surveillance of financial sector assessment program of all countries by IMF and the World Bank. Leaders also stressed upon measures to promote tax information exchange in order to address transparency issue. Since 2008, G20 leaders have stressed on reforming the Bretton Woods institutions in order to capture the dynamics in changing global economic environment and effectively address future challenges by providing level playing field for the developing economies.

‘Finance track’ on G20 continued its efforts to regain macroeconomic stability, and building resilient financial system for rebuilding the trust again. In 2010 Seoul Summit, the launch of Global Partnership for Financial Inclusion (GPFI) was announced to provide an inclusive platform for all G20 and interested non-G20 members in order to facilitate financial inclusion and implementation of the Financial Inclusion Action Plan. The subsequent summits have focused on strengthening monitoring, increasing transparency, debt sustainability and promoting market integrity and address the issue of “too big to fail” financial institutions and firms. The agenda for finance broadened by scaling-up and diversifying the Multilateral Development Banks (MDBs) funding into infrastructure from 2011 and lately emphasizing on debt transparency, sustainable financing practices by borrowers and creditors, both official and private. The St. Petersburg Summit leaders vowed for greater IMF quota and governance reforms but because of procrastinating attitude progress was limited till 2017. With expanding scope of technology and digitization, G20 has shown commitment to promote digital financial services. To concretise the commitment, G20 High-Level Principles for Digital Financial Inclusion was launched in 2016 China Summit.

Trade and Investment
Adherence to free market principles and open trade & investment commitments were hailed as a necessary precondition for improving the living standards of the people in the past G20 summits. This was
enshrined in the 2008 Washington summit declaration in which members were urged to refrain from raising new barriers and export restrictions for the upcoming year, and promote free trade and investment along with building consensus for reaching agreement on the WTO Doha Development Agenda. To concretise the commitments further, the 2009 London summit announced USD 250 billion of support for trade finance. Financial and trade protectionism were thus regarded as antithetical macroeconomic policy options for growth, especially for the developing countries. In that paradigm, the WTO and other multilateral institutions gave primacy to monitoring any aberrations from the set mandate.

G20 summits have been committed to anti-protectionism and liberalization policies since inception in order to promote free trade and investment. The central mandate of G20 has been to safeguard the multilateral trading norms and regulations as highlighted in the very first Leaders’ Summit in 2008. Although, at present international cooperation is low due to mounting trade war, stalled global trade talks and the questioning of the effectiveness of global institutions, G20 continue to propagate healthy trading relations among countries. In fact, the subsequent summits have highlighted the opportunities for higher trade and value addition emanating from spread of Global Value Chains (GVCs).

In the initial three submits, the endorsement of Doha Development Agenda, strengthening MDBs for trade finance, encouraging financial products and services and providing aid-for-trade to developing countries were the integral parts of the G20 deliberations. During the Cannes Summit, focus was shifted to improve the effectiveness of agriculture market and thus launched two major initiatives - Agriculture Market Information System (focuses on four products such as wheat, maize, rice, soybeans to improve the quality, reliability, accuracy, timeliness and comparability) and Global Agricultural Geo-Monitoring Initiatives (i.e. collecting data on weather forecasting for enhancing productivity). Meanwhile, the global leaders committed them to mitigate the risk of price volatility and remove food export restrictions or other taxes for non-commercial or humanitarian-based trading. Likewise, the Cannes Summit gave priority to food security, infrastructure, mitigating humanitarian crisis; facilitated the action plan on food, water and agriculture; mobilized funds for development, and put emphasis on risk management mechanism in agricultural policy in Africa.

Some pertinent issues like climate change, trade protectionism, trade finance, sustainable global supply chains and global financing for development cannot be handled solely and need strong and successful international collaboration. Keeping abreast of the changing global economic conditions, the G20 2013 summit emphasised on the importance of developing comprehensive understanding of GVCs and its consequent impact on growth, development, industries and job creation. Further highlighting the importance of GVCs and emphasis on trade in parts and components, the subsequent summits stressed on the need for greater participation of SMEs in GVCs, especially from the low income countries. In the context of emerging importance of GVCs, focus on trade in agriculture was also observed marking a shift from initial focus on subsistence issues like removal of food export restrictions, and enhancing market information and transparency to upgrading agro-food Global Value chains (2018 Summit).

G20 Leaders urged the World Bank and the MDBs to promote favourable environment for trade and investment and build capacity to boost green investment and investment in clean energy, especially by providing support to developing countries. In Cannes Summit in 2011, emphasis was given to transparent physical and financial energy market. To put forward the mandate, G20 Dialogue Platform on Inclusive Green Investments was launched.
in 2013 summit for sustainable development and combating poverty. Similarly, targeting the developing countries, investment in infrastructure was given thrust and the High Level Panel on Infrastructure, and Global Infrastructure Initiative were initiated.

In order to eradicate poverty and enhancing prosperity, trade and its benefits needs to be extended to the most deprived. In order to build capacity in trade, G20 summits had shown their commitment to aid-for-trade for developing countries. Over the years, priority has expanded from assistance to ensuring quality and effective aid-for-trade. However, there is a need to exploit the synergistic combination of private and public investment. Effort has been made to promote PPP model and collaboration with scientific communities and other relevant stakeholders to boost investment in infrastructure for developing countries. Recently, the Argentina Summit in 2018 encouraged adaptation of innovative digital economy and established the importance of interconnectedness between trade and new technologies including artificial intelligence, thus, facilitating the strategy to promote and retain FDI for economic growth and value addition, productivity, efficiency, and sustainability.

**Technology**

The development agenda of G20 evolved over time to envelope the new issues emerging in the face of global economy. In order to keep abreast of emerging issues like new technologies, digitalisation, and evolving business ecosystems, G20 agenda has experienced a significant expansion. For example, since 2016 summit the G20 leaders have focused on digitization and spread of information technology, digital literacy, etc. For promoting digitization, G20 Digital Economy Development and Cooperation Initiative was launched in 2016. Subsequently, the 2017 Summit endorsed the G20 Roadmap for Digitalisation. Additionally, the G20 Education Ministerial Declaration 2018 encapsulated the idea of spreading knowledge of Information and Communication Technology (ICT), computing and coding skills within the curriculum given the rising importance of technology.

Promotion of entrepreneurship and digitization has been regarded important for better integration of youth into the labor market, fostering digital economy to attract investment and promotion of innovation. The various G20 Summits have promoted microeconomic policies aiming at lowering barriers for new business entrants in order to promote entrepreneurship. The G20 Entrepreneurship Action Plan was launched in 2016 China Summit along with the establishment of the Entrepreneurship Research Centre to address the need of G20 economies for promoting inclusive economic growth through innovation. Similarly, various aspects of technology assumed importance across the past 10 summits. The Mexico Summit in 2012 stressed to adopt effective policies to overcome the hurdle of energy crises and encourage clean energy technologies and its access. In the Turkey Summit in 2015 the focus was on energy collaboration which also marked the First Ministerial Meeting on energy while keeping in mind that over 1.1 billion people lack access to electricity and 2.9 billion still rely on traditional use of biomass for cooking. Thus, G20 members were committed to increase investment for supporting energy-efficient technologies and investing in R&D for diversification of energy sources to secure energy security and combat climate change.

With rapid improvement and spread of technology across the globe, the issues of technology-related inequalities like gendered digital divide, digital exclusion are being discussed in the G20 forum since 2015. In 2015 summit, the narrative of technology-driven development gained momentum. In the consecutive summits, G20 leaders were
committed to ensure effective investment in R&D for innovation. The recent summits stress on digitization and improvement of digital government, digital infrastructure, and enhancing digital skill of labour and expansion of digital economy.

**Development**

Though G20 was lauded for its robust support to stabilize the global economic environment and mitigate the impact of economic recession, the current criticism of G20 hovers over its current relevance in the post-crisis period. Hence, to continue the relevance and legacy of the forum, the leaders agreed to broaden the agenda to include development issues, beginning with the 2010 summit. In the post-crisis period, global recovery had been weak and the wear and tear of the prolonged recession was manifested in job losses, low trade, low investment, slowing financial sector, growing development and environmental concerns. To tackle these interconnected issues, emphasis had to be on strengthening global economic cooperation. Thus, it was important for G20 to broaden the horizon and build strong and resilient foundation to resolve the global challenges.

Although the G20 Leaders had committed to development of low income countries in 2008 and 2009 summits, especially the achievement of Millennium Development Goals (MDGs), but there was no vigorous attempt to capture the action plan. As mentioned in previous section, initial G20 summits grappled with the task of ensuring global economic recovery from the financial crisis of 2008-2009. After 2009 when the global economy was stabilized, G20 began to focus on the issues of long-term global development in order to ensure sustainable and inclusive growth as the overarching objective in the post-crisis period. In this regard, the 2010 Seoul Summit marked the genesis of G20 development agenda with the adoption of Multi-Year Action Plan on Development. It laid down the actions and their deliverables to be achieved over the medium term. The Development Working Group was set responsible for tracking the progress on the Multi-Year Action Plan. For instance, the G20 members expressed their concern over climate change since 2008 Washington Summit, along with endorsement of UNFCCC’s Copenhagen Accord (in 2009 Summit), but the concrete initiatives like Global Marine Environment Protection were taken up from 2010 Seoul Summit.

After 2010 Summit, discussion and actions were expedited on critical issues of food security, skill development, education, and energy. Member countries were inclined towards taking up the development challenges faced by the low income countries and the emerging markets. Various action plans have been formulated to achieve the declared mandates for respective issues like G20 Food Security and Nutrition Framework (2014 Summit), G20 Energy Access Action Plan (2015 Summit), etc. Besides, these summits have been actively endorsing the actions of other international organizations like WTO, IMF and OECD in pushing forward its own development agenda. For example, G20 launched programmes on promoting global agriculture and encourage country-specific policies on climate change.

China’s efforts to uplift millions of people from poverty facilitated the success of MDGs. Further, India’s domestic development endeavours aligned with sustainable and inclusive growth triggered the G20 members to arrive at consensus for sustainable development mainly by strengthening development policies and coordination actions in the area of poverty alleviation, economic growth and climate change. Importance of food security was highlighted in the Pittsburgh Summit and Global Agriculture and Food Security Program was launched in Toronto Summit to provide finance to low income countries for improving agricultural productivity. In this endeavour, USD 224
million of grants was immediately approved for Bangladesh, Rwanda, Haiti, Togo, and Sierra Leone.

The recurring issue of unemployment and job loss underwent significant evolution in the G20 process. In the period of crises, concern over job protection and survival of labor prompted concerted efforts by G20 which shifted its focus to social protection of labor, skill enhancement, reducing gender-based wage gap, workplace safety, etc. There has been major focus on youth oriented employment, entrepreneurship development, skill development, apprenticeships, etc. post 2013. In 2015, G20 came up with a skill strategy to ensure quality job generation along with G20 Entrepreneurship Action Plan and G20 Initiative to Promote Quality Apprenticeship in 2016. These initiatives are in tandem with the changing worldwide market demand and rise of entrepreneurship and skill-oriented employment.

**Conclusion**

G20 is being hailed as an evolving architecture of global governance especially in the view of the perceived vacuum created due to fatigue in the WTO and Bretton Woods institutions. Expectations have mounted over time which perhaps leads to question the genuineness of such tall claims by the different categories of stakeholders including the governments, policy makers, scholars and the private sector. This prompted us to examine the evolution of G20 agenda in the last 10 years in terms of the scope and depth of issues covered, priority sectors, specially-tailored mechanisms and packages, and above all, the development implications. Interesting, it is observed that G20 has witnessed a graceful shift from dealing with financial and macroeconomic stability concerns to hard core development issues like trade and investment promotion, food security, employment generation, skill development, financial inclusion, women empowerment, decent labour, and so on. It indicates the importance G20 attaches to the burning global issues which affect the lives of the people in the world. The article also shed insights about G20’s specially-tailored programmes on agriculture, digitalisation, financial inclusion, development of Africa, ease of doing business, better provision of credit to entrepreneurs especially women, and a host of other development issues.

**Endnotes**

1. Naim (2009) referred to ‘minilateralism’ with the idea of small group of countries having largest impact in solving a particular problem.
4. It includes existing G8 countries plus 11 emerging and developing countries (namely, Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Korea, South Africa and Turkey) and the European Union to form the G20.
5. Official representatives of G20 member states on behalf of their leaders.
6. Summit declaration and other relevant documents are available in G20 Information Centre.
7. In Turkey Summit, 2015 G20 committed to Addis Ababa Action Agenda & Sustainable Development Goals (SDGs) to implement its outcome to ensure moving ahead with collective efforts and inclusive growth.
8. Taken from 2015 Summit Declaration.
9. Turkey Summit Declaration 2015, para 26
10. China Summit Declaration 2016, para 14

**References**

G20 Information Centre available at http://www.g20.utoronto.ca/summits/index.html