

Challenges for the G20 after the Mexico Summit

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1. Overview of the Mexico Summit

The Leaders of the G20 convened the 7th G20 Summit in Los Cabos on 18-19 June 2012, amid concerns that the financial crisis that began in Greece might spread to other countries including Spain

The Leaders Declaration includes: economic stability and supporting world economic recovery, promotion of growth and jobs, trade, fostering financial stability, reforming the financial sector and fostering financial inclusion, enhancing food security and addressing commodity price volatility, meeting the challenges of development, promoting longer-term prosperity through inclusive green growth, intensifying the fight against corruption, as well as other paragraphs. Also, the G20 leaders have announced a coordinated Los Cabos Growth and Jobs Action Plan to achieve those goals.

The financial crisis in the Eurozone remains a top priority. Against this backdrop, the G20's ability to manage the economic crisis was highlighted in the Los Cabos summit as it did in 2011 as well. However, it showed limitations as the summit merely asked for European countries to strengthen voluntary

efforts to overcome the difficulties.. On the other hand, the effectiveness of the G20 has been shown through the decision to boost emergency funding for IMF to \$456 billion and through the decision to strengthen evaluation systems.

Through this G20 Summit, the members showed their determination to move forward and sustain the summit. However, the expectations on the long-term development of the G20 and its role, which had been on the table since its inception in 2008, have been negatively affected. Considering this duality, the Los Cabos G20 summit achieved 'uncomfortable success'.

2. Evaluation and Future Challenges

A) Overcoming the Absence of Leadership

The Los Cabos summit revealed challenges in the course of the G20 development. That is, the absence of leadership has been shown once again during the summit. It has been first highlighted in the 2011 G20 summit in Cannes, surrounding the issue of global financial problem.

Like the 2011 G20 summit held in Cannes, the Los Cabos G20 summit had failed to deal with the important

issue at stake—the eurozone financial crisis which started in Greece. The current G20 lacks leadership, which can efficiently deal with the crisis.

A number of factors are currently constraining the G20 leadership. First, the U.S. is currently more focused on domestic issues amid the economic downturn and the upcoming November presidential election. Second, emerging markets—such as China and Brazil—also could not afford to discuss economic support in other areas, due to the difficulties in operating domestic economy. Third, conflicts between the UK and the Eurozone countries, between Germany and France, and between the old and new members are rising over the issue of support principles and prescriptions regarding economic woes in Greece and other countries, as well as contriving revenue. Fourth, within the G20, the G7 prefer the status quo while the emerging countries—particularly the BRICS—are trying to expand influences.

Thus, the Los Cabos summit gives us consideration points, regarding the development prospects of the G20. First, whether the G20 will be able to overcome the absence of leadership problem in case the world powers such as the U.S., China and EU fails to take the leadership position in the future. Second, we must consider the type of cooperation mode that should be established between the G20 and regional integration organization, in case of another highly contagious economic crisis. This has raised the need to associate the global governance and the regional governance system for the future development of the G20.

B) Reconsidering the Proper Role of the G20

G20 was named the ‘premier forum’ for the international economic cooperation during the 3rd Pittsburgh Summit, and became a venue of global governance. With the 2010 G20 Summit in Seoul, the G20 Summit started seeking transformation from crisis management body to steering committee. However, G20 showed its limitations in overcoming the financial crisis in Europe, and through the process, the absence of leadership has been highlighted.

Nevertheless, the G20 leaders have agreed to reform the IMF quotas and governance, and introduced a slew of financial regulatory reforms. Even though the full implementation will take time, the G20, in this sense, has shown some level of progress by providing strategic direction for the world.

Against this backdrop, whether this meeting of the world leaders will be used more effectively to solve pending global issues remains a question. It may be more desirable to transform the current “premier forum for international economic cooperation,” into a comprehensive one in which the existing G7 and the developing nations reach an agreement on current global issues. The G20 could seek its role and further strengthen its position as more political and broader forum.

C) Containing Excessive Expansion of Agenda

Then, aside from the long-term

goal/role of the G20, its members should also review the criticism that the summit is attempting to cover too much. During the 2010 Seoul Summit, Korea introduced additional agenda items—plans for a global financial safety net and development issues. And during the 2011 Cannes Summit the agenda expanded to include food security and commodity price volatility. Also, the Los Cabos Summit included green growth, and also touched on fight against corruption as well as employment and labor.

With the expansion of agenda, the G20 can reach beyond the traditional macro-economic policy coordination among the G7 and increase participation of developing countries. Also, expanding agenda items are reasonable, considering the complex nature of problems, the so-called hybrid issues.

However, additional agenda selection, in some cases, might be based on the host country's interest, rather than reflecting the common interest of the G20 countries. Also, the host countries tend to be too ambitious when selecting additional agenda, in hopes of leaving their footsteps in regards to the development of the G20.

These concerns are rising partly due the absence of leadership, and, also, the fact that the current troika system cannot fully take the role of the permanent secretariat in planning and operating discussions on agenda items in a systematic way.

Such weaknesses might lead to

the G20 being treated as a so-called “talk shop” or becoming a “grocery store” of various agenda items, unless proper remedies are taken in due time.

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