The Group of Twenty: Origins, Prospects and Challenges for Global Governance

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Abstract At the height of the global financial and economic crisis of 2008–2009, the Group of Twenty was elevated to country leaders' level and acknowledged itself as the "premier forum for… international economic cooperation." This self-acknowledgment reflected the long-felt need to institutionalize the dialogue between the advanced and emerging economies in a more effective setting. However, the ad hoc nature of the G-20 and the extent to which an informal and self-selected club of nations can provide a stable framework for facilitating global cooperation has been questioned. Against this backdrop, the study traces the G-20's historical evolution, situates the dynamics of its institutional arrangements, and reviews the emerging literature on G-20 reform. Building on this analysis, the study then assesses the expansion of the G-20's scope to global development and appraises the Group's evolution in the broader context of the current global governance framework.

1 Introduction

At the worst point of the recent international financial crisis, the Group of Twenty was elevated to the country leaders' level and acknowledged itself as the "premier forum for… international economic cooperation" (G-20). This self-acknowledgment reflected, beyond the emergency of the moment, the long-felt need to institutionalize the dialogue between advanced and emerging economies in a more effective setting than is possible in the large and diffuse forums of the United

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L. Paganetto (ed.), *Public Debt, Global Governance and Economic Dynamism*,
DOI: 10.1007/978-88-470-5331-1_9, © Springer-Verlag Italia 2013

Nations and in a more equal setting than can be found among the imbalanced constituencies of the international financial institutions. Thus, within months of the G-20's first leaders' meeting, held in Washington in November 2008, the Group managed, among other accomplishments, to expedite an agreement on the Basel III supervisory framework; strengthen the governance and finances of the International Monetary Fund; and, later in 2009, lay down a new foundation for economic policy coordination through the Framework for Strong, Sustainable, and Balanced Growth.

The G-20's greatest strength has been to quickly integrate emerging powers in global governance decision-making by serving as a forum and testing ground for these powers' potential expanded role in multilateral bodies, including the IMF and a reformed UN Security Council. However, the body's ad hoc nature and the extent to which an informal and self-selected club of nations, albeit with expanded participation compared to the G-8, can provide a stable framework for facilitating global cooperation has been questioned. The G-20 does, in fact, include many of the world's largest economies; however, not all its members are among the largest in the world,[1] and membership criteria are rather unclear.

Against this backdrop, this chapter traces the G-20's historical evolution and situates the dynamics of its institutional arrangements (Sect. 1), as well as reviews the emerging literature on G-20 reform (Sect. 2). Building on this analysis, the study then assesses the expansion of the G-20's scope to development (Sect. 3), appraises its evolution in the broader context of the current global governance framework (Sect. 4), and finally offers conclusions (Sect. 5).

2 A Brief History of the G-20

The historical underpinnings of the Group of Twenty can be traced back to the mid-1970s, at the origin of the G-7/G-8. The Group consisted of the largest economic powers at the time which began meeting to discuss the global economy following the collapse of the Bretton Woods System of fixed exchange rates and the spikes in food and fuel prices. The Group's composition remained relatively unchanged between 1976 and 1996, consisting of Canada, France, (West) Germany, Italy, Japan, the United Kingdom and the United States with Russia joining in 1996. Broadly, the Group's focus on macroeconomic policies included exchange rates, balance of payments, globalization, trade and economic relations with developing countries (Nelson 2012), and the G-7 became synonymous with economic policy coordination and exchange rate agreements.

[1] Spain, Iran, Taiwan and Poland are among the largest 20 economies not included in the membership of the G-20. Conversely, the G-20 members of Argentina, Saudi Arabia and South Africa are only the 28th, the 30th, and 32nd largest economies in the world, respectively. The ranking is based on data for gross domestic product at purchasing power parity for the year 2011 from the IMF's World Economic Outlook data set.

2.1 Early Efforts at Expanding the Club: The G-22 and the G-33

By the late 1990s, a series of financial crises centered in Latin America and especially Asia highlighted the need for key emerging economies to be included in global economic management efforts. Consequently, international discussions culminated in 1998 and 1999 in meetings with broader groups of countries: the G-22[2] was created at the personal initiative of President Bill Clinton at the November 1997 Asia–Pacific Economic Cooperation forum leaders' meeting to discuss the unfolding Asian financial crisis and ways to strengthen the international financial architecture (Kirton 2005; Baker 2006); the G-7 subsequently evaluated the G-22's recommendations through two ad hoc seminars with a wider group named the G-33.[3]

While the G-22's efforts met with some success, widespread dissatisfaction with the ad hoc nature of both Groups, when juxtaposed against the cascading crisis, was an important reason for the establishment of the G-20 (2008). Experience with the G-22 and G-33, in fact, highlighted the advantages of a regular international consultative forum with a broader membership than the G-7 and one integrated into the governance structures of the IMF and World Bank (Kirton 2000, 2005).

2.2 The Establishment of the G-20

Accordingly, a new ministerial level "G-20" forum was formally created in September 1999.[4] In the ensuing communiqué, the G-20 finance ministers and central bank governors reiterated that "the G-20 was established to provide a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the discussions on key economic and financial policy issues among systemically significant economies and promote cooperation to achieve stable and sustainable world economic growth that benefits all" (Canada 1999a).

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[2] The countries belonging to the G-22 included Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States, plus Argentina, Australia, Brazil, China, Hong Kong Special Administrative Region (SAR), India, Indonesia, Malaysia, Mexico, Poland, Singapore, South Africa, South Korea and Thailand.

[3] The countries belonging to the G-33 included Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States, plus Argentina, Australia, Belgium, Brazil, Chile, China, Côte d'Ivoire, Egypt, Hong Kong SAR, India, Indonesia, Malaysia, Mexico, Morocco, the Netherlands, Poland, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand and Turkey.

[4] The countries belonging to the G-20 are 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, plus one regional representative, the European Union.

At the G-20's inception, there was no codified list of criteria to determine which countries would be invited to join the new forum. It was accepted, however, that countries should be "systemically important" to the global economy and would have the ability to contribute to global economic and financial stability. Other considerations were that the Group would be broadly representative of the global economy and regionally "balanced." These goals often conflicted with the need to keep the Group small enough to facilitate frank and open discussion. With nineteen countries participating, the European Union and four ex officio members—the chairs of the IMFC and development committees, the IMF's managing director and the president of the World Bank—the choice of a name for the new forum was not immediately obvious. "G-20" was adopted on the basis that it was a round number, suggesting finality, and was consistent with the number of countries represented plus the European Union (G-20 2008).

Some question the legitimacy of the G-20 because the great majority of countries have no voice or influence.[5] For example, Gerry Helleiner noted that the G-20 "fails completely" on "all major requirements of appropriate process" (G-20 2008). In his opinion, the G-20 was severely, if not irretrievably, flawed, because its G-7 architects had ignored the already-existing G-24 group of developing countries, had not included representation from the poorest countries and did "not possess any mechanisms either for reporting or for accountability to the broader international community" (G-20 2008). However, for Angeloni and Pisani-Ferry (2011), the composition of the G-20 strikes a difficult compromise between representation and efficiency.

2.3 The G-20 Shapes Its Governance

Early emphasis by the Group's first chair, Canadian Finance Minister Paul Martin, and the G-20's relationship with other bodies suggested an effort to turn the new institution into an influential forum. Martin stated that the G-20's work "will focus on translating the benefits of globalization into higher incomes and better opportunities everywhere" and that "there is virtually no major aspect of the global economy or international financial system that will be outside of the group's purview" (Canada 1999b). Further, participation of officials from the Bretton Woods institutions as ex officio members served to embed the new Group strongly "within the structure of the Bretton Woods framework" (Kirton 1999).

With Europeans already in prominent positions in the international financial institutions, it was seen as appropriate that the second chair of the G-20 would come from an emerging economy (G-20 2008). After extensive consultations, a

[5] According to Vastergaard (Vestergaard 2011), there are several further reasons why the G-20's claim to representational legitimacy is unconvincing: (1) There is only one African member country, South Africa; (2) no low-income countries are included; and (3) not one single "small, open economy" is present in the membership.

consensus emerged in early 2002 that Yashwant Sinha, India's finance minister, would become the G-20's chairman for 2002. A consensus also arose on the principles to guide the selection of future chairs, which would be selected well in advance to ensure continuity and to allow the designated country time to prepare for the task. G-20 members agreed that there should be an equitable annual rotation among all regions and between countries at different levels of development. For that reason, five groups of countries were established from which a chair would be drawn each year (G-20 2008).[6] Finally, in 2002, the deputies also agreed to establish a "Troika" consisting of the previous, current and immediately upcoming chairs to enhance continuity.

On balance, the meetings in the first ten years focused on crisis prevention and resolution, globalization and combating terrorist financing. Starting in mid-2005, with China chairing the G-20, the Group broadened its focus to the governance of international financial institutions—an emphasis that has now become a distinctive feature of the Group. Nevertheless, G-20 members also began to pay more attention to the second part of the G-20's mandate—"stable and sustainable world economic growth that benefits all"—with the addition of development and aid to the agenda (G-20 2002), reaffirming their commitment to achieve the United Nations' Millennium Development Goals (MDGs) and their continuing support for Africa through the New Partnership for Africa's Development (G-20 2008).

2.4 The G-20 Goes Higher

At the end of October 2008, then President George W. Bush called together the leaders of the G-20 countries to address the financial crisis. The Washington G-20 communiqué conveyed a sense of urgency that could not be found in traditional G-7/G-8 declarations, resulting in an extremely focused action plan with precise language: technical, specialized institutions in charge of carrying out works were named and given strict deadlines for implementation (Angeloni and Pisani-Ferry 2012). The rapid escalation of the international financial crisis in 2008–2009 precipitated major changes to the Group, in particular the G-20's upgrade to the country leaders' level.

The initial period of summits following the crisis resulted in swift action on financial reform. Conversely, the subsequent Pittsburgh Summit marked the transition to a second period, where the priorities of advanced and emerging economies once again diverged. In this second stage, the G-20 predominantly

[6] Group One (2001, 2006, etc.) includes Australia, Canada, Saudi Arabia and the United States. Group Two (2002, 2007, etc.) includes India, Russia, South Africa and Turkey. Group Three (2003, 2008, etc.) consists of Argentina, Brazil and Mexico. Group Four (2004, 2009, etc.) consists of France, Germany, Italy and the United Kingdom. Group Five (2005, 2010, etc.) consists of China, Indonesia, Japan and South Korea.

focused on macroeconomic coordination. But progress stalled, generating an emerging stream of analysis and contributions on how to reform the G-20.

3 A Selective Review of the Emerging Literature on G-20 Reform

Despite the G-20's short tenure as the premier forum for international economic cooperation, a body of literature has already emerged indicating possible ways to reform it while leveraging its accomplishments. Broadly speaking, one can group the contributions to the emerging literature on G-20 reform according to whether they focus on the broader scope of the G-20 or on its sectoral dimensions. Among the former, Suominen and Dadush (2012) assert that the main role of the G-20 is that of mediator, so as to protect common interests in an increasingly globalized economy.

Accordingly, the G-20 is not meant to be a decision-making body whose deliberations are binding agreements to be ratified by parliaments; rather, its communications are statements of intent. As a result, the G-20 is well placed to serve as a steering committee or international board of nonexecutive directors, rather than as a forum for implementation or micromanagement. Its energies are better directed toward broad strategies, and thus it should make efforts to engage with those institutions that can translate its vision into specific actions, agreeable both technically and politically to the parties involved.

Vestergaard and Wade (2011) focus on the need for "constitutional" foundations by proposing a Global Economic Council (GEC) with the legitimacy to act as a political body overseeing the work of the Bretton Woods institutions. As distinct from the G-20, the GEC would have a constituency structure in line with the representation principles of the Bretton Woods institutions. As a result, it would be able to combine effectiveness—due to the relatively small number of chairs, mirroring the sizes of the executive boards of the IMF and World Bank—and legitimacy, because each member country would be represented in this leader-level body. As in the Bretton Woods institutions, there would be weighted voting based on a country's share of global gross domestic product.

By allocating chairs regionally and by economic weight, their proposal would currently give the Americas, Asia and Europe a total of seven chairs each and Africa four. Countries would then form constituencies within the four world regions on the basis of voting shares. Constituencies would be congruent with those of fully reformed Bretton Woods organizations and have the same basis of representational legitimacy. By design, Vestergaard and Wade's proposal would build on a substantial reform of the mechanisms to compute weighted voting in the Bretton Woods institutions. It would also entail a redesign of the constituencies that have taken shape during these institutions' decades-long histories.

Ocampo and Stiglitz (2012) share a similar perspective with Vestergaard and Wade (2011). First, assessing the G-20 on the basis of various criteria, they find

that it scores quite high on leadership and effectiveness, on account of its earlier record as a forum for crisis management. It also scores high on its ability to carry out systemic coordination, given that it is well placed to manage spillovers arising either from a country's policies or from those of an international organization vis-à-vis the rest of the system. However, the G-20 does poorly in terms of representational legitimacy.

Against this background, Ocampo and Stiglitz propose a Global Economic Coordination Council (GECC), along the lines of an analogous proposal put forward by the Stiglitz Commission (Stiglitz 2009). In contrast to the GEC proposed by Vestergaard and Wade (2011), the GECC would have a greater scope by coordinating the UN system broadly defined (i.e., including the UN-specialized agencies of the IMF and the World Bank and the World Trade Organization, which would become a UN agency for this purpose). Like Vestergaard and Wade, representation in their proposed GECC would be based on constituencies so as to reconcile universal representation with legitimacy.

The GECC would have a special responsibility for identifying spillovers—for instance, environmental effects of trade policies or social effects of budgetary policies—and proposing ways to address them. Yet it would leave to the more specialized bodies specific decisions in their respective areas. As in Vestergaard and Wade's proposal, this GECC would also work on the principle of weighted voting. For smaller countries, this would entail giving away the "one country, one vote" principle in exchange for broader representation in the systemic economic, social and environmental decision making ensured through a constituency-based system.

A second stream of the G-20 reform literature has focused on the sectoral aspects of G-20 involvement, such as international financial regulation, the international monetary system, international macroeconomic coordination and development. On financial regulation, Helleiner (2012) acknowledges that the G-20 has encouraged a greater focus on macroprudential supervision, with the aim of addressing wider systemic risks. Along these lines, the G-20 has been instrumental in leveraging its political weight behind the rapid negotiations leading to a new set of international bank capital and liquidity standards known as "Basel III," and in spearheading efforts through the FSB to regulate systemically important financial institutions more effectively. Helleiner, however, cautions that the G-20's emphasis on macroprudential goals might not in practice translate into a thorough implementation of a new, more effective supervisory framework, given its inability to enforce financial regulation standards, whose implementation is ultimately left to national authorities. As a case in point, Helleiner notes that two key G-20 members, China and the U.S., have not yet properly implemented the Basel II standards.

Turning to the international monetary system, Mistral (2012) outlines an action plan for the international community that could be facilitated by the political impetus provided by the G-20 leaders. On IMF reform, he advocates a Ministerial Council, as provided in Schedule D of the IMF's Articles of Agreement. For one thing, this would bring greater clarity to the work of the G-20 finance ministers, namely, the task of supervising the IMF's activities, overseeing the work of its managing director, and steering the launch of new initiatives such as a new

monetary system based on Special Drawing Rights (SDRs). A better division of responsibilities would more effectively delineate the focus of the G-20 finance ministers, who would meet among themselves to prepare their summits while meeting in the format of a council on the matters of international economic cooperation that fall squarely under the IMF's purview.

4 The Group of Twenty and Global Development

The theme of global development was taken up by the G-20 leaders at the Seoul Summit in 2010. At that time, the development agenda was seen as in flux, responding to enormous changes in the developing world. The hugely visible Millennium Development Goals advanced by the United Nations were seen by many in Asia and elsewhere as being overly tilted toward social and human welfare investments in development. Following the MDGs, the development discourse has changed significantly. There is more emphasis on growth and infrastructure development, especially because many African countries were experiencing rapid growth thanks to improving commodity prices, sound domestic policies and improvements in governance. Food security has emerged as a major global issue; and, as a result, the priority of increasing agricultural productivity had risen. Finally, some developing countries, especially fragile and conflict-affected states, are failing to benefit from globalization and, in some cases, are being held back because of the corruption and distortions generated by groups taking advantage of huge natural resource rents that globalization generates.

The Seoul Development Consensus brought many of these agenda items to the fore, with the exception of the fragile states issue. While the Consensus could be taken as a sign that the G-20 members had arrived at a common approach toward development, that is not the case; nor was it the intention. Each G-20 country has its own experience with development, either as a recipient or as a donor or both. Countries like China have bundled together aid, trade and investment in a package of instruments with turnkey implementation at speed. That contrasts with the far slower pace of development cooperation from the Organization for Economic Cooperation and Development (OECD)'s Development Assistance Committee member countries, which emphasize inclusive and participatory processes, and deliberate efforts to model high environmental and social standards in their projects. The fact that the G-20 has not tried to mediate these disputes or approaches to achieve greater harmonization has come as a disappointment to some, but the reality is that the G-20 is not an appropriate forum for such discussions. It has, instead, attempted to provide a space for dialogue, avoiding judgments as to the effectiveness of various approaches.

The G-20's approach to development has contrasted deliberately with the G-8's approach (Kharas 2011). Whereas the G-8 focused on human welfare, country structural adjustment and shock impact mitigation, the G-20 has focused on national growth, global adjustment of imbalances and systemic risk management.

Whereas the G-8 pursued an agenda of aid, common standards and global rules for development, the G-20 has embraced the modeling of good practices and a coherent package of aid, trade, investment and finance or development. The G-8 had a fresh agenda for each meeting, while the G-20 has proposed an overall multiyear action plan addressing nine key pillars.

There have been concerns that the G-20 does not have the mechanisms and instruments to achieve results and that consequently it is viewed as a "talking shop." But that is a misreading of the G-20's comparative advantage on development. The G-20 can try to build a consensus by highlighting issues that are important for the global economy, such as infrastructure and food security. But building a consensus involves an inclusive process that the G-20 itself cannot easily provide. Instead, it has chosen to work with other, more inclusive forums and institutions to provide the technical proposals for its consideration. Once agreement is reached on what needs to be done, the G-20 can become an effective force for providing the political impetus for implementation.

If the G-20 is viewed as a body that provides political support for decisions made in other forums, then it becomes easier to understand how emerging economies relate to it. On the one hand, some emerging economies remain strong sovereignty "hawks," anxious to ensure that no decisions made by the G-20 affect their own scope for domestic policy determination. On the other hand, other emerging economies are eager to use the G-20's development agenda as an opportunity to showcase their influence on global affairs to their own populations. For example, after the Cannes G-20 Summit, which was dominated by the eurozone crisis, Chinese president Hu Jintao stressed to his domestic audience his country's focus on development issues, whereas South African president Zuma emphasized his stance on least-developed countries and support of jobs and skills.

In implementing the development agenda, which is inevitably long term, the G-20 has faced difficulties in communicating results. Unlike crisis management, where actions and impact can be readily traced, the development agenda is by its nature more long term. The G-20 is not the arena for mobilizing resources, unlike the G-8, because it does not have a membership committed to joint coordinated action on development. The G-20 has resisted becoming a shortcut mechanism for achieving compromises in areas where global compromises have been hard to achieve, such as the Doha Development Round of trade negotiations. That resistance has the distinct advantage of allowing the G-20 to work with and through existing institutions, rather than supplanting them, but the disadvantage of making the G-20's actions appear small relative to the scale of the development challenges it is trying to address. For example, the High-Level Panel on Infrastructure had some useful proposals on infrastructure financing and engagement by the private sector, but it fell far short of being a game changer for infrastructure financing. Similarly, the forward momentum on agricultural productivity and food security has come from the G-8 rather than from the G-20.

The development agenda faces other challenges. In particular, it is increasingly viewed as too broad, and the nine pillars of the Seoul Consensus are disconnected from each other. That can generate unstructured and unproductive discussions that

undercut the very premise of the G-20: to provide an informal forum for focused, sustained and efficient conversation. It is still too early to tell whether this will ultimately prove to be a fatal flaw in the G-20's approach to development. As the group returns to crisis management and problems in the eurozone, the processes of the development working group have been allowed to drift. At some point, however, these issues will need to be addressed.

5 Global Governance and the Group of Twenty: Prospects and Challenges

In the earlier part of this chapter, it was noted that a number of scholars and experts have pointed to the need to better institutionalize the relationship between the G-20 and the established, technically proficient international organizations. Although their proposals differ, their common aim is to strengthen the G-20's infusion of political capital into these international organizations while bridging the legitimacy gap that the current, ad hoc setup poses for the G-20 itself.

Among the various international organizations, the IMF has distinctly emerged as the high-level adviser to the G-20 leaders, and thus its analyses served as the basis for official, concerted action at the height of the 2008–2009 global financial crisis. Conversely, the G-20 has been instrumental in catalyzing a consensus on IMF governance reforms. The latest "Seoul package" (IMF 2010a) will make China the institution's third-largest shareholder, while the other BRICS will all feature among the top 10 shareholders once the reform package is ratified by the IMF's membership (See G-20 2010; IMF 2010b).

The current setup, however, presents some challenges that, although apparently less immediate, may well erode the legitimacy of the very institutions the G-20 aims to support in the medium term. For instance, the "Seoul package" was recommended by the G-20 leaders in Seoul in November 2010 and only afterward did the IMF's own governance bodies approve it. Similarly, the recent negotiations to strengthen the IMF's finances have taken place in the context of the G-20, with the IMF's governance bodies merely following suit.[7] As Ocampo and Stiglitz (2012) note, no matter how representative or powerful a given informal dialogue forum, it can never substitute for multilateral decision-making within treaty-based international organizations.

Building on these considerations, a path for reforming both the G-20 and the IMF can be envisaged in a way that nests the two bodies together in a mutually reinforcing way. It has long been advocated that the IMF's membership should establish the Ministerial Council, an action already foreseen in the IMF's Articles

[7] See "IMF Managing Director Christine Lagarde Welcomes Pledges by Members to Increase Fund Resources by Over US$430 billion," Press Release 12/147, http://www.imf.org/external/np/sec/pr/2012/pr12147.htm.

of Agreement. In fact, there appears to be an overwhelming consensus that the establishment of the Ministerial Council would strengthen political support for the pursuit of the IMF's own mandate (see King 2010; Lombardi 2009, among others). The IMF's own Independent Evaluation Office (IEO 2008), in its assessment of the institution's governance, underscored a lack of clarity on the roles and responsibilities of the current Ministerial Committee—the International Monetary Financial Committee, which functions as an advisory body to the Board of Governors. The IMFC's ambiguous status limits the degree to which the Executive Board and Management can be held accountable for implementing (or not) the IMFC's initiatives; nor can the latter exercise any proper oversight over the former. Against this backdrop, the IEO recommended establishing a ministerial-level governing council to spur active and systematic high-level involvement in setting broad strategic goals and in overseeing performance. Thus, this Ministerial Council would be a formal decision-making body and its pronouncements would have legal status. Its responsibilities would include setting the IMF's overarching strategic goals; making decisions that require support at the highest political levels (i.e., selection of the managing director); and exercising oversight over the institution, including its Executive Board.

Other evaluations, notably the Manuel Report (Committee on IMF Governance Reform 2009) and the Fourth Pillar Report (Lombardi 2009), basically share these findings and recommendations. However, they ultimately paint a more nuanced picture. The Fourth Pillar Report, for instance, cautioned that the Ministerial Council should be established only after addressing the more fundamental problems in the IMF's governance such as realigning the distribution of voting power to reflect a country's status in the global economy and, to a varying degree, lack of intraconstituency accountability mechanisms.

Although existing intraconstituency mechanisms should undoubtedly be strengthened, the IMF's constituency structure nonetheless offers an interesting starting point for thinking about how to reconcile universality of representation with effective decision making. Because most countries are represented on the Executive Board through multicountry constituencies, the IMF's Executive Board (and the Ministerial Council, if established) manages to reduce the number of voting members to a feasible size of 24. Thus, all member countries are able to contribute and affect the institution's decision-making depending on the strength of intraconstituency accountability mechanisms. In exchange, member countries represented through multicountry constituencies have to accept to delegate to a common representative the role of promoting consensus through the executive director holding the constituency chair.[8] The proposed configuration would already build on the substantial overlaps between members of the current IMFC and of the G-20. The difference would, of course, be that when the Canadian or Italian finance ministers meet in the context of the G-20 they do not do so as

[8] Although executive directors cannot split their vote, council members would be allowed to do so.

representatives of their respective constituencies while in the Ministerial Council they would.

The Ministerial Council would have a full mandate from the IMF's 188 country members to discuss and decide on issues related to the international monetary system and international macroeconomic policies. Its membership would be based to a large extent on the G-20's current membership, although because the composition of the Ministerial Council would parallel that of the IMF's Executive Board, this change would imply a slight increase in the number of G-20 countries, from 19 to 24. However, in practice, this may overstate the issue if one considers that the G-20 already includes a few countries as de facto permanent invitees. In addition, various G-20 chairs have often invited additional regional members to G-20 summits. Then, because the African Union's seat at the G-20 would be filled by the two African chairs in the IMF's Council, this would imply a net gain in the voice and representation of low-income countries, as advocated by many analysts.

The proposed reform would embed an intrinsic dynamism in the composition of the ministerial steering committee. Given that fast-growing economies would be awarded higher quotas at each five-year review, as per the IMF's legal framework, the composition of the Ministerial Council would be "dynamically systemic." This, in turn, would provide the basis for greater intraconstituency leverage, enabling faster-growing countries to chair their respective groups, if they managed to foster the required consensus. The criteria for acceding to this ministerial body would, moreover, be transparent and universally accepted. As such, they could be changed by the membership at any point in time consistent with the IMF's own governance framework.

While most G-20 members already have seats on the IMF Executive Board and on the (currently advisory) IMFC, there are chairs that are not members of the G-20 (see Table 1). This is the case for the Nordic-Baltic constituency, the Netherlands, Algeria, the United Arab Emirates and the smaller African constituency currently chaired by Gabon. The net increase in the size of the Ministerial Council vis-à-vis the current G-20 due to the latter chairs could be compensated for given that some additional seats in the G-20 would have no reason to be kept in light of the considerably more legitimate and better-represented structure of the Ministerial Council itself. Western Europe's agreement to cede two seats to emerging and underrepresented economies, as well as subsequent recompositions,[9] could also help settle the problem of G-20 countries which chair their constituencies on a rotating basis.

[9] The 2010 Resolution No. 66-2 of the Board of Governors states that the composition of the Executive Board will be reassessed every eight years following ratification of the resolution itself. The latter, initially expected to be ratified by the IMF membership in the fall of 2012, should be approved in 2013, following the U.S. presidential elections.

Table 1 The G-20's membership and IMF Constituency Arrangements

Country	G-20 membership	IMFC[a]	Executive board chair[b]	Executive board internal governance arrangements	Voting power
United States	x	x	x	Executive director appointed by the respective country authorities; serves at his or her pleasure.	16.75
Japan	x	x	x		6.23
Germany	x	x	x		5.81
France	x	x	x		4.29
United Kingdom	x	x	x		4.29
China	x	x	x	Single-country constituencies	3.81
Saudi Arabia	x	x	x		2.8
Russia	x	x	x		2.39
Italy	x	x	x	Multicountry constituency chaired by Italy	3.16
Belgium		x	x	Multicountry constituency chaired by Belgium	1.86
Brazil	x	x	x	Multicountry constituency chaired by Brazil	1.72
Netherlands		x	x	Multicountry constituency chaired by the Netherlands	2.08
Spain		x		Multicountry constituency with chair rotating among Mexico, Spain, and Venezuela	1.63
Canada	x	x	x	Multicountry constituency chaired by Canada	2.56
India	x	x	x	Multicountry constituency chaired by India	2.34
Mexico	x		x	Multicountry constituency with chair rotating among Mexico, Spain, and Venezuela	1.47
Switzerland		x	x	Multicountry constituency chaired by Switzerland	1.4
South Korea	x			Multicountry constituency with chair rotating between Australia and South Korea.	1.37
Australia	x	x	x	Multicountry constituency with chair rotating between Australia and South Korea.	1.31
Argentina	x	x	x	Multicountry constituency with chair rotating among Argentina, Chile and Peru	0.87

(continued)

Table 1 (continued)

Country	G-20 membership	IMFC[a]	Executive board chair[b]	Executive board internal governance arrangements	Voting power
Indonesia	x	x		Multicountry constituency with chair rotating among Indonesia, Malaysia, Singapore and Thailand	0.85
Denmark		x	x	Multicountry constituency with chair rotating among Denmark, Finland, Iceland and Sweden	0.78
South Africa		x	x	Multicountry constituency with chair rotating among all members	0.77
Turkey	x			Multicountry constituency chaired by Belgium	0.61
Singapore		x	x	Multicountry constituency with chair rotating among Indonesia, Malaysia, Singapore, and Thailand	0.59
Algeria		x		Multicountry constituency chaired by Iran	0.53
United Arab Emirates		x		Multicountry constituency chaired by Egypt	0.33
Gabon		x		Multicountry constituency with chair rotating among all members	0.09
European Union	x	Not applicable	Not applicable	Not applicable	Not applicable

Sources IMF.org and G-20.org. [a] as of April 18, 2012; [b] as of June 5, 2012

6 Conclusion

The G-20 is still experimenting with ways to balance legitimacy and effectiveness. It is trying to complement other international institutions but also to compete with some, such as the G-8, that continue to wield considerable influence over economic affairs. The G-20 gained considerable credibility from its success in fighting the global financial and economic crisis of 2008–2009, but the prolonged nature of that crisis and its recent recurrence in Europe have again called into question the effectiveness and relevance of the Group.

The G-20 does not operate on the basis of setting specific goals, financial commitments or timelines in the same fashion as the G-8. That is because it has organized itself as a process-oriented forum for first helping to build a consensus and then providing the required political momentum to ensure implementation. This approach should come as a relief to non-G-20 countries, which might otherwise feel that decisions being made at the G-20 would implicitly bind them. In fact, those decisions are being made through an engagement with other forums and treaty-based institutions where there are established governance procedures for representation and voice.

The G-20's development agenda will converge more closely with a broader global growth agenda once more progress is made on topics like climate change, green growth and other global public goods. Once an agenda is defined, it will become easier for the G-20 to mobilize the political will of its members to drive implementation. The G-20's workstreams are heavily influenced by international institutions that are called upon by the G-20 to develop proposals for discussion and action by the leaders. The G-20 has been instrumental in bringing together several international institutions to address each topic, so the jockeying for influence between institutions that has occasionally bedeviled international cooperation has been lessened.

For the time being, the G-20 appears to be the "best available option" for global economic governance. It is not designed to achieve institutional legitimacy per se, and thus it has chosen to work with other bodies that have a more inclusive and universal representation. It is not an implementing body, but it encourages others to rise to the challenge of addressing the issues that its agenda advances. The G-20 receives the greatest media coverage during times of crisis, but the leaders who now participate in it are finding ways to demonstrate to their own electorates that they are making a difference in the conduct of global affairs through the stance they take at its summit meetings. This link between global and domestic dialogues, and the building of popular support to address global challenges, may yet become the greatest value that the G-20 adds.

Acknowledgments The authors acknowledge excellent research assistance provided by Sarah Milsom Puritz, Ana Maria Salamanca and Cory Smith. This chapter draws from the findings of a broader research project on the G-20 run by the Brookings Institution's Global Economy and Development Program whose funding was generously provided by the Embassy of Denmark in the United States.

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