



The G-20 and International Economic Cooperation: Background and Implications for Congress

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Summary

The G-20 is an international forum for discussing and coordinating economic policies. The members of the G-20 include Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States, and the European Union.

Background: The G-20 was established in the wake of the Asian financial crisis in the late 1990s to allow major advanced and emerging-market countries to coordinate economic policies. Until 2008, G-20 meetings were held at the finance minister level, and remained a less prominent forum than the G-7, which held meetings at the leader level (summits). With the onset of the global financial crisis, the G-7 leaders decided to convene the G-20 leaders to discuss and coordinate policy responses to the crisis.

To date, the G-20 leaders have held four summits: November 2008 in Washington, DC; April 2009 in London; September 2009 in Pittsburgh; and June 2010 in Toronto. The G-20 leaders have agreed that the G-20 is now the premier forum for international economic coordination, effectively supplanting the G-7's role as such.

Commitments: Over the course of the four G-20 summits held to date, the G-20 leaders have made commitments on a variety of issue areas. In the United States, implementing some of these commitments would require legislation. Issues that are likely to influence future policy debates and/or the legislative agenda include: a new international framework to monitor and coordinate economic policies, aimed at correcting global imbalances and promoting economic growth; financial regulatory reform and harmonization; voting reform at the IMF; increased funding of multilateral development banks (MDBs); concluding the WTO Doha multilateral trade negotiations; and elimination of fossil fuel subsidies.

Discussions at the Toronto summit in June 2010 were largely a continuation of previous summits. There is some anticipation for more ambitious discussions at the next G-20 summit, scheduled for Seoul, South Korea in November 2010.

Effectiveness of the G-20: As the G-20 adapts to its new role as the premier forum for international cooperation, the effectiveness of the G-20 moving forward is being debated. Some anticipate that the G-20 will be an effective steering body in the global economy, pointing to its success in coordinating countries and international organizations at the height of the financial crisis. Others are more pessimistic about the G-20's effectiveness in future summits, suggesting that the G-20 as a group is too heterogeneous to achieve real coordination. Still others suggest a middle ground, that the G-20 will be effective in some instances but not others. For example, they argue the G-20 could be an effective body in times of economic duress, when countries view cooperation as critical, but less effective when the economy is strong and the need for cooperation feels less pressing. Likewise, it is suggested that the G-20 will be effective at facilitating economic coordination over some issues, such as monetary policy where finance ministers largely exercise autonomous control. At the same time, the G-20 could find it more difficult to coordinate in other areas, such as fiscal policies, where implementation of commitments depends on a number of actors, including national legislatures in many countries.

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Introduction

The Group of Twenty, or G-20 is a forum for advancing international economic cooperation among 20 major advanced and emerging-market countries.¹ The G-20 was originally established in 1999 to facilitate discussions among the G-20 finance ministers. The prominence of the G-20 has increased since the global financial crisis hit in the fall of 2008,² and the G-20 started meeting at the leader level. In September 2009, the G-20 leaders announced that, henceforth, the G-20 would be the “premier” forum for international economic cooperation. Before this announcement, it was widely accepted that the G-7, a small group of advanced countries, held this position.³

Congressional interest in the G-20 is, at the least, two-fold. First, implementing many of the commitments made by the Administration at the G-20 summits to date would require reform of U.S. laws and regulations. As a consequence, the agreements reached by the G-20 leaders may influence policy debates and the legislative agenda. Second, the transition from the G-7 to the G-20 represents a major shift in international economic coordination, and understanding the implications of this shift may prove fruitful as Congress provides oversight of U.S. participation in the G-20.

This report addresses the following key issues:

- Context on the emergence of the G-20 as the premier forum for international economic coordination;
- Background on how the G-20 operates, including where and when the G-20 meets and how the G-20 reaches decisions;
- Analysis of previous G-20 summits held to date, plus an overview of the agenda for the Seoul Summit to be held in November 2010;
- Analysis of major G-20 commitments that are likely to shape the policy agenda moving forward; and
- Broader debates about the effectiveness of the G-20 moving forward.

¹ The G-20 includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, and the United States, as well as the European Union (EU). Spain and the Netherlands have also been invited to participate as observers. The G-20's website is <http://www.g20.org>. The University of Toronto G-20 Research Group is also a good source of information; their website is <http://www.g20.utoronto.ca/>. The G-20 discussed in this report should not be confused with the coalition of developing countries in the World Trade Organization (WTO) formed in 2003, also referred to as the G-20.

² For more on the global financial crisis, see CRS Report RL34742, *The Global Financial Crisis: Analysis and Policy Implications*, coordinated by Dick K. Nanto.

³ The G-7 includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Russia has joined the G-7 meetings at the leader level (summits) as a full participant since 1998, forming the Group of Eight (G-8). With a smaller economy than the G-7 members, Russia does not usually participate in international economic discussions, however, which continued primarily at the G-7 level. For example, Russia is not included in the G-7 meetings at the finance minister level.

The Rise of the G-20 as the Premier Forum for International Economic Cooperation

Economic Coordination in Formal Institutions and Informal Forums

Since World War II, governments have created and used formal international institutions and more informal forums to discuss and coordinate economic policies. As economic integration has increased over the past 30 years, however, international economic policy coordination has become even more active and significant. Globalization may bring economic benefits, but it also means that a country's economy is increasingly affected by the economic policy decisions of other governments. These effects are not always positive. For example, a country's exports may decline should another country devalue its currency or restrict imports to attempt to reverse a trade deficit or protect domestic industries. Instead of countries unilaterally implementing these "beggar-thy-neighbor" policies, some say they may be better off coordinating to refrain from such negative outcomes. Another reason countries may want to coordinate policies is that some economic policies, like fiscal stimulus, are more effective in open economies when countries implement them together.

Governments use a mix of formal international institutions and international economic forums to coordinate economic policies. Formal institutions, such as the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the World Bank, and the World Trade Organization (WTO), are typically formed by an official international agreement and have a permanent office with staff performing ongoing tasks.⁴ Governments have also relied on more informal forums for economic discussions, such as the G-7, the G-20, and the Paris Club.⁵ These economic forums do not have formal rules or a permanent staff.

1970s – 1990s: Developed Countries Dominate Financial Discussions

Prior to the current global financial crisis, international economic discussions at the top leadership level primarily took place among a small group of developed industrialized countries. Beginning in the mid-1970s, leaders from a group of five developed countries—France, Germany, Japan, the United Kingdom, and the United States—began to meet annually to discuss international economic challenges, including the oil shocks and the collapse of the Bretton Woods system of fixed exchange rates. This group, called the Group of Five, or G-5, was broadened to include Canada and Italy, and the Group of Seven, or G-7, formally superseded the G-5 in the mid-1980s. In 1998, Russia also joined, creating the G-8.⁶ Russia does not usually participate in discussions

⁴ For more information about formal international institutions, see, for example: CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss and CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by Ian F. Fergusson.

⁵ The Paris Club is an informal group of developed countries. It negotiates financial services such as debt restructuring and debt relief to indebted developing countries.

⁶ While the EU is not an official member of the G-7 or G-8, the EU has participated in meetings since 1977. The EU is (continued...)

on international economic policy, which continued to occur mainly at the G-7 level. Meetings among finance ministers and central bank governors typically precede the summit meetings.

Macroeconomic policies discussed in the G-7 context include exchange rates, balance of payments, globalization, trade, and economic relations with developing countries. One of the most significant agreements reached by the G-7 was at the first summit in Rambouillet, France, in 1975. The G-7 leaders agreed to a new monetary system to replace the system of fixed exchange rates that unraveled in the early 1970s and set the stage for amending the IMF Articles of Agreement to allow floating exchange rates.⁷ Examples of other significant agreements reached by the G-7 are the Plaza Agreement in 1985 and the Louvre Accord in 1987. The Plaza Agreement aimed to depreciate the U.S. dollar in relation to German Deutsche mark and the Japanese yen, and the Louvre Accord aimed to halt the continued decline of the U.S. dollar. Over time, the G-7's and, subsequently the G-8's, focus on macroeconomic policy coordination expanded to include a variety of other global and transnational issues, such as the environment, crime, drugs, AIDS, and terrorism.

1990s – 2008: Emerging Markets Gain Greater Influence

Although middle-income countries, or emerging-market countries, became more active in the international economy, particularly in financial markets starting in the early 1990s, this was not reflected in the international financial architecture until the Asian financial crisis in 1997-1998. The Asian financial crisis demonstrated that problems in the financial markets of emerging-market countries can have serious spillover effects on financial markets in developed countries, making emerging markets too important to exclude from discussions on economic and financial issues. The Group of 22, or G-22, was established as a temporary forum for finance ministers and central bank governors from both advanced industrialized and emerging-market countries to discuss the Asian Financial Crisis.⁸ The G-22 met twice in 1998, and was superseded by the Group of 33, or G-33, to discuss international financial stability and the international financial stability forum.⁹ The G-33 was also a temporary forum that met twice in 1999.

Including emerging-market countries in economic discussions proved to be fruitful, and the G-20 was established in late 1999 as a permanent international economic forum for developed and emerging-market countries. However, the G-20 was a secondary forum to the G-7 and G-8; the G-20 convened finance ministers and central bank governors, while the G-8 also convened leaders in addition to finance ministers.

(...continued)

represented by the president of the European Commission and the president of the European Council. The EU does not hold leadership positions within the G-8 or host summits.

⁷ Nicholas Bayne, "Reforming the International Financial Architecture: The G7 Summit's Successes and Shortcomings," July 2001, <http://www.g8.utoronto.ca/conferences/2001/rome/bayneRev.pdf>.

⁸ The members of the G-22 are the G-8 members plus Argentina, Australia, Brazil, China, Hong Kong, India, Indonesia, Malaysia, Mexico, Poland, Singapore, South Africa, South Korea, and Thailand.

⁹ The members of the G-33 are the G-8 members plus Argentina, Australia, Belgium, Brazil, Chile, China, Côte d'Ivoire, Egypt, Hong Kong, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, the Netherlands, Poland, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, and Turkey.

Emerging markets were also granted more sway in international economic discussions when the G-8 partly opened its door to them in 2005.¹⁰ The United Kingdom's Prime Minister Tony Blair invited five emerging economies—China, Brazil, India, Mexico, and South Africa—to participate in its discussions but not as full participants (the “G-8 +5”). The presence of emerging-market countries gave them some input in the meetings but they were clearly not treated as full G-8 members. Brazil's finance minister is reported to have complained that developing nations were invited to G-8 meetings “only to take part in the coffee breaks.”¹¹

2008 – Present: Emerging Markets Get a Seat at the Table

It is only with the outbreak of the current financial crisis in fall 2008 that emerging markets have been invited as full participants to international economic discussions at the highest (leader) level. There are different explanations for why the shift from the G-7 to the G-20 occurred. Some emphasize a recognition by the leaders of developed countries that emerging markets have become sizable players in the international economy and are simply “too important to bar from the room.”¹²

Others suggest that the transition from the G-7 to the G-20 was driven by the negotiating strategies of European and U.S. leaders. It is reported that that France's president, Nicolas Sarkozy, and Britain's prime minister, Gordon Brown, pushed for a G-20 summit, rather than a G-8 summit, to discuss the economic crisis in order to dilute perceived U.S. dominance over the forum, as well as to “show up America and strut their stuff on the international stage.”¹³ Likewise, it is reported that President George W. Bush also preferred a G-20 summit in order to balance the strong European presence in the G-8 meetings.¹⁴ Some attribute the G-20's staying power to the political difficulties of reverting back to the G-7 after having convened the G-20 leaders.

¹⁰ Emerging markets had been sporadically invited to a few G-8 summit dinners and events as early as 1989, but their participation was very minor compared to 2005 onwards. See Peter I. Hajnal, *The G8 System and the G20* (Ashgate, 2007), pp. 47-49.

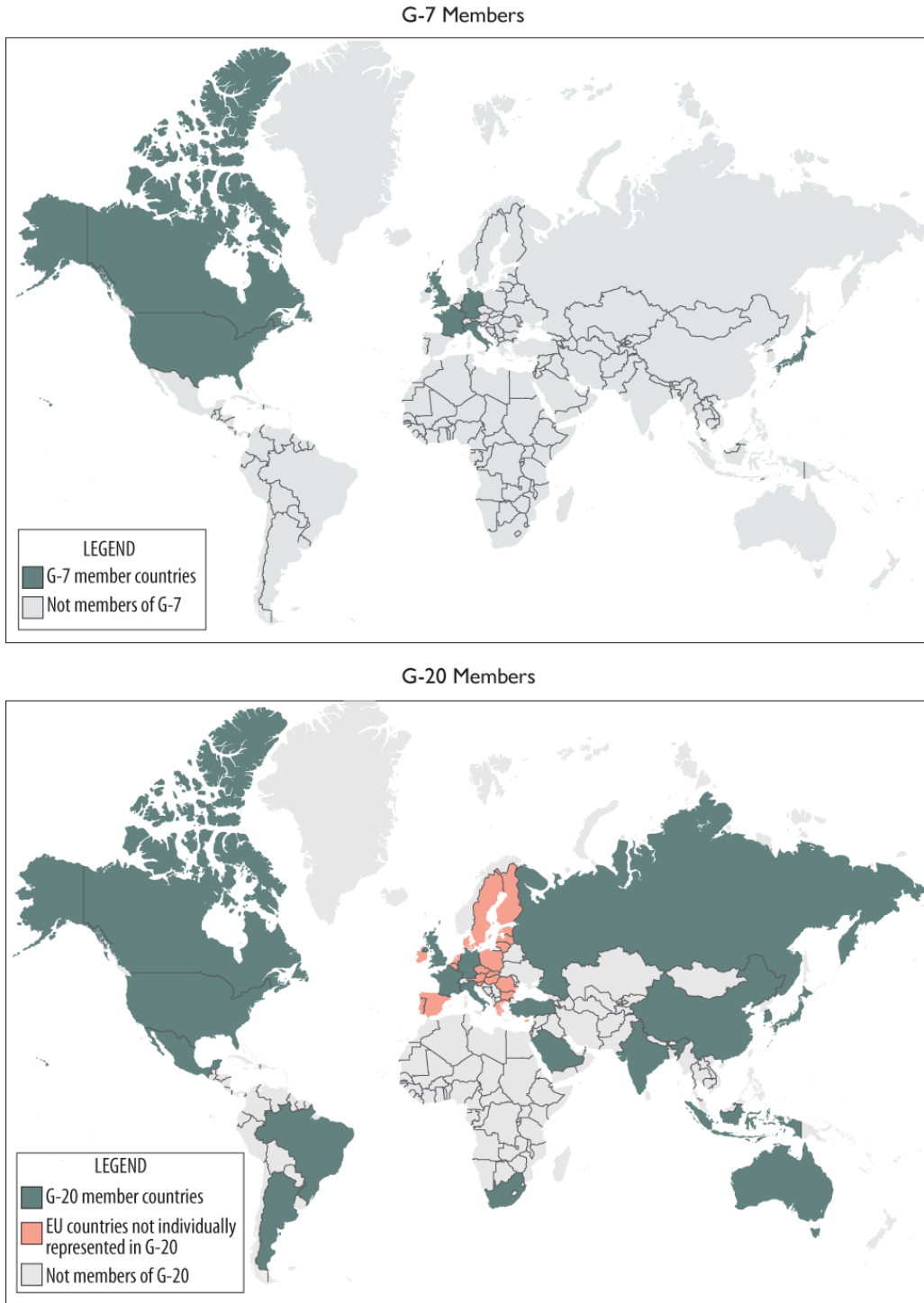
¹¹ Jonathan Wheatley, “G20 Calls for Expanded Role to Combat Economic Turmoil,” *Financial Times*, November 10, 2009.

¹² “After the Fall,” *The Economist*, November 15, 2009.

¹³ “Not a Bad Weekend's Work,” *The Economist*, November 16, 2008.

¹⁴ *Ibid.*

Figure I. Expansion of the G-7 to the G-20



Source: G-20 website, <http://www.g20.org>

Notes: The European Union (EU) is a member of the G-20. Pink (for color copies) or medium gray (for black-and-white copies) indicate members of the European Union (EU) that are not individually represented in the G-20.

How the G-20 Operates

Frequency of Meetings

The G-8 and G-20 heads-of-state meetings, or summits, are the focal points of the G-8 and G-20 discussions and where the forums' key decisions are announced. However, various lower-level officials meet frequently before the summits to begin negotiations and after the summits to discuss the logistical and technical details of implementing the agreements announced at the summits.

Prior to the current global financial crisis, the G-20 finance ministers and central bank governors have met once a year since the G-20 was established in 1999. The annual meeting of G-20 finance ministers and central bank governors has been preceded by extensive preparation to provide them with up-to-date analysis and insights and to better inform their consideration of policy challenges and options. This includes two deputies meetings each year as well as extensive technical work, including an array of workshops, reports, and case studies on specific subjects.

It is expected that the G-20 schedule will mimic the G-7's schedule in the past. The G-7 leaders, plus Russia (the G-8), have met annually, and the G-7 finance ministers and central bank governors have met at least semi-annually, and as frequently as four times a year, to monitor developments in the world economy and assess economic policies. The G-20 leaders are scheduled to meet twice in 2010, June 2010 in Canada and November 2010 in South Korea. Starting in 2011, the G-20 is expected to hold summits on an annual basis.

At various points in time, usually at the request of the G-8 leaders, the G-7 or G-8 ministers of development, education, employment and labor, energy, ministers, global information and society, health, justice, science, and trade have also occasionally convened to discuss pertinent issues. The G-20 has already, for example, called on the G-20 employment and labor ministers to meet in 2010 to discuss the problem of unemployment.

In addition to the summits and various ministerial meetings, there are also meetings among the leaders' personal representatives, known as "sherpas."¹⁵ Sherpas meet several times a year to prepare for the forthcoming summit, attend the formal summit meetings with the leaders, and hold several follow-up meetings. The sherpa team for each country typically includes a lead sherpa and two "sous-sherpas": a finance sous-sherpa and a foreign affairs sous-sherpa.¹⁶ The foreign affairs sous-sherpa covers issues outside the purview of finance, such as trade and the environment.

Finally, a variety of task forces, working groups, and expert groups have been established by the G-8 leaders or G-7 finance ministers over the years as well to support the work of the G-8 and the G-7. Examples include the Financial Action Task Force (FATF), the Financial Stability Forum

¹⁵ The term "sherpa" is a play on words. Typically, sherpas refer to local people, typically men, in Nepal who are employed as guides for mountaineering expeditions in the Himalayas. Recall that meetings held among leaders are called "summits," which also refers to the highest point of a mountain.

¹⁶ The term "sous-sherpa" is also a play on words, referencing the French term "sous-chef" for under-chef or an assistant to a master chef.

(FSF), the Counter-Terrorism Action Group, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and the G-8 Renewable Energy Task Force.

U.S. Representation

Because the G-20 began as a forum for finance ministers and central bank governors, the Treasury Department and the Federal Reserve have traditionally been the primary U.S. agencies involved in the G-20 meetings. As the G-20 has replaced the G-7 on finance issues, the Treasury Department has taken the lead on the G-20 meetings. However, the Treasury Department works closely with other agencies throughout the G-20 process. In addition to the Federal Reserve, the Treasury Department also coordinates with the State Department, the U.S. Agency for International Development, and, increasingly, the Department of Energy to coordinate G-20 issues. The White House, particularly through the National Security Council and the U.S. Trade Representative, is also heavily involved in the G-20 planning process.

The U.S. sherpa for the G-20 is the Deputy National Security Advisor for International Economic Affairs, a position currently held by Mike Froman. The U.S. sous-sherpa for finance issues is the Under Secretary of International Affairs at the Treasury Department, who also represents the U.S. at G-20 meetings at the level of deputy finance minister. The Under Secretary of International Affairs at the Treasury Department is currently Lael Brainard. Finally, the U.S. sous-sherpa for foreign affairs issues is the Under Secretary for Economic, Energy, and Agricultural Affairs at the State Department, a position currently held by Robert D. Hormats.

Location of Meetings and Attendees

Unlike formal international institutions, such as the United Nations and the World Bank, the G-20 does not have a permanent headquarters or staff. Instead, each year, a G-20 member country serves as the chair of the G-20. The chair hosts the highest level meetings, which before the crisis was among finance ministers but moving forward will be the leaders' summit meetings. The chair also establishes a temporary office that is responsible for the group's secretarial, clerical, and administrative affairs, known as the temporary "secretariat." The secretariat also coordinates the G-20's various meetings for the duration of its term as chair and typically posts details of the G-20's meetings and work program on the G-20's website.¹⁷

The chair rotates among members and is selected from a different region each year. **Table 1** lists the previous and current chairs of the G-20, as well as the member country slotted to chair in 2010 (South Korea) and 2011 (France). The United States has never officially chaired the G-20, although the United States has hosted two of the three G-20 summits held to date.

Table 1. Chairs of the G-20, 1999-2012

Year	Country
1999-2001	Canada
2002	India

¹⁷ <http://www.g20.org>

Year	Country
2003	Mexico
2004	Germany
2005	China
2006	Australia
2007	South Africa
2008	Brazil
2009	United Kingdom
2010	South Korea
2011	France
2012	Mexico

Source: G-20 website (<http://www.g20.org>); G-20, *The G-20 Toronto Summit Declaration*, June 26-27, 2010, http://www.g20.org/Documents/g20_declaration_en.pdf.

In addition to the G-20 members, Spain and the Netherlands have also attended, as observers, the G-20 summits. In the Toronto summit in June 2010, Ethiopia, Malawi, and Vietnam also participated as “outreach participants.”¹⁸ Several regional organizations and international organizations also attend G-20 summits. For example, official participants at the Toronto summit included representatives from the following organizations:

- the European Commission
- the European Council
- the International Labour Organization (ILO)
- the International Monetary Fund (IMF)
- the Organization for Economic Co-operation and Development (OECD)
- the United Nations (UN)
- the World Bank
- the World Trade Organization (WTO)¹⁹

Agreements

All agreements, comments, recommendations, and policy reforms reached by the G-20 finance ministers and central bankers, as well as by G-20 leaders, are done so by consensus. There is no formal voting system as in some formal international economic institutions, like the IMF. Participation in the G-20 meetings is restricted to members and invited participants and is not open to the public. After each meeting, however, the G-20 publishes online the agreements reached among members, typically as communiqués or declarations.²⁰ The G-20 does not have a

¹⁸ University of Toronto, G20 Research Group, *G20 Toronto Summit Participants*, June 24, 2010, <http://www.g20.utoronto.ca/2010/to-participants.html>.

¹⁹ Ibid.

²⁰ The G-20 communiqués are posted online at http://www.g20.org/pub_communiques.aspx.

way to enforce implementation of the agreements reached by the G-20 at the national level; the G-20 has no formal enforcement mechanism and the commitments are non-binding. This contrasts with, for example, the World Trade Organization (WTO), which does have formal enforcement mechanisms in place.²¹

Overview of the G-20 Summits

The G-20 has held four summits to date: Washington, DC, in November 2008; London in April 2009; Pittsburgh in September 2009; and Toronto in June 2010. The types of agreements reached at the G-20 summits have evolved as global economic conditions have changed from fear of economic free-fall to signs of economic recovery (with high levels of unemployment in some advanced economies). The next G-20 summit is scheduled for November 2010 and is to be hosted by South Korea.

Washington, DC, November 2008²²

The Washington, DC, summit focused on immediate crisis management. The G-20 pledged to pursue extensive regulatory reforms, including the creation of new international regulatory standards and national level reforms. The G-20 also pledged to use expansionary macroeconomic policies, both fiscal and monetary, to stimulate aggregate demand and encourage economic growth, or at least keep things from getting worse. Finally, the G-20 committed to refrain from protectionist trade policies.

London, April 2009²³

The London summit occurred several months after the Washington, DC, summit, but the G-20 leaders were still in crisis management mode. The G-20 leaders reiterated many of the commitments from the Washington, DC, summit and also reached agreement on more specific and far-reaching policy responses to the crisis. One of the biggest commitments from the London summit was the pledge to increase funding for the IMF and the MDBs by \$1.1 trillion, including a tripling of the IMF's lending capacity.²⁴ The G-20 leaders also pledged \$5 trillion in fiscal stimulus spending over the next two years and to create the Financial Stability Board (FSB) as the successor to the Financial Stability Forum (FSF) to coordinate and monitor progress on regulatory reforms. The G-20 emphasized their commitment to concluding the World Trade Organization (WTO) Doha Round of multilateral trade negotiations, which have stalled since 2001, and honoring their foreign aid commitments. Reforming the international financial

²¹ E.g., see: CRS Report RS20088, *Dispute Settlement in the World Trade Organization (WTO): An Overview*, by Jeanne J. Grimmer.

²² The G-20 Washington, DC, declaration is available at http://www.g20.org/Documents/g20_summit_declaration.pdf.

²³ The G-20 London communiqué is available at <http://www.g20.org/Documents/final-communique.pdf>. Supplemental documents are available at http://www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409_-_1615_final.pdf and http://www.g20.org/Documents/Fin_Deps_IFI_Annex_Draft_02_04_09_-_1615_Clean.pdf.

²⁴ For more on the \$1.1 trillion package to increase IFI and MDB resources, and the requisite congressional authorizations, see: CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss.

institutions (IFIs) to increase the representation of emerging-market countries was discussed, but no specific commitments were announced.

Pittsburgh, September 2009²⁵

The Pittsburgh summit occurred as the global recession was bottoming out, although unemployment was generally still rising in developed countries. The tone of the Pittsburgh communiqué reflects a sense of accomplishment with the G-20's response to address the crisis, while recognizing more work was needed. The G-20 leaders announced the creation of a new framework to coordinate and monitor national economic policies in order to correct the current global imbalances and prevent such imbalances from occurring in the future. The G-20 also announced more specific plans to increase the representation of emerging-market countries at the IMF and World Bank, as well as specific commitments on a host of new policy areas, including economic development and the environment. Finally, the G-20 leaders announced that henceforth, the G-20 would be the premier forum of international economic cooperation.

Toronto, June 2010²⁶

The Toronto summit was the first G-20 summit under the new format of the premier forum for international economic cooperation. The summit was held against a backdrop of growing economic uncertainty as looming sovereign debt crises and growing political instability in a number of European countries unnerved international credit markets. The summit broadly addressed five major areas: (1) growth; (2) the mutual assessment process (aimed largely at correcting global imbalances); (3) financial sector reform; (4) international financial institutions and development; and (5) fighting protectionism while promoting trade and investment. In the lead up to the summit, there was discussion about a G-20 commitment on introducing a bank tax, or levy, but in the end no agreement was reached.

With few exceptions, the discussions in Toronto were a continuation of issues that were discussed in previous G-20 summits in Washington, London, and Pittsburgh. The Toronto summit was viewed by many as a foundational summit that laid the path for more ambitious announcements at the South Korea summit in November 2010.

Seoul, November 2010

South Korean officials have stated that their top priority for the Seoul summit is delivering on previous G-20 commitments.²⁷ That said, Korea is the first non-G-7/G-8 country to chair a G-20 summit, and Korean officials are also proposing an ambitious set of new initiatives for the Seoul summit that focus on the needs of the emerging and developing world. First, to help countries handle volatile capital flows, Korea is advocating strengthening global safety nets. These safety nets, it is argued, would reduce the need for countries to build up substantial foreign exchange reserves, which many believe created imbalances that, in turn, led to the global financial crisis.

²⁵ The G-20 Pittsburgh leader's statement is available at http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf.

²⁶ The G-20 Toronto declaration is available at http://www.g20.org/Documents/g20_declaration_en.pdf.

²⁷ See http://www.seoulsummit.kr/eng/goPage.g20?return_url=TOP01_SUB03_02.

Safety nets would include replenishing the IMF's resources and adjusting its lending facilities, as well as supporting regional arrangements (like currency swaps). Second, Korea hopes to refocus the G-20's discussions on development issues, in particular narrowing the development gap and reducing poverty. Third, Korea feels that the private sector plays a vital role in promoting future economic growth, and will hold a Business Summit in the days leading up to the G-20 summit. The Business Summit is to focus on trade and investment, finance, green growth, and corporate responsibility.

Protests at G-20 Summits

Each of the G-20 summits have attracted protesters. The protesters tend to come from a mix of broad movements, including environmentalists, trade unions, socialist organizations, faith-based groups, anti-war camps, and anarchists.²⁸ At the Pittsburgh summit, for example, thousands of protestors gathered in the streets, holding signs with slogans such as "We Say No To Corporate Greed" and "G20=Death By Capitalism."²⁹ The protests have primarily been peaceful, although at times tensions between the police and protesters have escalated. In Pittsburgh, protestors began throwing rocks,³⁰ police used pepper gas against a group of students,³¹ and several protestors were arrested.³²

Major Issues on the Horizon

The major G-20 commitments that are likely to influence the policy agenda in the near future are described and analyzed in greater detail below.

A New Framework to Coordinate and Monitor Economic Policies

Some believe that the United States' external deficit and China's external surplus contributed to an unstable imbalance in the world economy. In order to correct this imbalance, and promote compatible national economic policies in the future, the G-20 announced a new "Framework for Strong, Sustainable and Balanced Growth" at the Pittsburgh summit.³³ Through this framework, the G-20 members agree on shared policy objectives, assess (with the IMF's assistance) the collective implications of national policy frameworks for the global economy, and consider and agree to actions that are necessary to meet common objectives.

The peer-review process of economic policies, or the "mutual assessment process," is being completed in two phases. The first stage was completed prior to the Toronto summit. For this assessment, the IMF collected data from the G-20 countries on their national policy frameworks

²⁸ Carl Prine, "An Overview of Protests Expected in Pittsburgh for G-20," *Pittsburgh Tribune-Review*, September 20, 2009.

²⁹ Michelle Nichols, "Protesters, Police Clash After G20 in Pittsburgh," *Reuters*, September 25, 2009.

³⁰ Daniel Lovering and Michael Rubinkam, "G-20 March Turns Chaotic as Police, Protesters Clash on Streets of Pittsburgh," *AP Newswire (Government Feed)*, September 24, 2009.

³¹ Michelle Nichols, "Protesters, Police Clash After G20 in Pittsburgh," *Reuters*, September 25, 2009.

³² Dennis B. Roddy and Michael A. Fuoco, "Protests Lead to 19 Arrests Across City," *Pittsburgh Post-Gazette*, September 25, 2009.

³³ http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf.

and assessed the collective consistency of these national policies. The IMF concluded that better policy coordination could increase global output by almost \$4 trillion, create tens of millions of more jobs, lift more people out of poverty, and reduce global imbalances. The IMF recommended the following key policy actions:³⁴

- **Advanced deficit economies:** credible fiscal consolidation over the medium term;
- **Advanced economies:** accelerate financial repair and reform to reduce regulatory uncertainty;
- **Advanced surplus countries:** reform product and labor markets to repair possibly lower supply potential and reduce persistently high unemployment;
- **Emerging surplus economies:** enhance social safety nets, reform corporate governance, develop financial markets, and pursue greater exchange rate flexibility to increase domestic demand; and
- **Emerging deficit economies:** simplify product market regulation, improve infrastructure, and increase efficiency of the formal sector to strengthen growth and employment.

The second phase of the mutual assessment process is to be completed at the country and European level. This assessment will further refine policy recommendations that are tailored to individual country circumstances to help fulfill the framework's goals of strong, sustainable, and balanced growth.

The G-20 does not have a formal enforcement mechanism for inducing countries to adopt the recommending policy changes. The only tool at the G-20's disposal is the threat of "naming and shaming." This has worked to some extent for the G-7 economic process, but it has worked less well in international organizations. Some question, then, whether the new G-20 Framework will be different than IMF surveillance.³⁵ The IMF has the responsibility of monitoring the international monetary system and the economic and financial policies of individual IMF member countries. In recent years, it has also monitored broader global and regional trends. Under its surveillance programs, the IMF can point to weaknesses in an economy but does not have authority to enforce policy changes to address those weaknesses. Countries that do not need to borrow from the IMF have often shrugged off its advice. It is not clear under the current framework for the G-20 how the mutual assessments will translate into policy actions by participating countries on particular key issues such as correcting global imbalances that may require, for example, increasing savings in the United States or increasing spending in China.

Fiscal Austerity vs. Fiscal Stimulus

In the three G-20 summits prior to the Toronto summit, the G-20 leaders made commitments to adopt economic stimulus measures to blunt the economic recession associated with the recent financial crisis. Over the past year, however, various G-20 leaders have expressed concerns about

³⁴ See Staff of the International Monetary Fund (IMF), *G-20 Mutual Assessment Process—Alternative Policy Scenarios*, June 26-27, 2010, <http://www.imf.org/external/np/g20/pdf/062710a.pdf>.

³⁵ E.g., see Chris Giles, "Three-Stage Plan for Growth," *Financial Times*, September 26, 2009, and Chris Giles, "Spot the Difference," *Financial Times*, September 23, 2009.

rising debt levels. The Toronto summit exposed rifts among the developed G-20 countries over, on the one hand, fiscal austerity and deficit reduction, and, on the other hand, the need to provide fiscal stimulus to boost employment and prevent a slide back into recession by the advanced economies. The Obama Administration was one of the proponents in the G-20 for sustained fiscal stimulus until economic recovery and job creation were better secured.

In the end, the Toronto summit reflected a compromise between the two sides of the debate. The summit declaration stated that, “while growth is returning, the recovery is uneven and fragile, unemployment in many countries remains at unacceptable levels, and the social impact of the crisis is still widely felt... recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly plans to deliver fiscal sustainability, differentiated for and tailored to national circumstances.”³⁶ At the same time, concerns about debt levels in advanced economies was recognized by the G-20 leaders. The G-20 leaders announced at the Toronto summit that advanced countries would commit to halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016.

Regulatory Reform

Some argue that a major cause of the current global financial crisis was the failure of policymakers to adequately regulate financial markets both domestically and globally. Consequently, proposals for regulatory reform have been central components of each of the G-20 summits held to date. The proposals have generally emphasized the need for new international regulatory standards and the implementation of regulatory reforms at the national level. Examples of the reforms proposed include:

- Creating new global accounting standards;
- Expanding the transparency of complex financial instruments;
- Strengthening and harmonizing capital standards;
- Reassessing banker compensation;
- Regulating all systemically important financial institutions;
- Regulating credit rating agencies; and
- Fighting illicit financial activity.

At the G-20 summit held in Pittsburgh, the G-20 leaders announced several deadlines for some key regulatory reforms. Examples include:

- Developing new standards for bank capital by end-2010;
- Implementing new capital standards by end-2012;
- Strengthened regulation of over-the-counter derivatives markets by end-2012;
- Addressing cross-border resolutions and systemically important financial institutions by end-2010;

³⁶ G-20, *The G-20 Toronto Summit Declaration*, June 26-27 2010, http://www.g20.org/Documents/g20_declaration_en.pdf.

- Converging on new global accounting standards by June 2011;
- Implementing countermeasures against tax havens from March 2010; and
- Initiating a peer review process of non-cooperative jurisdictions (NCJs) by February 2010.

At the Toronto summit, the G-20 reiterated many of these commitments, but in a slightly different format. They announced four “pillars” of reform, which include: (1) a strong regulatory framework; (2) effective supervision; (3) resolution and addressing systemic institutions; and (4) transparent international assessment and peer review.

Within the G-20, the United States is generally viewed as a leader in regulatory reform, having passed a major regulatory reform act in July 2010 (P.L. 111-203).³⁷ The Administration is now expected to focus on making sure that other countries adopt consistent and harmonized regulatory reforms to ensure a “level playing field,” or that capital does not flow out of the United States to countries with looser banking standards. As other G-20 countries move towards regulatory reform and the FSB assesses the implementation and consistency of national level regulations, regulatory reform is expected to continue to be a major G-20 priority.

Increasing the Representation of Emerging Markets in International Financial Institutions (IFIs)

There has been frustration among emerging-market countries that the World Bank and the IMF have not been reformed to reflect their increased weight in the world economy. At the Pittsburgh summit, the G-20 leaders committed to increase the voting power for developing and transition countries at the World Bank by at least 3%. In April 2010, the shareholders at the World Bank having agreed to reforms that will increase the voting power of developing and transition countries by more than 3%.³⁸ U.S. voting power is not expected to be affected by the 2010 reforms and the United States will retain veto power over major decisions at the Bank.

The G-20 also pledged a shift of at least 5% of the IMF quota share, which impacts voting power, from over-represented countries to under-represented countries by January 2011.³⁹ The IMF reforms are proving more controversial than the World Bank voting reforms. It is generally agreed that IMF quotas should broadly reflect a country’s relative size in the world economy.⁴⁰ It is also broadly acknowledged that some European countries are over-represented at the IMF, because their relative weight in the world economy is smaller than their IMF quota. Likewise, some emerging-market countries, like China, are under-represented at the IMF, because their IMF

³⁷ For more information, see CRS Report R40975, *Financial Regulatory Reform and the 111th Congress*, coordinated by Baird Webel.

³⁸ Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund, *Development Committee Communique*, April 25, 2010, [http://siteresources.worldbank.org/DEVCOMMINT/NewsAndEvents/22556084/FinalCommunique\(E\)042510.pdf](http://siteresources.worldbank.org/DEVCOMMINT/NewsAndEvents/22556084/FinalCommunique(E)042510.pdf).

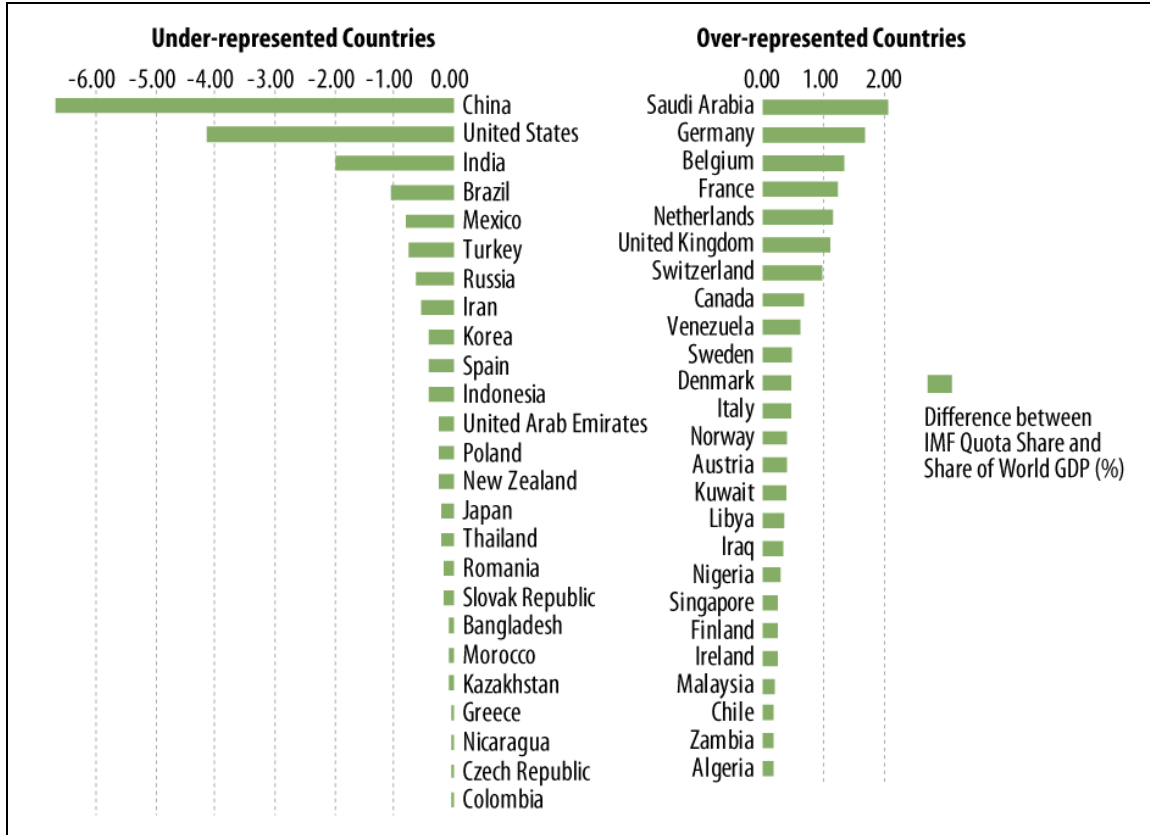
³⁹ IMF quotas determine a country’s maximum financial commitment to the IMF and its voting power, and has bearing on its access to IMF financing.

⁴⁰ E.g., see “IMF Quotas,” International Monetary Fund, October 31, 2009. Available at <http://www.imf.org/external/np/exr/facts/quotas.htm>. Also see “Quota Reform at the G-20,” Reserve Bank of Australia, February 2006. Available at http://www.treasury.gov.au/documents/1102/HTML/docshell.asp?URL=G20_Quota_Reform.htm.

quota is smaller than their relative weight in the world economy. This is illustrated in **Figure 2**, which compares a country’s relative size (GDP, adjusted for purchasing power parity) in the world economy to its IMF quota.

To date, no agreement has been reached on which countries will see their quota share, and thus voting power, change, and if so, by how much.⁴¹ The G-20 leaders did, however, announce in Toronto that they expect to reach an agreement by the G-20 Seoul summit in November 2011.

Figure 2. Comparison of Relative Size in the World Economy with IMF Quota Share



Source: Data used in calculations from “Updated IMF Quota Day – September 2009,” International Monetary Fund, September 23, 2009, <http://www.imf.org/external/np/fin/quotas/2009/091509.htm>.

Notes: 25 IMF members with the smallest and largest differences between IMF quota share and share of world GDP. GDP is adjusted for purchasing power parity (PPP).

The G-20 leaders have also pledged that the heads and senior leadership of the international financial institutions should be appointed through an “open, transparent, and merit-based selection process.” This may affect the 60-year-old unwritten convention that the Managing Director of the IMF is selected by Western European countries and the President of the World Bank is selected by the United States. However, the wording in the G-20 declarations on this point are vague and to date there is no consensus on how this would be implemented in practice.

⁴¹ “Money, Votes and Politics,” *The Economist*, October 7, 2009.

Increasing Funding of the Multilateral Development Banks (MDBs)

As the financial crisis spread internationally during 2008 and 2009, more and more emerging-market and developing countries turned to the IMF and the World Bank for financial assistance. In response to greater demand for IMF loans, the G-20 leaders agreed at the London summit to triple the Fund's lending capacity to \$750 billion as part of a larger \$1.1 trillion package to increase funding.⁴² Specifically, the leaders agreed to increase the resources of the New Arrangements to Borrow (NAB), a supplemental fund that bolsters IMF resources, by up to \$500 billion. To fulfill this commitment, Congress approved the extension of a \$100 billion loan to the NAB in May 2009, included in the FY2009 Spring Supplemental Appropriations for Overseas Contingency Operations (P.L. 111-32).⁴³ In the end, total new commitments to the NAB are greater than \$500 billion, more than originally expected.⁴⁴

At the G-20 summit in Pittsburgh, the G-20 turned their attention to the lending capacity of the multilateral development banks (MDBs). Proposals have been made in all the MDBs in the past year suggesting that substantial increases in their capital stock are needed.⁴⁵ There are two general reasons why the MDBs are requesting general capital increases. First, demand for loans is high. The current crisis and the resulting shrinkage in private capital flows is creating a large gap in the external financing needs for developing countries. The World Bank estimates this gap is between \$350 billion and \$635 billion for 2009 alone, and is expected to continue in 2010 and beyond.⁴⁶ Second, it has been noted that the Inter-American Development Bank (IDB)'s request for a general capital increase comes on the heels of a loss of nearly \$1.9 billion in 2008.⁴⁷

A general capital increase for any one of the banks is an infrequent occurrence; simultaneous capital increases for all the MDBs is quite unusual and has not happened since the 1970s. The Administration has requested that U.S. contributions to the Asian Development Bank (AsDB) capital increase be included in the FY2011 budget. Capital increases for the other MDBs, if agreed to, would likely be included in the FY2012 budget.

In the view of many, the need and size of any MDB capital increases would depend on the availability of private capital. Prior to the current global financial crisis, in 2007, net capital inflows to emerging markets were at a historic peak of \$1,252 billion in 2007.⁴⁸ Capital flows began slowing in 2008 and fell to \$531 billion in 2009. Capital flows to emerging markets are forecasted to rebound to \$746 billion in 2011. There are some important differences among

⁴² For more information, see: CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss.

⁴³ CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss.

⁴⁴ International Monetary Fund, *Bolstering the IMF's Lending Capacity*, November 5, 2009, <http://www.imf.org/external/np/exr/faq/contribution.htm>.

⁴⁵ For more on the MDBs and the general capital increases, see CRS Report R41170, *Multilateral Development Banks: Overview and Issues for Congress*, by Rebecca M. Nelson.

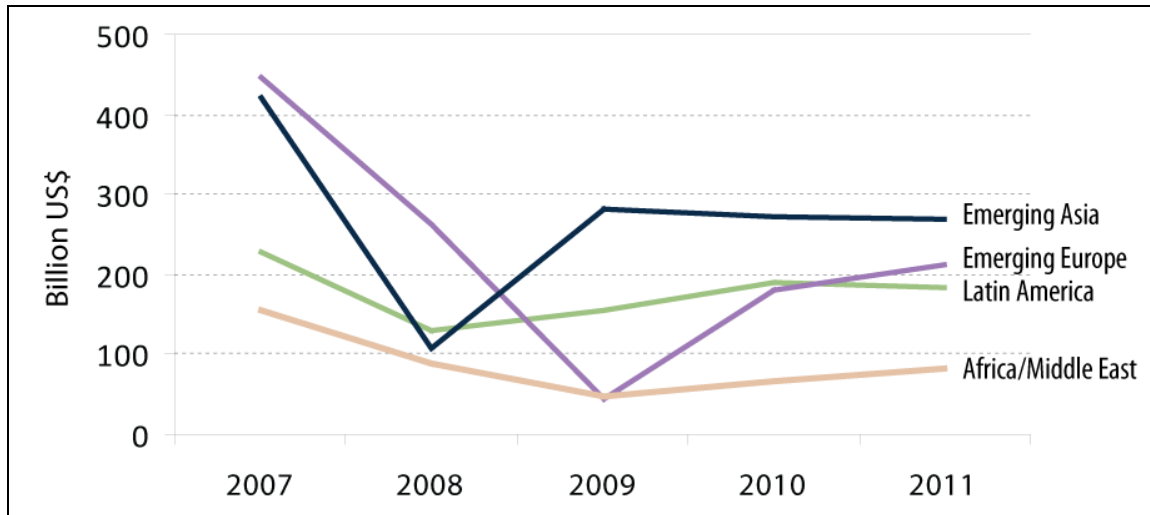
⁴⁶ World Bank, *Review of IBRD and IFC Financial Capacities: Working with Partners to Support Global Development*, October 5, 2009.

⁴⁷ Daniel Bases and Javier Mozzo, "IADB Should Increase Capital by \$150-\$180 Billion," *Reuters*, March 29, 2009.

⁴⁸ Data for this section is from "Capital Flows To Emerging Market Economies," *Institute for International Finance*, October 3, 2009.

regions, as shown in **Figure 3**. By 2011, net private capital flows are forecasted to have returned to 80% of their pre-crisis (2007) levels in Latin America, 48% of their pre-crisis levels in emerging Europe, 52% of their pre-crisis levels in Africa and the Middle East, and 63% of their pre-crisis levels in emerging Asia.⁴⁹

Figure 3. Net Private Capital Inflows to Emerging Market Economies, by Region



Source: “Capital Flows to Emerging Market Economies,” *Institute for International Finance*, October 2009 and June 2010.

Notes: Data for 2010 and 2011 are forecasts. Emerging Europe includes Bulgaria, Czech Republic, Hungary, Poland, Romania, Russia, Turkey, and Ukraine. Latin America emerging markets include Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela. Emerging Asia includes China, India, Indonesia, Malaysia, Philippines, South Korea, and Thailand. Africa/Middle East emerging markets include Egypt, Lebanon, Morocco, Nigeria, Saudi Arabia, South Africa, and UAE.

It is not clear whether the high level of inflows seen before the crisis were sustainable or whether their size actually contributed to the severity of the crisis in some instances when the flow precipitously declined. Overall, however, the resurgence of capital flows to emerging markets raises questions about the need for permanent capital increases, and some have raised questions about the commitment to increasing funding for the MDBs as governments have become more concerned about budget deficits and rising debt levels.

Concluding the WTO Doha Round of Multilateral Trade Negotiations

Doha negotiations have been stalled since 2001 due to differences among the United States, the European Union, and developing countries on major issues including agriculture, industrial tariffs, non-tariff barriers, and services.⁵⁰ Before the Toronto summit, the G-20 leaders have also pledged to conclude the WTO Doha Round of multilateral trade negotiations within specific

⁴⁹ “Capital Flows to Emerging Market Economies,” *Institute for International Finance*, October 2009 and June 2010. See notes on Fig. 3 for more information on the data.

⁵⁰ For more on the Doha negotiations, see: CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by Ian F. Fergusson.

timeframes, for example, before the end of 2010. In the most recent G-20 summit in Toronto, this commitment has been somewhat watered down to “reiterating our support for bringing the WTO Doha Development Round to a balanced and ambitious conclusion as soon as possible.”

To date, there appears to be a disconnect between the pledges of the G-20 leaders and the lack of specific negotiations on the ground to meet this goal. It is not evident that WTO members have made progress in resolving the stalemate over the Doha negotiations, and the G-20 pledge to get the Doha Round back on track is viewed by many as unlikely to be met.⁵¹ Confidence might be enhanced if the G-20 discussed the basic controversies deadlocking the Doha negotiations rather than just announcing their intent to reach agreement.

Eliminating Fossil Fuel Subsidies

As the current financial crisis began to stabilize and growth started returning to the world economy, the G-20 leaders turned to other issues, including the environment. At Pittsburgh, the G-20 leaders committed to eliminating fossil fuel subsidies over the medium-term. At Toronto, the G-20 leaders pledged to continue to review progress towards this commitment at future summits.

Support for the ban on fossil fuel subsidies comes from the Obama Administration, who is reported to have pushed for the G-20 commitment in Pittsburgh.⁵² It is estimated that the removal of fossil fuel subsidies by 2020 would reduce greenhouse gas emissions by 10% in 2050, and it is reported that the President views the elimination of fossil fuel subsidies as a “down payment” on the international goal of reducing greenhouse gas emissions by 50% from 1990 levels by 2050.⁵³

In addition to the environmental benefits, eliminating fossil fuel subsidies may also even out the large price swings that have characterized the oil markets in recent years.⁵⁴ With fossil fuel subsidies, increases in the price of oil are not necessarily passed on to consumers. This means that demand for oil can continue to rise even as oil prices increase and in fact further contribute to the price increase, leading to large upswings in the price of oil. Stabilizing oil prices may prove important as the current financial crisis has led to what some see as under-investment in the energy sector, such as energy companies drilling fewer oil and gas wells. Under-investment in the energy sector may lead to higher energy prices, particularly for oil and electricity, in a few years.⁵⁵ Additionally, elimination of fossil fuel subsidies may ease the budget deficit problems of many countries.

Eliminating fossil fuel subsidies may prove difficult. Governments in low- and middle-income countries, who spend \$310 billion a year on fossil fuel subsidies compared to the \$20-30 billion spent annually by developed countries, may be reluctant for political reasons to eliminate these subsidies.⁵⁶ In 2008, cuts in subsidies in Egypt, India, and Indonesia resulted in street protests and

⁵¹ E.g., see “Regaining Their Balance,” *The Economist*, 26 September 2009.

⁵² Ben Geman, “White House Wants Fuel Subsidy Cuts on G-20 Agenda,” *Washington Post*, September 16, 2009.

⁵³ “Fossilised Policy,” *The Economist*, October 1, 2009.

⁵⁴ “No Free Lunch: The G-20’s Case Against Fossil-Fuel Subsidies,” *Wall Street Journal*, September 25, 2009.

⁵⁵ International Energy Agency, *World Energy Outlook 2009*, November 10, 2009.

⁵⁶ “Fossilised Policy,” *The Economist*, October 1, 2009.

political upheaval.⁵⁷ Eliminating fossil fuel subsidies in rich countries may also face obstacles. The Environmental Law Institute, a think-tank, estimates that the United States spent \$72 billion on fossil-fuel subsidies between 2002 and 2008.⁵⁸ Elimination of fossil fuel subsidies would require Congressional approval, and it is expected that the oil industry would strongly oppose such legislation.⁵⁹

Looking Ahead: Effectiveness of the G-20 Moving Forward

As the G-20 adapts to its new status as the premier forum for international economic cooperation, there has been speculation about how effective the G-20 will be moving forward. Three scenarios have been discussed. Specifically, the G-20 as a coordinating forum will be (1) effective; (2) ineffective; or (3) effective in some instances but not others. These possible scenarios are discussed in greater detail below.

Scenario 1: Effective

Some believe that the G-20 will be an effective forum for international economic cooperation moving forward. The G-20 will be able to play this role, it is argued, for three reasons. First, the G-20 includes all the major economic players at the table, representing two-thirds of the world's population, 90% of world GDP, and 80% of world trade,⁶⁰ but at the same time is small enough to facilitate concrete negotiations. Second, the involvement of national heads of state in the negotiations could serve to facilitate commitments in major policy areas. Third, as the issues discussed by the G-20 leaders expand, the G-20 may be able to facilitate cooperation by enabling trade-offs among major concerns, such as climate change and trade, that are not possible in issue-specific forums and institutions.

G-20 optimists typically point to the G-20's successes at the height of the financial crisis, when the G-20 played a unique, strong, and central role in steering the recovery efforts. The G-20 was the source of major decisions regarding fiscal stimulus, regulatory reform, tripling the IMF's lending capacity, and other response efforts. The G-20 also tasked other international organizations, such as the Bank for International Settlements (BIS), the IMF, the World Bank, and the FSB (which the G-20 strengthened from the FSF), with facilitating, monitoring, or implementing various aspects of the response to the crisis.

Scenario 2: Ineffective

Others are skeptical that the G-20 will be an effective forum for international cooperation moving forward for at least three reasons. First, the G-20 includes a diverse set of countries with different

⁵⁷ Ibid.

⁵⁸ Environmental Law Institute, *Estimating U.S. Government Subsidies to Energy Sources: 2002-2008*, September 2009.

⁵⁹ "Fossilised Policy," *The Economist*, October 1, 2009.

⁶⁰ Arvind Panagariya, *The G-20 Summit and Global Trade: Restore Credit and Resist Protectionism*, Brookings, March 14, 2009. Trade data includes intra-EU trade.

political and economic philosophies. As economic recovery begins, it is argued that this heterogeneous group with divergent interests will have trouble reaching agreements on global economic issues. Second, some believe that G-20 does not include the right mix of countries. It is argued that Europeans are over-represented at the G-20 (with Germany, France, Italy, the United Kingdom, and the European Union taking up five of the 20 slots), while some important emerging-market countries are excluded. Poland, Thailand, Egypt, and Pakistan are typically cited as examples (see **Appendix A**).⁶¹ By concentrating European interests while excluding important emerging-markets from the negotiating table, it will be difficult, it is argued, to achieve cooperation on economic issues of global scope. Third, some experts believe that the G-20 will be ineffective because it has no enforcement mechanism beyond “naming and shaming” and with little follow-up will not be able to enforce its commitments. As evidence that the G-20 is an ineffective steering body in the international economy, G-20 skeptics point to the portions of recent G-20 declarations that merely reiterate commitments made by countries in other venues and institutions or at previous G-20 summits.

Scenario 3: Effective in Some Instances, but Not Others

A third scenario represents a middle ground between the previous two, namely, that the G-20 will be effective in some instances but not others. It is argued the G-20 could be an effective body in times of economic duress, when countries view cooperation as critical, but less effective when the economy is strong and the need for cooperation feels less pressing. Proponents of this view point to the strong commitments achieved in the London G-20 summit at the height of the crisis compared to what many view as the weaker outcomes of the Toronto summit, when economic recovery was underway (although unemployment remains high in several advanced countries).

Another variant is that the G-20 will prove effective in facilitating cooperation over some issue areas but not others. For example, the G-20 could be effective in coordinating monetary policy across the G-20 countries, by providing a formal structure for finance ministers, central bankers, and leaders to gather and discuss monetary policy issues. In most countries, central banks exercise largely autonomous control over monetary policy issues and would have the authority to implement decisions reached in G-20 discussions. By contrast, it is argued that the G-20 could find coordination of other policies more difficult. One example may be fiscal policies, because although finance ministers and national leaders undoubtedly can influence fiscal policies at the national level, control over fiscal policies in many countries ultimately lies with national legislatures. It is not clear to what extent national legislatures will feel bound in their policy-making process by decisions reached at the G-20 and thus how effective G-20 coordination on these issues will be.

⁶¹ “G20 Gains Stature But is Overambitious,” *Oxford Analytica*, September 28, 2009.

Appendix A. World's Largest Countries and Entities

Table A-1. World's Largest Countries and Entities
2009 GDP in current prices, billions of U.S. dollars

Rank	G-20 Member	Non G-20 Member	GDP
1.	European Union		16,447
2.	United States		14,256
3.	Japan		5,068
4.	China		4,909
5.	Germany		3,353
6.	France		2,676
7.	United Kingdom		2,184
8.	Italy		2,118
9.	Brazil		1,574
10.		Spain	1,464
11.	Canada		1,336
12.	India		1,236
13.	Russia		1,229
14.	Australia		997
15.	Mexico		875
16.	South Korea		833
17.		Netherlands	795
18.	Turkey		615
19.	Indonesia		539
20.		Switzerland	495
21.		Belgium	470
22.		Poland	430
23.		Sweden	405
24.		Norway	383
25.		Austria	382
26.		Taiwan	379
27.	Saudi Arabia		370
28.		Venezuela	337
29.		Greece	331
30.		Iran	330
31.	Argentina		310
32.		Denmark	309

Rank	G-20 Member	Non G-20 Member	GDP
33.	South Africa		287

Source: IMF World Economic Outlook.

Notes: The European Union (EU) includes 27 countries. Some 2009 data are IMF forecasts. Ranking is for illustrative purposes only. Using a different measure of economic size, for example, GDP adjusted for purchasing power parity (PPP), would yield different rank orders.

Appendix B. CRS Reports on Related Issues

Looking for more information on a specific issue?

Global Financial Crisis

CRS Report RL34742, *The Global Financial Crisis: Analysis and Policy Implications*, coordinated by Dick K. Nanto

CRS Report R40496, *The Global Financial Crisis: Foreign and Trade Policy Effects*, coordinated by Dick K. Nanto

CRS Report R40173, *Causes of the Financial Crisis*, by Mark Jickling

CRS Report R40415, *The Financial Crisis: Impact on and Response by The European Union*, by James K. Jackson

CRS Report R41167, *Greece's Debt Crisis: Overview, Policy Responses, and Implications*, coordinated by Rebecca M. Nelson

CRS Report RS22988, *Iceland's Financial Crisis*, by James K. Jackson

Regulatory Reform

CRS Report R40975, *Financial Regulatory Reform and the 111th Congress*, coordinated by Baird Webel

CRS Report R41176, *Federal Financial Services Regulatory Consolidation: Structural Response to the 2007-2009 Financial Crisis*, by Walter W. Eubanks

CRS Report R40877, *Financial Regulatory Reform: Systemic Risk and the Federal Reserve*, by Marc Labonte

CRS Report R40696, *Financial Regulatory Reform: Consumer Financial Protection Proposals*, by David H. Carpenter and Mark Jickling

CRS Report R40788, *Financial Market Supervision: European Perspectives*, by James K. Jackson

Global Imbalances

CRS Report RL31032, *The U.S. Trade Deficit: Causes, Consequences, and Policy Options*, by Craig K. Elwell

CRS Report RL33274, *Financing the U.S. Trade Deficit*, by James K. Jackson

International Monetary Fund (IMF)

CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss

CRS Report R41239, *Frequently Asked Questions about IMF Involvement in the Eurozone Debt Crisis*, coordinated by Rebecca M. Nelson

Multilateral Development Banks (MDBs)

CRS Report R41170, *Multilateral Development Banks: Overview and Issues for Congress*, by Rebecca M. Nelson

CRS Report RS20792, *Multilateral Development Banks: U.S. Contributions FY1998-FY2011*, by Jonathan E. Sanford

CRS Report RL33969, *The World Bank's International Development Association (IDA)*, by Martin A. Weiss

CRS Report RS22690, *The African Development Bank Group*, by Martin A. Weiss

CRS Report RS21437, *The Asian Development Bank*, by Martin A. Weiss

World Trade Organization (WTO)

CRS Report R41291, *World Trade Organization (WTO): Issues in the Debate on Continued U.S. Participation*, by Raymond J. Ahearn and Ian F. Fergusson

CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by Ian F. Fergusson

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