



First G-20 Summit: International Political Economic Significance and Prospects

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The Group of Twenty (G-20) summit held in Washington, DC on November 15, 2008 can be assessed as an “incomplete success”: having been held at short notice, it was testimony to major countries’ shared sense of urgency with regard to the financial crisis which had started on Wall Street but was becoming a worldwide phenomenon; by agreeing to hold a second summit by the end of April 2009, the participating countries ensured the continuity of the meeting.

The heads of state reaffirmed their belief that only free market principles, open trade and investment systems, and “efficiently regulated” financial markets can promote dynamism, creativity, and entrepreneurship, vital elements for accelerating economic growth, increasing employment, and eliminating poverty.

The most meaningful outcome of the G-20 summit—though it hammered out an agreement on

“reform within the system” rather than “reform of the system”—is that it triggered a realignment of the global economic system by building an international consensus on the need for the current global financial system’s reform, which had been raised consistently for years.

The Bretton Woods system was established in 1944, giving birth to the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT). By the 1970s, however, the system had already been called a “system that did not actually exist or function (non-system)” or a “post-Bretton Woods system,” for the global economic system could no longer operate properly based on the distribution of power that existed at the time of the system’s launch.

Such development has resulted in the “uni-multipolar” global hierarchical order. Inherent in that, there were two types of discontinuity: 1) the gap between US political and military power

and US economic and trade power; and 2) the chasm between US power on the trade front and its financial power.

That the first G-20 summit was held on the basis of G-20 finance ministers' meetings, which had started within the framework of the G-8—a mechanism of global governance since the 1970s—reflects a change in the actual distribution of power. The ongoing global financial crisis has created a momentum for seeking new global governance. Hence, it will fuel the debate on whether to expand the G-8; during the course of the discussion, the L-20 proposal (Leaders-20, or summit meetings of G-20 leaders) may possibly receive even more spotlight as a sound alternative.

The goal of European Union (EU) states and the majority of emerging states is a fundamental reform of the global financial system, specifically the establishment of a new Bretton Woods system, in order to prevent another financial crisis. Yet, different countries have voiced divergent views regarding the prospects of building a new Bretton Woods system. The United States, for example, adheres to the position that an improvement of the current system would suffice.

Should G-20 summits continue to function as responsible meetings which address, with consistency, reform of the international financial system even after the second summit in late

April 2009, the EU-led new-Bretton-Woods-system debate will continue to top the summit agenda. However, the parties concerned will not likely reach a consensus easily.

The first G-20 summit served as an opportunity for a realistic reevaluation of American economic power; at the same time, it was a process of renewing the understanding of emerging countries' importance, that is, the value of countries such as China, India, and Brazil. While a devaluation of US economic power would be inevitable, an attempt to change the US dollar's role as the key international currency will likely be impossible for the foreseeable future due to a lack of an alternative to US economic prowess.

The first G-20 summit has, in a way, reaffirmed the limits of the G-8, which has hitherto mediated on global economic issues; in that regard, the discussion on the expansion or reorganization of the G-8 will likely receive a further boost and take place on a full scale. Some alternatives to the G-8 include a G-13 (G-8+O-5 (Outreach-5)), G-13+ α , and an L-20.

Yet, the G-8 expansion initiative *per se* has become a complicated affair owing to differences of opinion among G-8 members, dissimilarities within the O-5, and opposing views between the G-8 and the O-5. As such, there remains the possibility that the G-8 expansion debate may not



become part of the official agenda until 2018, when the next, next sequence of G-8 rotating presidency begins. Should that be the case, the G-8, an established forum, and the G-20, which was reborn in the aftermath of the financial crisis, will likely function in parallel for the time being, heralding a system whereby G-7 finance ministers' meetings serve as preludes to G-8 summit talks and G-20 finance ministers' talks as preludes to G-20 summit meetings. Consequently, one cannot rule out inefficiency and confusion as upshots of a dualized response system for resolving pending international economic issues. *IFANS 2009*