



**Congressional
Research Service**

Informing the legislative debate since 1914

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

,name redacted,

Specialist in International Trade and Finance

July 22, 2016

Congressional Research Service

7-....

www.crs.gov

R40977

Summary

The Group of Twenty (G-20) is a forum for advancing international cooperation and coordination among 20 major advanced and emerging-market economies. The G-20 includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States, as well as the European Union (EU). G-20 countries account for about 85% of global economic output, 75% of global exports, and two-thirds of the world's population.

Originally established in 1999, the G-20 rose to prominence during the global financial crisis of 2008-2009 and is now the premier forum for international economic cooperation. Since the crisis, the G-20 leaders typically meet annually (at "summits"). Meetings among lower-level officials, including finance ministers and central bank governors, are scheduled throughout the year. G-20 meetings primarily focus on international economic and financial issues, although related topics are also discussed, including development, food security, and the environment, among others.

Congress exercises oversight over the Administration's participation in the G-20, including the policy commitments that the Administration is making in the G-20 and the policies it is encouraging other G-20 countries to pursue. Additionally, legislative action may be required to implement certain commitments made by the Administration in the G-20 process.

The G-20 in 2016

China holds the rotating presidency of the G-20 for the first time in 2016 and is hosting the leaders' summit on September 4-5 in Hangzhou. The president of the G-20 sets the agenda for the year, and China is focusing on the "four I's": an innovative, invigorated, interconnected, and inclusive world economy. Key agenda items include economic growth (including maintaining the momentum of the global economic recovery and lifting mid- to long-term growth potential), effective and efficient global economic and financial governance, robust international trade and investment, and inclusive and interconnected development.

In preparation for the September summit, a number of meetings are being held among lower-level government officials, most prominently among the G-20 finance ministers and central bank governors but also the G-20 trade, employment, energy, and agriculture officials. Meetings are also being held with representatives from business, labor, think tanks, women, youth, and other social groups.

Effectiveness of the G-20

Some analysts say that while the G-20 was instrumental in coordinating the response to the global financial crisis of 2008-2009, its effectiveness has diminished as the urgency of the crisis has waned. They argue that the G-20 has failed to provide adequate international leadership in key policy areas, such as forging a conclusion to the World Trade Organization (WTO) Doha Round of trade negotiations. They also maintain that the G-20 as a group is too heterogeneous and its agenda is too ambitious. Others argue that the G-20 is a critical forum for discussing major policy initiatives across major countries, such as financial regulatory reform, and encouraging greater cooperation, even if agreement on policies is not always reached. They also argue that it serves as a useful steering committee for the international economy and that having the G-20 policymaking infrastructure in place is important for timely international responses to economic crises.

Contents

Introduction	1
The Rise of the G-20 as the Premier Forum for International Economic Cooperation	1
Motivations for Economic Cooperation	1
1970s-1990s: Advanced Economies Dominate Financial Discussions	2
1990s-2008: Emerging Economies Gain Greater Influence.....	2
2008-Present: Emerging Economies Get a Seat at the Table	3
How the G-20 Operates.....	5
Frequency of Meetings.....	5
U.S. Representation.....	5
Location of Meetings and Attendees.....	5
Agreements	6
Overview of Previous G-20 Summits.....	7
The G-20 in 2016	10
Debating the G-20’s Effectiveness	12
Scenario 1: Effective	12
Scenario 2: Ineffective	12
Scenario 3: Effective in Some Instances, but Not Others	13

Figures

Figure 1. Expansion of the G-7 to the G-20	4
--	---

Tables

Table 1. Chairs of the G-20	6
Table 2. G-20 Summits: Context and Major Highlights.....	7
Table A-1. World’s Largest Countries and Entities	14

Appendixes

Appendix. World’s Largest Countries and Entities	14
--	----

Contacts

Author Contact Information	14
Acknowledgments	15

Introduction

The Group of Twenty, or G-20, is a forum for advancing international economic cooperation and coordination among 20 major advanced and emerging-market economies.¹ Originally established in 1999, the G-20 rose to prominence during the global financial crisis of 2008-2009. It is now considered to be the premier forum for international economic cooperation, a position in effect held for decades following World War II by a smaller group of advanced economies (the Group of 7, or G-7).² G-20 countries account for about 85% of global economic output, 75% of world exports, and two-thirds of the world's population.³

The G-20 leaders meet annually, and meetings among lower-level officials are held throughout the year. The next G-20 leader meeting is scheduled to be held in Hangzhou, China, on September 4-5, 2016. The G-20's focus is generally on financial and economic issues and policies, although related issues have also been discussed, including food security, foreign aid, the environment, and foreign policy, among other issues.

Congress exercises oversight over the Administration's participation in the G-20, including the policy commitments that the Administration is making in the G-20 and the policies it is encouraging other G-20 countries to pursue. Additionally, legislative action may be required to implement certain commitments made by the Administration in the G-20 process. Commitments made by the Administration at the G-20 may shape the congressional legislative agenda.

This report analyzes why countries coordinate economic policies and the historical origins of the G-20; how the G-20 operates; major highlights from previous G-20 summits, plus an overview of the agenda for the next G-20 summit; and debates about the effectiveness of the G-20 as a forum for economic cooperation and coordination.

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

Motivations for Economic Cooperation

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 can be affected by the economic policy decisions of other governments. These effects may not always be positive. For example, if one country devalues its currency or restricts imports in an attempt to reverse a trade deficit, another country's exports may decline. 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.

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).

² The G-7 includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

³ World Bank, *World Development Indicators*, July 2016.

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: Advanced Economies Dominate Financial Discussions

Prior to the global financial crisis of 2008-2009, international economic discussions at the top leadership level primarily took place among a small group of developed industrialized economies. 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 did not usually participate in discussions on international economic policy, which continued to occur mainly at the G-7 level. Meetings among finance ministers and central bank governors typically preceded the summit meetings. Macroeconomic policies discussed in the G-7 context included exchange rates, balance of payments, globalization, trade, and economic relations with developing countries. 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 Economies Gain Greater Influence

Although emerging economies 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 1997-1998.⁷ 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 G-20 was established in late 1999 as a permanent international economic forum for encouraging coordination between advanced and emerging economies. 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 meetings among leaders, in addition to finance ministers.

⁴ For more information about formal international institutions, see, for example: CRS Report R42019, *International Monetary Fund: Background and Issues for Congress*, by (name redacted), and CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by (name redacted).

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. For more information, see CRS Report RS21482, *The Paris Club and International Debt Relief*, by (name redacted).

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 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 For more about emerging economies, see CRS Report R41969, *Rising Economic Powers and the Global Economy: Trends and Issues for Congress*, by (name redacted).

Emerging markets were also granted more sway in international economic discussions when the G-8 partly opened its door to them in 2005.⁸ The United Kingdom's Prime Minister Tony Blair invited five emerging economies—China, Brazil, India, Mexico, and South Africa—to participate in G-8 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.”⁹

2008-Present: Emerging Economies Get a Seat at the Table

It is only with the outbreak of the global 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 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.”¹⁰

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 France's president, Nicolas Sarkozy, and Britain's prime minister, (name redacted), pushed for a G20 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.”¹¹ 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.¹² 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.

⁸ 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.

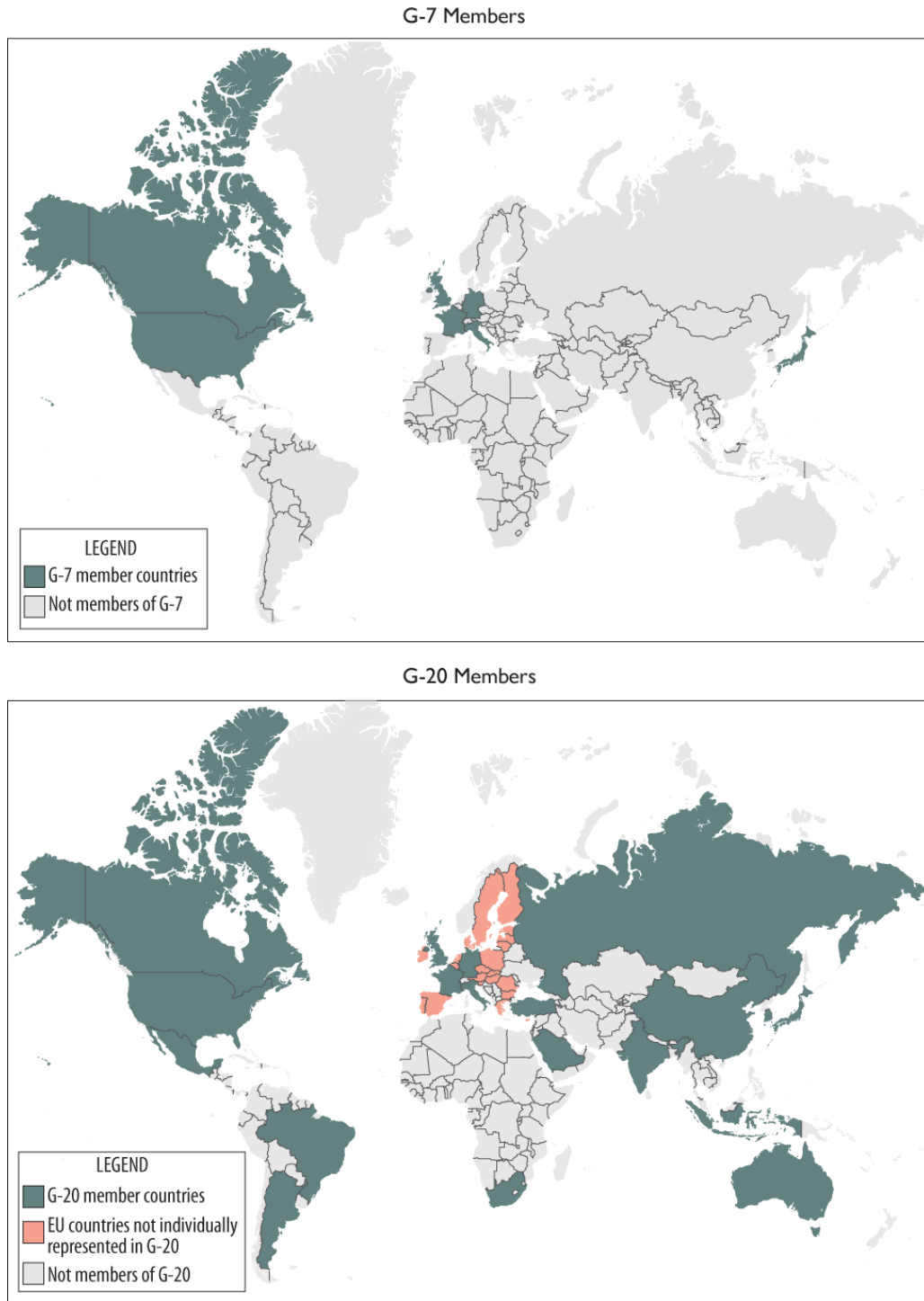
⁹ Jonathan Wheatley, “G20 Calls for Expanded Role to Combat Economic Turmoil,” *Financial Times*, November 10, 2009.

¹⁰ “After the Fall,” *The Economist*, November 15, 2009.

¹¹ “Not a Bad Weekend's Work,” *The Economist*, November 16, 2008.

¹² *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-20 meetings among heads of state, or “summits,” are the focal points of the G-20 discussions. Starting in 2011, the G-20 leaders began convening annually, although 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. Specifically, the G-20 finance ministers and central bank governors meet several times a year, and other ministers may also be called to meet at the request of the G-20 leaders. For example, in 2016 there are meetings among agriculture, energy, labor, and trade ministers. In addition, there are meetings among the leaders’ personal representatives, known as “sherpas.”¹³

Overall, the G-20 process has led to the creation of a complex set of interactions among many different levels of G-20 government officials. Some argue that the high frequency of interactions is conducive to forming open communication channels, while others argue that the G-20 process has created undue administrative burden on the national agencies tasked with implanting and managing their countries’ participation in the G-20 process.

U.S. Representation

Within the U.S. government, the Department of the Treasury is the lead agency in coordinating U.S. participation in the G-20 process. However, the G-20 works on a variety of issues, and the Department of the Treasury works closely with other U.S. agencies in their G-20 work, including the Federal Reserve, the State Department, the U.S. Agency for International Development, and the Department of Energy. 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 is the Deputy National Security Advisor for International Economic Affairs, a position currently held by Adewale “Wally” Adeyemo.¹⁴

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 many of the meetings, and is able to shape the year’s focus or agenda. 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.¹⁵

The chair rotates among members and is selected from a different region each year. **Table 1** lists the G-20 chairs since 1999, as well as the countries scheduled to chair the G-20 through 2017.

¹³ 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.

¹⁴ The White House Office of the Press Secretary, “Statement by the President on the Selection of Adewale Adeyemo as Deputy National Security Advisor,” December 15, 2015, <https://www.whitehouse.gov/the-press-office/2015/12/15/statement-president-selection-adewale-adeyemo-deputy-national-security>.

¹⁵ <http://www.g20.org>.

The United States has never officially chaired the G-20, although the United States did host G-20 summits in 2008 and 2009 during the height of the global financial crisis.

Table I. Chairs of the G-20

Year	Country	Year	Country
1999-2001	Canada	2010	South Korea
2002	India	2011	France
2003	Mexico	2012	Mexico
2004	Germany	2013	Russia
2005	China	2014	Australia
2006	Australia	2015	Turkey
2007	South Africa	2016	China
2008	Brazil	2017	Germany
2009	United Kingdom		

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

In addition to the G-20 members, some countries attended the G-20 summits at the invitation of the country chairing the G-20. In 2010, the G-20 formalized the participation of five non-G-20 members at the leaders’ summit, of which at least two would be African countries.¹⁶ Several regional organizations and international organizations also attend G-20 summits. For example, official participants typically have included representatives from 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; and the World Trade Organization (WTO).

Agreements

All agreements, comments, recommendations, and policy reforms reached by the G-20 finance ministers, central bankers, and 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.¹⁷ The G-20 does not have a way to enforce implementation of the agreements reached by the G-20 at the national level beyond moral suasion; the G-20 has no formal enforcement mechanism and the commitments are non-binding. This contrasts with the World Trade Organization (WTO), for example, which does have formal enforcement mechanisms in place.¹⁸

¹⁶ G-20, “Invitees and International Organizations,” http://www.g20.org/docs/about/international_guests.html.

¹⁷ The G-20 communiqués are posted online at http://www.g20.org/pub_communique.aspx.

¹⁸ See, e.g., CRS Report RS20088, *Dispute Settlement in the World Trade Organization (WTO): An Overview*, by (name redacted), (name redacted), and (name redacted).

Overview of Previous G-20 Summits

The G-20 summits are the key meetings where major G-20 policy commitments are typically announced. The types of commitments or agreements reached at the G-20 summits have evolved as global economic conditions have changed, from the pressing height of the global financial crisis, to signs of recovery amid high unemployment in some advanced economies, to concerns about the Eurozone crisis. In addition, as the pressing nature of the global financial crisis has abated, the scope of issues covered by the G-20 has expanded to other issues, such as development and the environment. **Table 2** presents information about major highlights from the summits.

Table 2. G-20 Summits: Context and Major Highlights

	Date	Location	Major Highlights (Selected)
1.	November 2008	Washington, DC, United States	<ul style="list-style-type: none"> • Focused on immediate management of the global financial crisis. • Pledges to coordinate financial regulatory reform; focus on expansionary macroeconomic policies, both fiscal and monetary, to support aggregate demand; and refrain from protectionist trade policies.
2.	April 2009	London, UK	<ul style="list-style-type: none"> • Focus continued to be on immediate management of the financial crisis, reiterating many of the commitments from the 2008 summit in Washington, DC, regarding crisis management. • Pledges to increase funding for the IMF and the MDBs by \$1.1 trillion, including a tripling of the IMF's lending capacity; commitments to coordinate fiscal stimulus; create the Financial Stability Board (FSB) to coordinate and monitor progress on regulatory reforms.
3.	September 2009	Pittsburgh, United States	<ul style="list-style-type: none"> • Summit occurred as the financial crisis was bottoming out, although unemployment was generally still rising in some advanced economies. • Announcement that, henceforth, the G-20 would be the “premier” forum for international economic cooperation. • Announced the creation of a new framework for addressing global imbalances and promoting growth, the “G-20 Framework for Strong, Sustainable, and Balanced Growth.” • Pledges to increase the voting power of emerging economies at the international financial institutions, in addition to reiterating pledges made at previous summits, as well as specific development and environmental goals.
4.	June 2010	Toronto, Canada	<ul style="list-style-type: none"> • Summit was held against a backdrop of growing uncertainty about the Eurozone, and was viewed as a foundational summit for more ambitious announcements at the South Korean summit later in 2010. • Summit broadly addressed five areas: growth; correcting global imbalances; financial sector reform; international financial institutions and development; and fighting protectionism while promoting trade and investment. • Advanced economies announced targets for fiscal consolidation.

	Date	Location	Major Highlights (Selected)
5.	November 2010	Seoul, South Korea	<ul style="list-style-type: none">• First summit hosted by a country that is not a member of the G-7.• Announced a “Seoul Development Consensus,” which emphasized, among other things, that governments can play a positive role in development and the importance of infrastructure in development.• Endorsed tougher capital standards for banks, discussed global safety nets and the need for further studies on capital controls, and called for a doubling of IMF quotas (the core source of financing for IMF loans).
6.	November 2011	Cannes, France	<ul style="list-style-type: none">• Summit was held during heightened concerns about Eurozone debt crisis, and persisting concerns about high unemployment in some advanced economies.• Discussions focused on reforming the international monetary system; fostering employment; food price volatility; functioning of energy markets; the environment; development; and anti-corruption.
7.	June 2012	Los Cabos, Mexico	<ul style="list-style-type: none">• First summit hosted by a Latin American country.• Attention was focused on the ongoing Eurozone crisis, and European efforts and policies to respond to the crisis, and the need for job creation worldwide. A “Los Cabos Growth and Jobs Action Plan” was announced.• Discussions also focused on trade; the international financial architecture; food security and commodity price volatility; development; “green” growth; and anti-corruption measures.
8.	September 2013	St. Petersburg, Russia	<ul style="list-style-type: none">• The summit declaration focused on economic issues: growth, jobs, investment, multilateral trade, tax avoidance, international financial architecture, financial regulation, development, climate change, and corruption.• News reports indicate that discussions among G-20 leaders focused on potential international responses to chemical weapons attacks against civilians in Syria. The focus on Syria led some analysts to call for the creation of a formal foreign policy track in the G-20, to run parallel to the finance track in the G-20.

	Date	Location	Major Highlights (Selected)
9.	November 2014	Brisbane, Australia	<ul style="list-style-type: none"> • The agenda focused on global economic growth, including the goal of boosting collective G-20 GDP growth by 2.1% over the next five years. Infrastructure investment was emphasized as a way to boost growth, including the creation of a Global Infrastructure Hub, as a way to provide a network between governments, the private sector, development banks, and other international organizations to improve the functioning and financing of infrastructure markets. • The summit also addressed climate change, trade, female participation in the workforce, anticorruption efforts, and IMF reforms. • Russia's participation in the 2014 summit was one of the most controversial issues in the lead-up to the summit. Several G-20 members, including the United States, the European Union, Australia, Canada, and Japan, have imposed economic sanctions on Russian individuals and entities in response to the situation in Ukraine. The G-7 leaders also began convening without Russia for the first time since the late 1990s. Ultimately, Russian President Vladimir Putin attended the summit but left early.
10.	November 2015	Antalya, Turkey	<ul style="list-style-type: none"> • The agenda focused on strengthening the economic recovery and lifting potential growth prospects, enhancing resilience of the financial system, economic development, food security, energy, and climate change. • Discussions at the summit also focused on current events, including the terrorist attacks in Paris, counterterrorism efforts, and the refugee crisis.

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

Notes: For summit documents (leader statements and declarations), see http://www.g20.org/English/aboutg20/PastSummits/201511/t20151127_1610.html.

G-20 policy announcements and commitments are non-binding, and the record of implementing these commitments is wide ranging. Examples of major G-20 initiatives include coordination of fiscal policies during the global financial crisis, a tripling of IMF resources, and strengthening the Financial Stability Board (FSB) to coordinate and monitor international progress on regulatory reforms, among others. However, progress on other G-20 commitments has been much slower, such as correcting global imbalances, concluding the WTO Doha Round of multilateral trade negotiations, and eliminating fossil fuel subsidies. Tracking progress on G-20 commitments can be complicated, as subsequent summits may extend the timelines for completing policy reforms, reiterate previous commitments, or drop discussion of prior policy pledges.

Previous G-20 summits have typically attracted protesters from a broad mix of movements, including environmentalists, trade unions, socialist organizations, faith-based groups, anti-war camps, and anarchists.¹⁹ At the 2009 summit in Pittsburgh, for example, thousands of protesters gathered in the streets, holding signs with slogans such as “We Say No To Corporate Greed” and “G20=Death By Capitalism.”²⁰ Protests at G-20 meetings are generally peaceful, although at times tensions between the police and protesters have escalated. In Pittsburgh, protesters began

¹⁹ Carl Prine, “An Overview of Protests Expected in Pittsburgh for G-20,” *Pittsburgh Tribune-Review*, September 20, 2009.

²⁰ Michelle Nichols, “Protesters, Police Clash After G20 in Pittsburgh,” *Reuters*, September 25, 2009.

throwing rocks,²¹ police used pepper gas against a group of students,²² and several protestors were arrested.²³

The G-20 in 2016

Some analysts have argued that outcomes from the 2015 summit in Antalya, Turkey, were relatively “weak,” with mostly incremental progress on multi-year agendas; that the summit itself was overshadowed by terrorist attacks in Paris; and that broadly the G-20 has become less relevant since the height of the global financial crisis in 2009-2010.²⁴ Others argue that the 2015 summit reconfirmed the G-20’s role as the “world’s crisis committee,” by allowing leaders to discuss the global response to the attacks in Paris, as well as the related and broader issues of Syria, the Islamic State, and terrorism.²⁵

The relevancy of the G-20 is a key question for 2016, when China holds the rotating presidency of the G-20 for the first time. With the leaders’ summit scheduled for September 4-5 in Hangzhou, China is focusing the 2016 agenda on an innovative, invigorated, interconnected, and inclusive world economy, or the “four I’s.”²⁶

- **Innovative:** The G-20 will explore potential for new engines of growth, including innovation-driven development, innovation in science and technology, development concepts, institutions and mechanisms, and business models.
- **Invigorated:** The G-20 will also explore domestic structural reforms, international economic cooperation, and global economic governance to stimulate greater dynamism for growth.
- **Interconnected:** Discussions will also center on how the G-20 countries can strive together to build an open economy, cooperate to address common challenges, and strengthen interactions to achieve mutual benefits.
- **Inclusive:** The G-20 will be committed to inclusive growth, through concrete actions to reduce inequalities and imbalances in global development.

Within this framework, China has also identified a number of issues to be addressed, many of which continue and advance commitments from previous summits. These include:

- **Breaking a new path for growth:** Maintaining the momentum of the world economic recovery and lifting mid- to long-term growth potential.
- **More effective and efficient global economic and financial governance:** Improving the international financial architecture, continuing financial sector reforms, developing financial tools to support “green” industries, improving the international tax regime, and implementing consensus on anti-corruption.

²¹ 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.

²² Michelle Nichols, “Protesters, Police Clash After G20 in Pittsburgh,” *Reuters*, September 25, 2009.

²³ Dennis B. Roddy and Michael A. Fuoco, “Protests Lead to 19 Arrests Across City,” *Pittsburgh Post-Gazette*, September 25, 2009.

²⁴ Tristram Sainsbury, David Dollar, Nicolas Véron, and Hannah Wurf, “New Considerations for China’s 2016 G-20 Presidency,” *Lowy Institute for International Policy*, May 2016.

²⁵ Paola Subacchi, “Is the G-20 Still the World’s Crisis Committee?” *Foreign Policy*, November 25, 2015.

²⁶ “Theme and Key Agenda Items of the G-20 Summit in 2016,” December 1, 2015, <http://www.g20.org/English/China2016/G202016/201512/P020151210392071823168.pdf>.

- **Robust international trade and investment:** Reinforcing trade and investment cooperation mechanisms, supporting the multilateral trade system, promoting global trade growth, promoting inclusive and integrated global value chains, and enhancing cooperation and coordination on global investment policy.
- **Inclusive and interconnected development:** Implementing the 2030 Agenda for Sustainable Development; optimizing the G-20 agenda on development cooperation; building infrastructure and connectivity; promoting energy supply; increasing employment; improving food security and nutrition; mobilizing climate finance; eradicating poverty; and supporting industrialization in developing countries.

The IMF has highlighted many of the challenges facing the global economy in 2016, including “volatile markets and capital flows; economic transition and tightening financial conditions in many countries; the large drop in commodity prices, including oil; and escalated geopolitical tensions, including the large number of refugees in some regions.”²⁷ In February, the IMF called for “bold” multilateral action by the G-20 countries to support the global economy, including renewed momentum to deliver on achieving 2% additional growth by 2018 and reinvigorated structural reforms. However, during the G-20 finance minister and central banker meeting in February, there were reportedly deep divisions among policymakers over key issues, including the need, scope, and urgency of adopting stimulative fiscal and monetary policies, making it difficult to reach consensus on decisive actions.²⁸

In their April meeting, the G-20 finance ministers and central bankers highlighted concerns about continuing modest and uneven growth, financial volatility, challenges faced by commodity exporters, and low inflation. They reiterated pledges to use various policy tools to foster confidence and strengthen growth, as dictated by the specific circumstances of each country. There were reportedly disagreements about the use of exchange rate policies and negative interest rates to boost growth.²⁹

In the lead-up to the September summit, the outlook for the global economy has worsened. In July, the IMF downgraded its forecast for global economic growth for 2016 and 2017 by 0.1 percentage points, largely due to the uncertainty surrounding the UK’s referendum in which a majority of voters supported leaving the European Union (“Brexit”).³⁰ The U.S. sherpa to the G-20, Adewale “Wally” Adeyemo, emphasized during public remarks in July the importance of the G-20, focusing on boosting global growth, including using monetary, fiscal, and structural policies to boost capacity, and ensuring that the benefits of globalization are shared more broadly.³¹ Additionally, he emphasized that the G-20 summit should focus on the international tax regime, combatting corruption, enforcing trade laws and advancing trade liberalization, and promoting infrastructure investment, among other issues.

²⁷ IMF, “IMF Managing Director Christine Lagarde Calls for Bold, Broad, and Accelerated Policy Actions,” February 27, 2016.

²⁸ Robin Harding and Tom Mitchell, “Clashes over Policy at Shanghai G-20 Meeting,” *Financial Times*, February 2016.

²⁹ David Lawder and Jason Lange, “G20 Worried by ‘Modest’ Global Growth, Commodities Weakness,” Reuters, April 15, 2016.

³⁰ IMF, “IMF Cuts Global Growth Forecasts on Brexit, Warns of Risks to Outlook,” July 19, 2016. For more on Brexit, see CRS Insight IN10528, *The Brexit Vote: Political Fallout in the United Kingdom*, by (name redacted); CRS Insight IN10517, *Possible Economic Impact of Brexit*, by (name redacted) and (name redacted); and CRS Insight IN10518, *After Brexit: A Diminished or Enhanced EU?*, by (name redacted).

³¹ Remarks by Wally O. Adeyemo, CSIS event on “China and the G-20,” July 20, 2016.

Debating the G-20's Effectiveness

As the urgency of the global financial crisis of 2008-2009 wanes, 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, 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 Financial Stability Board (FSB), with facilitating, monitoring, or implementing various aspects of the response to the crisis. Finally, G-20 proponents argue that, even if agreement on policies is not always reached, it is a critical forum for discussing major policy initiatives across major countries and encouraging greater cooperation.

Scenario 2: Ineffective

Others are skeptical that the G-20 will be an effective forum for international cooperation moving forward for at least four reasons. First, the G-20 includes a diverse set of countries with different political and economic philosophies. As economic recovery becomes more secure, it is argued that this heterogeneous group with divergent interests will have trouble reaching agreements on global economic issues. Some argue that the G-20 has failed to provide adequate leadership in responding to the Eurozone crisis or in helping forge a conclusion to the Doha negotiations.

Second, some believe the 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 accounting for 5 of the 20 slots), while some important emerging-market countries are excluded. Poland, Thailand, Egypt, and Pakistan have been cited as examples (see **Appendix**).³² 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

³² "G20 Gains Stature But is Overambitious," *Oxford Analytica*, September 28, 2009.

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. Likewise, some of the declarations identify areas that merit further attention or study, without including concrete policy commitments.

Fourth, some argue that the G-20's effectiveness since the crisis has diminished because the issues covered by the G-20 have broadened, but there is now little follow-through from one summit to the next. For example, a major deliverable from the Toronto summit in June 2010 was targets for fiscal consolidation among advanced economies. However, these targets received little attention in the subsequent G-20 summit in Seoul in November 2010, where the focus shifted to development, among other issues. Likewise, France's focus for the November 2011 summit was on reform of the international monetary system, but it is not clear how much attention was focused on subsequent 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 crisis, 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 during the height of the crisis compared to what many view as the weaker outcomes of subsequent summits, when financial markets were more stable.

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. Likewise, the G-20 may be effective at tasking other international organizations, such as the IMF and the FSB, with various functions to perform or reports to write. 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 policymaking process by decisions reached at the G-20 and thus how effective G-20 coordination on these issues will be.

Appendix. World's Largest Countries and Entities

Table A-1. World's Largest Countries and Entities
(Forecasted 2016 GDP in current prices, in billions of U.S. dollars)

Rank	G-20 Member	Non G-20 Member	GDP	Rank	G-20 Member	Non G-20 Member	GDP
1.	United States		18,558	21.	Saudi Arabia		618
2.	European Union		16,477	22.		Nigeria	538
3.	China		11,383	23.		Sweden	513
4.	Japan		4,413	24.		Taiwan	509
5.	Germany		3,468	25.		Poland	474
6.	United Kingdom		2,761	26.		Belgium	465
7.	France		2,465	27.	Argentina		438
8.	India		2,289	28.		Thailand	410
9.	Italy		1,849	29.		Iran	386
10.	Brazil		1,535	30.		Austria	385
11.	Canada		1,462	31.		Norway	367
12.	South Korea		1,321	32.		United Arab Emirates	325
13.		Spain	1,242	33.		Hong Kong	322
14.	Australia		1,201	34.		Philippines	310
15.	Russia		1,133	35.		Malaysia	309
16.	Mexico		1,082	36.		Israel	306
17.	Indonesia		937	37.		Denmark	302
18.		Netherlands	763	38.		Singapore	295
19.	Turkey		751	39.	South Africa		266
20.		Switzerland	652	40.		Ireland	255

Source: International Monetary Fund (IMF), *World Economic Outlook*, April 2016.

Notes: The European Union (EU) includes 28 countries. Ranking is for illustrative purposes only. Using a different measure of economic size, such as GDP adjusted for differences in prices levels across countries (GDP adjusted for purchasing power parity), could produce a different ranking.

Author Contact Information

(name redacted)
Specialist in International Trade and Finance
fedacted@crs.loc.gov7-....

Acknowledgments

Susan Chesser, Information Research Specialist, assisted with research on G-20 protests.

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.