

The Group of Twenty - G20

Introduction

The Group of Twenty, or G20, is the premier forum for international cooperation on the most important aspects of the international economic and financial agenda. It brings together the world's major advanced and emerging economies.

The G20 comprises Argentina, Australia, Brazil, Canada, China, EU, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK and USA. The G20 Countries together represent around 90% of global GDP, 80% of global trade, and two thirds of the world's population.

The objectives of the G20 are:

- a) Policy coordination between its members in order to achieve global economic stability, sustainable growth;
- b) To promote financial regulations that reduce risks and prevent future financial crises; and
- c) To create a new international financial architecture.

Origin and Evolution

The G20 was created in response to both to the financial crises that arose in a number of emerging economies in the 1990s and to a growing recognition that some of these countries were not adequately represented in global economic discussion and governance.

In December 1999, the Finance Ministers and Central Bank Governors of advanced and emerging countries of systemic importance met for the first time in Berlin, Germany, for an informal dialogue on key issues for global economic stability. Since then, Finance Ministers and Central Bank Governors have met annually. India hosted a meeting of G20 finance ministers and central bank governors in 2002. G20 was raised to the Summit level in 2008 to address the global financial and economic crisis of 2008.

Organizational Structure of G20

The G-20 operates without a permanent secretariat or staff. The chair rotates annually among the members and is selected from a different regional grouping of countries. The chair is part of a revolving three-member management group of past, present and future chairs referred to as the **Troika**. The current chair of the G-20 is Mexico; the next Chair will be Russia.

The preparatory process for the G20 Summit is conducted through the established Sherpa and Finance tracks that prepare and follow up on the issues and commitments adopted at the Summits. The **Sherpas' Track** focuses on non-economic and financial issues, such as development, anti-corruption and food security, while addressing

internal aspects such as procedural rules of the G20 process. The Sherpas carry out important planning, negotiation and implementation tasks continuously.

The **Finance Track** focuses on economic and financial issues. The Sherpa and Finance tracks both rely on the technical and substantive work of a series of expert working groups. Additionally, the thematic agenda is developed through the organization of several Ministerial Meetings, such as the Joint Meeting of Finance and Development Ministers, and the Labour, Agriculture and Tourism Ministerial meetings.

G20 Leaders Summits.

Seven G20 Summits have been held so far. The **First Summit** was hosted by the US President **in Washington in November 2008** to develop a coordinated response to the global financial crisis. At the First Summit, the Leaders discussed the causes of the global economic and financial crisis and agreed to implement an Action Plan around three main objectives, namely, (i) Restoring global growth, (ii) Strengthening the international financial system and (iii) Reforming international financial institutions.

The **Second Summit in London in April 2009** came up with a stimulus package of US\$ 1.1 trillion to restore credit and growth and strong regulatory provisions, expansion of Financial Stability Forum (renamed as 'Financial Stability Board' or FSB) and Basel Committee on Banking Supervision (BCBS), reiteration of commitment against protectionist trends (including trade, investment and services) and commitment to reform of International Financial Institutions.

The **Third Summit in Pittsburgh in September 2009** designated the G20 as the 'premier forum' for international economic cooperation. The main outcomes of the Pittsburgh Summit included to foster a 'Framework for Strong, Sustainable and Balanced Growth' in the 21st century through sound macroeconomic policies that prevent cycles of boom and bust through a Mutual Assessment Process (MAP) or 'peer review' which is co-chaired by India, a decision to reform the IFIs by shifting IMF's quota share to dynamic Emerging Markets and Developing Countries (EMDCs) of at least 5% from over-represented countries to under-represented countries, adoption of a dynamic formula for the World Bank to generate an increase of at least 3% voting power for developing and transition countries that are under-represented; and ensuring that World Bank and Regional Development Banks (RDBs) have sufficient resources to address global challenges.

The **Fourth Summit in Toronto in June 2010** under the theme 'Recovery and New Beginnings' focused on the 'Framework for Strong, Sustainable and Balanced Growth' and completion of Phase-I work comprising MAP (or 'peer review') by groupings of countries. Advanced economies have committed to fiscal consolidation, i.e. halving of fiscal deficit by 2013 and stabilizing debt by 2016 as part of internal re-balancing. An agreement was also reached on differentiated approach to consolidating growth and recovery versus exit strategies and fiscal consolidation, i.e. 'growth-friendly fiscal consolidation'. 'Development' was introduced for the first time on the G20 agenda to be addressed through a High-Level Development Working Group (DWG).

The highlight of the **Fifth Summit in Seoul in November 2010** under the theme 'Shared Growth Beyond Crisis' was the launching of the G20 Development Agenda embodied in the **Multi-Year Action Plans (MYAP)** under the nine development pillars, viz., Infrastructure (including a High-level Panel on infrastructure financing), Human Resources Development, Trade, Private Investment and Job Creation, Food Security, Growth with Resilience, Domestic Resource Mobilization, Knowledge Sharing and Financial Inclusion

The **Sixth G20 Summit in Cannes in November 2011** reviewed the global economic situation in the backdrop of the Eurozone/Greek crisis. Its major outcomes included regulation of commodity derivatives markets, including Action Plan on Food Price Volatility and Agriculture and increase in transparency of energy markets and an expression of support for recommendations of High Level Panel and MDBs Action Plan on development. The outcome of the Cannes Summit resulted in the 'Communique' and 'Declaration' titled 'Building our Common Future: Renewed Collective Action for the Benefit of All' along with the 'Cannes Action Plan for Growth and Jobs'.

The **Seventh G20 Summit was held in Los Cabos, Mexico on 18-19 June 2012** under the Mexican Presidency. Mexico had identified the following as its priorities:

- i. To promote economic stabilization and structural reforms as foundations for growth and employment;
- ii. Strengthening the financial system and fostering financial inclusion to promote economic growth;
- iii. Improving the international financial architecture in an interconnected world;
- iv. Enhancing food security and addressing commodity price volatility; and
- v. To promote sustainable development, green growth and the fight against climate change.

The G20 has, since the Pittsburgh framework and the Seoul Development Consensus, recognized that development and global economic issues cannot be tackled separately. Development is crucial for global economic growth, poverty reduction and employment creation. Development Working Group was set up in 2010 under the Sherpas' Track to complement the G20's economic and financial agenda through multi-sectoral efforts to assist developing countries in areas of importance for the welfare of their societies. Taking forward the development agenda under the G20 DWG, Mexico had chosen Infrastructure, Food Security and Inclusive Green Growth as its development priorities.

In addition to Spain, permanent guest of all G20 Summits, Mexico had also invited Benin (as AU Chair), Cambodia (as the current ASEAN chair), Chile, Colombia and Ethiopia to attend the Summit. Among the International Organizations, IMF, WB (both

permanent invitees), the UN, ILO, WTO, FAO, FSB and OECD attended the Summit. The Summit came out with the Leaders' Declaration and The Los Cabos Growth and Jobs Action Plan.

The Leaders' committed to work with developing countries, particularly low-income countries, and to support them in implementing the nationally driven policies and priorities which are needed to fulfil internationally agreed development goals, particularly the Millennium Development Goals (MDGs) and reaffirmed their standstill commitment until the end of 2014 with regard to measures affecting trade and investment and pledged to roll back any new protectionist measure that may have arisen, including new export restrictions and WTO-inconsistent measures to stimulate exports.

Mexico also hosted a number of other meetings at different levels in a diverse range of areas such as Agriculture, Labour & Employment, Economy & Trade, Energy & Commodity Markets, Tourism, Anti-corruption, Disaster Risk Management, Business 20, Think 20, Civil Society & NGOs and Youth 20.

The Indian delegation was led by Prime Minister, Dr. Manmohan Singh. Prime Minister, in his intervention, stated that India was focusing heavily on investment and have set ambitious targets to keep infrastructure investment on track and also put in place a problem resolution mechanism to overcome implementation bottlenecks.

PM added that "it can be argued that austerity now will lay the basis for sustained growth later. But there is also an alternative view that with growth impulses as seriously weakened as they are today, synchronized austerity across many countries may not be the right medicine. Financial markets normally favour austerity, but even they are beginning to recognize that austerity with no growth will not produce a return to sustainable debt position". PM opined that austerity in the debt-ridden members of the Eurozone can work only if surplus members are willing to expand to offset contraction elsewhere in the currency area.

India on its part announced contribution of \$ 10 billion to mop up IMF's additional firewall system. And the overall commitment by G20 members exceeded \$ 450 billion in addition to the quota increase under the 2010 Reform. These resources would be available for the whole membership of the IMF, and not earmarked for any particular region.

India and G-20

India's participation in the G20 process stems from the realization that as a major developing economy India has a vital stake in the stability of the international economic and financial system.

India has been actively involved in the G20 preparatory process both at the Sherpas Track and the Financial Track since its inception. The Prime Minister participated in all seven G20 summits. India's agenda at the G20 Summits is driven by the need to bring

in greater inclusivity in the financial system, to avoiding protectionist tendencies and above all for ensuring that growth prospects of developing countries do not suffer. India has strived to ensure that the focus of the global community remains on the need to ensure adequate flow of finances to emerging economies to meet their developmental needs.

India has welcomed the inclusion of development as an agenda item of G20 process at the Seoul Summit and supported the Seoul Development Consensus and the associated Multi-Year Action plans. Prime Minister called for the recycling of surplus savings into investments in developing countries to not only address immediate demand imbalances but also developmental imbalances.

India has worked to maintain the dynamism and credibility of G20 deliberations for establishing a framework for strong, sustainable and balanced growth, strengthening international financial regulatory systems, reforming Bretton Woods's institutions, facilitating trade finance, pushing forward the Doha agenda. India, as a co-chair of Framework Working Group on Strong, Sustainable and Balanced Growth, tried to refocus the energies of the group towards growth, jobs, fiscal consolidation, rebalancing demand from the public sector to the private, and to risks arising from internal imbalances within the Eurozone. India remains committed to the G20 process for achieving a stable, inclusive and representative global economic and financial system.

Russia would take over the Presidency of the G20 with effect from 1 December 2012 followed by Australia in 2014 and Turkey in 2015. The next G20 Summit is scheduled to be held in Russia in 2013.

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