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Economic commentaries

The G20 and international economic cooperation

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**The views expressed in this article are the author's own and do not necessarily reflect the views of Norges Bank.*

The G20 and international economic cooperation[1]

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Introduction and historical background[2]

In 1975 the President of France convened a meeting of the leaders of six major industrial countries in Rambouillet in France. In addition to the host country, the participating countries were Germany, Italy, Japan, the United States and the United Kingdom. A year later, Canada joined the group which became known as the Group of 7 or G7. From the beginning, the G7 held annual leaders' meetings. This year's meeting will be held in the US in May. Russia was invited to be present for a part of the meetings from 1994 and became a full participant from 1998. Henceforth, the group became known as the G8. Matters of economics and finance figured prominently on the agenda of the G8. In the latter half of the 1980s, the G8 finance ministers and central bank governors began to meet on a regular basis to discuss global economic trends and economic policies. Larger groups including the G8 and emerging market countries were temporarily established in the late 1990s, the Group of 22 in 1997 and subsequently the Group of 33 in early 1999. Finally, the G20 was formed at the end of that year, reflecting a response to the financial crisis affecting many emerging market economies in the late 1990s. It has become a principal venue for discussions on topics relating to economics and finance. It goes without saying that the expansion of the G8 from including only major industrial countries to the G20 which also encompasses emerging market countries delivered a considerably more representative group than the G8, even if it still excludes the majority of the countries of the world.

The G20 consists of 19 countries and the European Union, which is represented by the rotating presidency and the European Central Bank.[3] The combined GDP of the G20 is equivalent to roughly 85 percent of global GDP. The G20 by its own description brings together "systemically important industrialized and developing economies to discuss key issues in the global economy"[4]. It is an informal forum of advanced and emerging market countries that chose to join forces outside the established institutional framework for international monetary, economic and development cooperation. The initial aim was that finance ministers and central bank governors of the member countries would meet once a year to facilitate international economic policy cooperation. G20 Leaders met for the first time as a group in 2008. Conspicuous by their absence are small industrial countries and low-income developing countries in addition to many emerging market economies. Non-participating EU countries may be viewed as indirectly represented by the EU presidency.

The G20 played a pivotal role in responding to the global economic and financial crisis in early 2009. Its collective response in the later phases of the crisis may be said to have been less resolute. In the face of the severity of the global economic and financial crisis, the G20 Leaders nevertheless agreed in November 2011 to strengthen the resources of the IMF to

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[1] The author is senior advisor in the International Department of Norges Bank's Monetary Policy. Anne Berit Christiansen, Hans Petter Wilse, Pål Winje and Arild J. Lund made valuable comments and suggestions. Veronica Harrington provided English language assistance. Remaining errors and omissions are the author's responsiblity.

[2] See for example *The Group of Twenty: A History* (2008), www.g20.utoronto.ca/docs/g20history.pdf

[3] The member countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the UK and the US, in addition to the EU. Spain has become a permanent "invitee" to G20 meetings.

[4] *What is the G-20*, www.g20.org/about_what_is_g20.aspx.

allow it to continue to play its systemic role. To achieve that, they asked their finance ministers to work on deploying a range of various options by their next meeting. That meeting was held on February 25-26 but did not result in agreement on this issue. The ministers will meet again in April (see below). These important deliberations and the role of the G20 in them are among the motivations for writing this note. The purpose is to shed light on the nature and work of the G20 and its achievements and challenges, particularly relating to the global economic and financial crisis.

G20 governance and meetings

The activities of the G20 are not governed by any statutes or formal agreements and membership is not based on well defined criteria. The presidency of the G20 rotates annually among the members. France led the G20 in 2011 followed by Mexico in 2012.[5] The presidency leads a three-member management group of past, current and future chairs, referred to as the Troika, the purpose of which is to ensure continuity from one presidency to another. The G20 does not have a secretariat. The presidency assumes secretariat functions as needed. Otherwise, the G20 relies on institutions in the member countries, and, for larger tasks, on the various international institutions, the IMF in particular.

The G20 normally met once a year at the finance minister and central bank governor level, but meetings have been more frequent after the onset of the global economic and financial crisis. These meetings are usually preceded by preparatory meetings at the deputy level. The G20 has also established working groups on longer-term issues such as the implementation of the *Framework for Strong, Sustainable and Balanced Growth* (see below) and on specific topics, such as commodity price fluctuations, a report on which was prepared for the 2011 Cannes Leaders' Summit.

The political leaders met for the first time as a group at a summit in November 2008. They met twice in each of the years 2009 and 2010, once in 2011, and annual Leaders' Summits are planned in the years ahead. Representatives of the Leaders, the so-called Sherpas, meet regularly and consider matters that are outside the mandate of the finance ministers and the central bank governors, including issues relating to the functioning of the G20.

Once the G20 Leaders began to meet, the agenda of the group gradually expanded into new areas such as development financing, anti-corruption efforts, climate change and other environment-related issues. This is clearly reflected in the multitude of issues addressed in the communiqué, statements and papers from the Cannes Summit in November 2011.[6] The summits and the finance minister/central bank governor meetings draw the greatest attention, but in 2011, G20 ministers of agriculture, development and labor and employment also held meetings. G20 foreign ministers met in February 2012. The frequency and type of meetings is at least partly determined by the ambitions of the country holding the presidency at any given time.

The so-called BRICS[7] form a block within the G20. They often meet separately immediately prior to meetings of the full G20 to discuss and coordinate their participation in the G20

[5] Russia in 2013, Australia in 2014 and Turkey in 2015.

[6] All available at: www.g20-g8.com/g8-g20/g20/english/the-2011-summit/declarations-and-reports/g20-cannes-summit-declarations-and-reports.1553.html

[7] Brazil, Russia, India, China and South Africa (since 2011).

meetings. That does not mean that their interests are always the same; at times their views may differ on certain topics on the G20 agenda.

At their summit in Seoul in November 2010, the G20 leaders agreed to invite no more than five non-member invitees to Summits (including Spain), of which at least two should be countries in Africa."[8]

In 2011, the French Presidency of the G20 asked UK Prime Minister Cameron to prepare a report on governance.[9] The report did not include any radical proposals. It suggested that to enhance the legitimacy of the G20's consensus building role, Leaders should commit the G20 to becoming much more structured and transparent in its engagement with other actors in the global system. The Report emphasised the importance of intensifying the work of the G20 in key areas. It did not propose changes in membership or the creation of new institutions or processes. The informal quality of the G20 had been its comparative advantage and its greatest strength. The suggestion of President Sarkozy and in the Cameron Report to establish a permanent G20 secretariat has not been followed up. At the Cannes Summit, the G20 Leaders welcomed the report and agreed that the G20 should remain an informal group.

The G20 and the global financial crisis

G20 cooperation initially encompassed only finance ministers and central bank governors of the member countries. With the advent of the global financial crisis and the critical period in the immediate wake of the collapse of the US bank Lehman Brothers in September 2008, the first G20 Leaders' Summit was convened in Washington D.C. in November 2008. There the Leaders declared their determination to enhance their cooperation and to work together to restore global growth and achieve needed reforms in the world's financial systems. They also pledged to review the adequacy of the resources of the IMF, the World Bank and other multilateral institutions and to increase them where necessary. At the following Summit in London in April 2009, at an acute stage in the global financial crisis, the G20 agreed on a *Global Plan for Recovery and Reform*[10]. This entailed a package of measures aimed at restoring confidence, reforming financial systems etc. An important part was the commitment to treble the resources available to the IMF and to allocate SDRs[11]. The G20 also embarked on a significant strengthening of financial system monitoring and regulation through the establishment of the Financial Stability Board.[12] There is wide agreement that the decisiveness of the G20 and the scale of its package at this critical moment were crucial in improving the prospects for global economic and financial conditions at the time. Strong leadership at the time is likely to have facilitated agreement on aggressive action.

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[8] The Seoul Summit Leaders Declaration, www.g20.org/Documents2010/11/seoulsummit_declaration.pdf Invitees in 2011 were Ethiopia (Chair of the New Partnership for Africa, NEPAD), Singapore (representing the 3G group (Global Governance Group with 27 member countries, including Switzerland)), Spain (permanent invitee), the United Arab Emirates (Chair of the Cooperation Council for the Arab States of the Gulf, GCC) and Equatorial Guinea (Chair of the African Union). Invitees in 2012 are Benin, Cambodia, Chile, Colombia and Spain, see: http://g20mexico.org/en/mexican-presidency-of-the-g20/international-organizations-and-countries-invited

[9] David Cameron: *Governance for Growth; Building consensus for the future*, www.number10.gov.uk/wp-content/uploads/2011/11/Governance-for-growth.pdf - considered at the Cannes Summit.

[10] www.g20.org/Documents/final-communique.pdf

[11] The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of four key currencies, the US dollar, the euro, the pound sterling and the yen.

[12] www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409_-_1615_final.pdf

The Framework for Strong, Sustainable and Balanced Growth
At their Summit in Pittsburgh in September 2009, the G20 Leaders launched a *Framework for Strong, Sustainable and Balanced Growth*. "To put in place this framework, we commit to develop a process whereby we set out our objectives, put forward policies to achieve these objectives, and together assess our progress."[13] The backbone of the framework was to be a process through which G-20 countries identify objectives for the global economy, the policies needed to reach them, and the progress towards meeting these shared objectives, the so-called Mutual Assessment Process, or MAP. The process of developing the MAP has been slow, but incremental steps have been agreed at successive meetings of finance ministers and central bank governors and at Leaders' Summits. At the Seoul Summit in November 2010, the Leaders agreed to an enhanced MAP with indicative guidelines for key imbalances. Specific indicators agreed in early 2011 are "(i) public debt and fiscal deficits; and private savings rate and private debt (ii) and the external imbalance composed of the trade balance and net investment income flows and transfers, whilst taking due consideration of exchange rate, fiscal, monetary and other policies".[14] They form the basis for assessing external and internal imbalances that could jeopardise the shared growth objectives of the G20. IMF assessment reports were published in the summer of 2011 with an in-depth analysis of the nature of imbalances, the root causes and the impediments to adjustment in the seven countries identified by the G20 in May 2011 as having large imbalances.[15] At the Cannes Summit in November 2011, the Leaders adopted an *Action Plan for Growth and Jobs* and endorsed policy actions by members that aim to correct imbalances over the medium term.

The IMF has played a large and active role in the MAP and in practice served as a secretariat for the G20 in work related to the Framework and the MAP.[16] Its G20 reports have been published on the IMF website. The OECD has done considerable work for the G20 on the importance of structural reforms. In its analyses the IMF has demonstrated the clear benefit to the G20 and the world economy of collective and coordinated action in reducing imbalances – that coordinated economic policies among the major players in the global economy will yield higher growth, increased employment, and reduced poverty. By the same token, the IMF has warned of the serious consequences of inaction and incompatible policies that would be reflected in a re-intensification of global imbalances. The imbalances subsided following the onset of the global economic and financial crisis but are on the rise again.

An IMF note prepared for a G20 deputies meeting in January 2012 included analysis and recommendations. To give the flavor of its views, the IMF urged Europe to pursue its move beyond its piecemeal approach and achieve a successful resolution of the crisis through four key steps; fiscal consolidation, stronger growth, enhanced crisis management, and deeper fiscal and financial integration across Europe to underpin the sustainability of the common currency. In other G20 advanced economies there remained an urgent priority to set out a credible path for fiscal consolidation over the medium term; monetary policy should remain highly accommodative. In G20 emerging market economies, the immediate policy priority was to ensure a soft landing as domestic growth and demand from advanced economies moderated. And, the IMF continued: "Collective action to address persistent global

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[13] Leaders' Statement at the conclusion of the Pittsburgh Summit, September 24-25, 2009, www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf.
[14] Final communiqué, meeting of G20 finance ministers and central bank governors, April 15, 2011.
[15] The seven countries were China, France, Germany, India, Japan, the UK and the US. The reports are available at www.imf.org/external/np/g20/pdf/110411.pdf.
[16] International Monetary Fund Factsheet: The G20 Mutual Assessment Process, MAP, www.imf.org/external/np/exr/facts/pdf/g20map.pdf

imbalances can better guarantee a return to strong, sustainable, and balanced global growth. This will require further deleveraging of households in *advanced deficit economies* and more inclusive growth and lower saving in *emerging surplus economies*. The latter can be achieved by alleviating distortions, notably financial sector reform as well as enhanced pension, healthcare, and education systems, complemented with less intervention in foreign exchange markets."[17]

Financial sector reform and regulation

At their first summit in Washington in November 2008, the G20 Leaders declared their determination to achieve reforms in the world's financial systems. This was followed by a comprehensive *Declaration on Strengthening the Financial System* at the London Summit in April 2009[18]. The G20 Leaders agreed to expand the Financial Stability Forum as the Financial Stability Board (FSB) with a broadened mandate to promote financial stability and a strengthened institutional basis and capacity. The London Declaration entailed a commitment to strengthen international cooperation, including on cross-border crisis management and the development of a framework for cross-border bank resolution arrangements, and to strengthen international frameworks for prudential regulation, particularly for systemically important financial institutions.

Among the tasks of the FSB are the following:[19]

- Assess vulnerabilities affecting the financial system and identify and oversee action needed to address them;
- Promote co-ordination and information exchange among authorities responsible for financial stability;
- Undertake joint strategic reviews of the policy development work of the international standard setting bodies to ensure their work is timely, coordinated, focused on priorities, and addressing gaps;
- Manage contingency planning for cross-border crisis management, particularly with respect to systemically important firms; and
- Collaborate with the IMF to conduct Early Warning Exercises[20].

The FSB, and to some extent the Basel Committee on Banking Supervision, has been the center for much of the work in the area of financial sector reform. At the Cannes Summit, the G20 Leaders agreed to strengthen the legal basis and financial autonomy of the FSB.

Although significant progress has been made, important issues still remain to be fully addressed. This was reflected in the Communiqué from the summit in Cannes. The main points identified there were a call to fully implement important elements of the Basel II and Basel III frameworks relating in particular to risk measures and capital and liquidity standards, to reform over-the-counter derivatives markets, to discourage compensation practices that lead to excessive risk-taking, to reduce the reliance on external credit ratings, and to intensify the monitoring of financial regulatory reform. The Cannes Communiqué also specifically addressed the too-big-to-fail issue and the Leaders' determination to ensure that no financial firm is too big to fail, and endorsed a comprehensive FSB policy framework to this end. Finally, the Cannes Communiqué identified various areas where gaps in regulation

[17] IMF: *Global Economic Prospects and Policy Changes,* January 2012, www.imf.org/external/np/g20/pdf/012012.pdf

[18] www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409_-_1615_final.pdf

[19] www.financialstabilityboard.org/about/mandate.htm

[20] www.imf.org/external/np/exr/facts/pdf/ewe.pdf

needed to be filled. These included bank-like activities, various market-related issues, principles for the regulation and supervision of commodity derivatives markets, consumer protection issues and, last but not least, the development of macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector.

In addition to giving it a broadened mandate in 2009, the G20 expanded FSB membership to include not only all G20 members but also a number of other countries[21] and institutions[22] and the various standard setting bodies. Yet, the FSB excludes important countries and groups of countries, among them the Nordic and Baltic ones, which are nevertheless obliged to take account of its work and implement proposals emanating from it. In an effort to partly rectify this, in 2011 the FSB established six Regional Consultative Groups to enhance its outreach efforts beyond its member countries. Norway and the other Nordic Countries belong to one of these groups.

Reform of the international monetary system
A continuing theme on the agenda of the G20 during the crisis has been a reform of the international monetary system. This has related among other things to the governance of the IMF where it was increasingly felt that the relative size of member country quotas, which determine their voting power in the institution, and the structure of the Executive Board no longer reflected changed realities in the global economy. Changes were thus necessary to preserve the credibility and effectiveness of the IMF. These issues received intensified attention in the fall of 2010 when the US sought to force agreement on a change in the composition of the Board. In the end, agreement was not reached in the IMF but rather by the G20 finance ministers and central bank governors in October 2010, entailing an increase in and revision of relative quotas as well as a change in the composition of the Executive Board. Representation of emerging market countries is to be increased by two seats in the 24-member Board at the cost of advanced European countries. Subsequently, these changes, agreed outside the IMF, were formally endorsed by the proper bodies of the IMF, the Executive Board and the Board of Governors. The aim is that they become effective in the autumn of 2012 when the legislative ratification is to be completed by the necessary majority of the membership.

The G20 also discussed the development of global financial safety nets. This resulted in the establishment of two financing facilities in the IMF, the Flexible Credit Line (FCL) and the Precautionary Liquidity Line (PLL)[23]. The main purpose of these facilities is to enable countries with *good* policies to insure themselves against *bad* outcomes through access to liquidity, especially when they are innocent bystanders caught up in financial turmoil.

Additionally, the G20 has initiated considerable work, with the assistance of the IMF, and partly the BIS[24], in assessing and monitoring global liquidity, on capital flow management measures, on the composition and role of SDRs and on the development of local currency bond markets. Last but not least, the G20 has supported a strengthening of IMF surveillance over the member countries' economic policies, including greater involvement of finance ministers and central bank governors by providing strategic guidance through the IMF's

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[21] Hong Kong, the Netherlands, Singapore, Spain and Switzerland.
[22] BIS, ECB, IMF, OECD and the World Bank
[23] In 2011 the Precautionary Liquidity Line replaced a Precautionary Credit Line facility (PCL) which had been established in 2010.
[24] The Bank for International Settlements in Basel

International Monetary and Financial Committee (IMFC)[25]. All of this has been motivated by the global financial crisis and the ambitions of the G20 to increase the resilience of the international monetary system. The G20 will continue to focus on these issues.

Strengthening the resources of the IMF – the role of the G20

The G20 Leaders discussed the financial resource situation of the IMF at the 2011 Cannes summit and are said to have come close to agreeing a package solution entailing bilateral borrowing arrangements (USD 250 billion) and a new allocation of SDRs (USD 250 billion).[26] Other alternatives were also considered, including voluntary contributions to an IMF special structure such as an administered account. In the end, agreement was not reached. Instead, the Communiqué stated that “we will ensure the IMF continues to have resources to play its systemic role... We stand ready to ensure additional resources could be mobilised in a timely manner and ask our finance ministers by their next meeting to work on deploying a range of various options including bilateral contributions to the IMF, SDRs, and voluntary contributions to an IMF special structure such as an administered account”. This was interpreted as an agreement to make available to the IMF any amount needed.

In the weeks following the Cannes Summit, intense discussions continued on the means to strengthen the resources of the IMF, initially mainly in the EU, but subsequently in the Executive Board of the IMF in December and January. In December 2011, euro area countries, some non-euro area EU countries and Norway declared their preparedness to commit financial resources as a part of a broader effort which remains to be concluded. The G20 set up a working group to consider the matter ahead of a deputies’ meeting in January and the finance minister/central bank governor meeting which was held on February 25-26. That meeting did not result in agreement.[27] Discussions will continue on the strengthening of the IMF’s resources in the weeks ahead. They will be influenced by the outcome of the review of EU financing facilities to be undertaken in March. The IMF’s ministerial committee, the IMFC, will meet in April and so will the G20 finance ministers and central bank governors. Successful conclusion of the deliberations on the IMF’s resources at those meetings would presumably be promptly followed by new bilateral loan agreements between the IMF and various member countries, including Norway[28].

Cannes and beyond

There is wide agreement that the G20 played a crucial role in responding to the global economic and financial crisis in 2009 through its swift and effective agreements and measures aimed at reversing rapidly eroding confidence and an imminent slide of the world economy into depression. The strength of the G20 at that time may indeed have been its swiftness in arriving at important decisions, which might have been more cumbersome in established

[25] The IMFC is responsible for advising, and reporting to, the Board of Governors of the IMF as it manages and shapes the international monetary and financial system. The IMFC has 24-members who are central bank governors, ministers, or others of comparable rank and who are drawn from the IMF’s 187 member countries. Membership reflects the composition of the IMF’s 24-member Executive Board.

[26] See for example: *G20 seeks more talks on eurozone crisis*, Financial Times November 6, 2011, http://www.ft.com/intl/cms/s/0/a2e083e0-089b-11e1-9fe8-00144feabdc0.html#axzz1l13GvQ1H - and *Merkel Rejected IMF SDRs to Fund EFSF*, The Wall Street Journal, November 6, 2011, http://online.wsj.com/article/SB10001424052970203716204577020262625477198.html

[27] Communiqué: www.g20mexico.org/es/centro-de-noticias/discursos/235-communique-meeting-of-finance-ministers-and-central-bank-governors

[28] Norwegian Ministry of Finance, News Story: *Norway offers a bilateral loan to the IMF*, December 21, 2011, www.regjeringen.no/en/dep/fin/News/news/2011/norway-offers-a-bilateral-loan-to-the-im.html?id=6676

multilateral institutions. Since 2009, the focus of the G20 has been on efforts to coordinate economic policies under the *Framework for Strong, Sustainable and Balanced Growth* and on policies and measures aimed at strengthening financial systems and their regulation and supervision, in addition to reform of the international monetary system. However, its actions in the later phases of the crisis may be said to have been less resolute than in 2009, possibly because of increasing discord.

France had high ambitions for the Summit in Cannes in November 2011. As it happened, the Summit was to an important extent overtaken by the crisis in the euro area. Parts of the agenda were interrupted by delays in the European Union and among the euro area countries in agreeing coherent responses. Nevertheless, the Summit delivered a *Final Communiqué*, a *Final Declaration* and *The Cannes Action Plan for Growth and Jobs*.[29] G20 cooperation has expanded into areas not previously on its agenda, but with potential implications also for non-members. The Communiqué, the Final Declaration as well as a series of appendices addressed many themes, ranging from a global strategy for growth to pursuing the fight against climate change.

Arguably, the most important theme was the global strategy for growth. The *Action Plan for Growth and Jobs* spelled out policies to address short-term vulnerabilities and restoring financial stability as well as policies aimed at strengthening the medium-term foundations for growth. A widely shared impression seems to be that the *Plan* did not live up to expectations. It did not offer much in the way of new policy initiatives, and the MAP is only indirectly referred to. However, the Leaders stated that they “will continue to coordinate policy in the future as economic conditions evolve. Our Framework for Strong, Sustainable and Balanced Growth is not a point exercise, but a dynamic process to adjust to developments.”

The French Presidency sought agreement on changes in the international monetary system[30] but had limited success. The main exception may be the area of capital movements where the Leaders adopted *Coherent Conclusions for the Management of Capital Flows*. Among the main points are that capital flow management measures may constitute a part of a broader approach to protect economies from shocks, they should not be used to avoid or unduly delay necessary adjustments in the economy, there is no one-size-fits-all approach or rigid definition of conditions for the use of capital flow management measures, and such measures should be transparent, properly communicated and be targeted to the risk identified. It is noteworthy that the only reference to the IMF in these Conclusions is the reminder that there is no obligation to capital account liberalisation under the IMF’s legal framework. The IMF has already done considerable work on the management of capital flows, and the issue has been and will clearly be on its agenda.

Following are the comments of some observers on the Cannes summit and the G20 process:

- [U]nequivocal progress was made to address short-term challenges and consolidate the role of the G20 as a coordinating and convergence mechanism for the world economy. […] The commitments made by each country in the Action Plan are important steps towards more ambitious targets in the months ahead.[31]

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[29] See footnote 5.
[30] See speech by President Sarkozy to the 18th Ambassadors’ Conference, Elysée Palace, August 25, 2010: www.diplomatie.gouv.fr/en/spip.php?page=article_imprim&id_article=14177
[31] Statement by Angel Gurría, OECD Secretary-General, November 18, 2011, www.oecd.org/document/30/0,3746,en_21571361_44315115_49061662_1_1_1_1,00.html

- The G20 in Cannes did not show the same resolve to address the economic crisis as in the Washington and London summits in 2008-2009.[32]
- The Cannes Summit was the sixth Summit of the Group and it will undoubtedly go on record as the one where the distance between the expectations raised and the delivered outcomes was the largest. More importantly, though, it is one where the inability of the Group to respond to urgent challenges has become painfully evident.[33]
- …[L]ast week's summit proved almost comically irrelevant to the future of the global economy.[34]
- My summary assessment is that the G-20's journey involved some useful mutual education, but not much in terms of concrete accomplishments.[35]
- France's year-long G20 term stumbled to a messy end at the Cannes summit, where President Nicolas Sarkozy's dreams of reforming world finance were torpedoed by the euro zone debt crisis. The leaders of the world's most powerful economies cobbled together a list of promised measures to boost growth and reinforce the IMF, but the statement was short on detail and all eyes were fixed on Rome and Athens.[36]
- The latest summit in Cannes showed a lack og leadership compared to the previous five rounds of G20 summits.[37]

In 2009, the G20 designated itself "to be the premier forum for our international economic cooperation"[38] with "our" often being dropped in subsequent communications from G20 members. The G20 is certainly a more representative group than the G7 or G8. Nevertheless, it has been criticised for its lack of legitimacy and lack of democratic anchor and for assuming, in practice, tasks that have been assigned through international agreements and treaties to institutions that are well established in their fields of expertise, based on their respective mandates. For example, many of the issues it has been and is working on are ones which are assigned to the IMF under its Articles of Agreement and where 187 countries of the world are represented. The G20 assigns tasks to the IMF, requests the IMF to report to it on matters relating to its activities, and prepares and decides matters which formally and by international agreement are the responsibility of the IMF and its relevant decision-making bodies where G20 decisions on IMF related matters are in the end formally ratified. The G20 has been reluctant to expand the group and has sought to accommodate criticism through some outreach activities and through the invitation of observers or invitees to its meetings. Nevertheless, the fact remains that most countries are not represented or heard in the G20 and have little, if any, influence on its work. Yet, many G20 decisions affect them directly and, in due course, demand their acquiescence. This frustrates the ambitions of non-participants who wish to play an active and constructive role in multilateral cooperation but have been reduced

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32 Giovanni Grevi: *The G20 after Cannes: An identity crisis*; FRIDE Policy Brief; No. 105, November 2011, www.fride.org/publication/962/the-g20-after-cannes:-an-identity-crisis

33 Aldo Caliari: *Come with a Bang, Gone with a Whimper: G20 Cannes Summit* - Part I; Rethinking Bretton Woods, November 18, 2011; https://www.coc.org/rbw/come-bang-gone-whimper-g20-cannes-summit-part-i-november-2011

34 Wolfgang Münchau: *Summitry again proves its own irrelevance*, Financial Times November 6, 2011, www.ft.com/intl/cms/s/0/e5d0939a-0894-11e1-9fe8-00144feabdc0.html#axzz1l13GvQ1H

35 Edwin M Truman: *G20 Reforms of the International Monetary System: An Evaluation*, Peterson Institute Policy Brief No. PP11-19, November 2011, www.piie.com/publications/pb/pb11-19.pdf

36 The Economic Times of India, November 5, 2011, economictimes.indiatimes.com/news/international-business/france-passes-g20-baton-after-messy-cannes-summit/articleshow/10621359.cms

37 Lee Dong-hwi: *Cannes G20 Summit: Assessment and Implications*; IFAENS Brief 2011-32, The Institute of Foreign Affairs and National Security (IFANS), Ministry of Foreign Affairs and Trade, Republic of Korea, December 12, 2011, www.g20.utoronto.ca/biblio/LEE-6-20111212-en.pdf

38 G20 Leaders' Statement at the conclusion of the Pittsburgh Summit, September 24-25, 2009, www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf.

to the role of spectators. The G20 "lacks the legitimacy that historically has been associated with a truly multilateral framework. Its ambitious economic cooperation should be anchored in a multilateral institution. The IMF is the logical choice."[39]

A pertinent question is how the G20 will evolve in the years ahead and how well it will be able to maintain its cohesion and collective purpose, and, last but not least, its ability to quickly agree on important measures or action. With an ever expanding agenda, and barring effective leadership, it could drift away from its earlier effectiveness.

Potentially among the more important decisions of the G20 may have been the establishment of the *Framework for Strong, Sustainable and Balanced Growth* and the subsequent adoption of the *Mutual Assessment Process*, the MAP. Among other things, it can substantially strengthen IMF surveillance over the policies of the G20 countries. The MAP methodology also has the potential to strengthen IMF surveillance in general, both of individual member countries outside the G20 and of linkages and spill-over effects between countries. So far the MAP itself has been a slow and hesitant process with limited results in coordinated economic policy formulation, let alone implementation. The IMF has clearly demonstrated how the G20 countries can contribute to reducing global imbalances and strengthening the foundations for growth and employment. Yet, so far there are few concrete policy results.

Following are a few comments of outsiders and an insider on the MAP:

- Little can be expected to result from the G20 process in terms of substantive policy changes in the short run. But it is the process itself that is important. It is the process that will deliver more extensive international cooperation in the long run.[40]
- The debate on the framework has been very contentious, so that after two years' work the G20 countries could do little more at Cannes than state publicly what they intended to do already.[41]
- Meaningful action, as opposed to agreement on mechanics of the MAP, appears to be lacking.[42]
- The G20 is also visibly devoid of mechanisms to ensure that actions are effectively taken, except the moral suasion that so far has not met any visible objective towards rebalancing.[43]

In a January 2012 discussion paper, the Mexican Presidency of the G20 presented its five priorities[44]:

i) Economic stabilisation and structural reforms as foundations for growth and employment.

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[39] Svein Gjedrem: *Multilateral Approaches to Global Challenges*, Speech at the Peterson Institute for International Economics in Washington DC, February 25, 2010, www.norges-bank.no/en/about/published/speeches/2010/multilateral-approaches-to-global-challenges/

[40] Barry Eichengreen: *The G20 and global imbalances*, Vox 26. June 2011, www.voxeu.org/index.php?q=node/6694

[41] Nicholas Bayne: *The G20 after the Cannes Summit*, Speaking notes for seminar in Paris November 7, 2011, www.g20.utoronto.ca/events/111107-bayne.html

[42] John Murray, Deputy Governor of the Bank of Canada: *With a little help from your friends – the virtues of global economic cooperation*; Remarks at the State University of New York, November 29, 2011, www.bankofcanada.ca/2011/11/speeches/little-help-friends-virtues-global/.

[43] Aldo Caliari, op.cit.

[44] *Mexico's Presidency of the G20*, January 2012, http://g20mexico.org/images/pdfs/disceng.pdf

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.
v) Promoting sustainable development, green growth and the fight against climate change.

In reference to the Cannes Action Plan, the discussion paper states that more work is needed to reach concrete and specific commitments regarding future policy actions for the medium term. A G20 Leaders' Summit will be held in Mexico in June 2012.

Norway and the G20

Norway is not a member of the G20 and has not participated in G20 meetings. The Nordic EU member countries may be said to participate indirectly through their EU membership and directly in the periods when they hold the presidency of the EU, e.g. Denmark in the first half of 2012. For non-G20 countries, the statements from Cannes and the Cameron report do not appear to markedly improve the prospects for influencing or participating in the work of the G20. While fully recognizing the importance of effective collaboration among systemically important countries on consistent economic policies, Norwegian officials have publicly voiced their dissatisfaction with the G20, its self-proclaimed status, its side-stepping of established multilateral mechanisms, and its lack of legitimacy and democratic anchor.[45] On matters of economics and finance, it has been suggested that the G20 should be viewed as a complement, not an alternative, to the IMF. "An appropriate solution would be the recognition of the IMF and the IMFC as the statutory-based principal forum. G20 collaboration on these matters would be recast in the IMFC" - "The IMFC is an institution of the IMF and thus has a statutory basis. It engages the membership of the IMF directly and indirectly. It would lend legitimacy and integrity to the process of international economic and financial cooperation."[46]

Thus the prospects for future Norwegian participation in or influence on the G20 seem limited at present. The only possibility appears to be that of being invited ad hoc to participate in working groups or attend informal ministerial or officials meetings when and if the G20 believes that it would benefit from Norwegian participation in a particular event or project. An example is that, along with some other non-G20 ministers, the Norwegian minister of foreign affairs attended an informal meeting of G20 foreign ministers in Mexico in February 2012[47]. As mentioned, Norway was invited to participate in one of the FSB's Regional Consultative Groups. There is no interest in the G20 in expanding its own group and there are no plans to change its representative structure to allow for wider participation, e.g. by grouping members into constituencies. Thus, as long as the G20 continues to operate in its current form, the great majority of countries will continue to be bystanders.

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[45] Svein Gjedrem 2010, ibid., and Jonas Gahr Støre: One of the Gretaset Setbacks Since World War II, Interview in Der Spiegel Jun 22, 2010, www.spiegel.de/international/europe/0,1518,702104,00.html - *Time for the G-20 to address its legitimacy*; The Straits Times (Manila, the Philppines), 6 April 2010 – Al Hayat, 7. April 2010; *G20 må endres*, Kronikk in Dagens Næringsliv, April 22, 2010, *Die G-20 ist ein Rückschritt in der Zusammenarbeit*, Neue Zürcher Zeitung, 21 May 2010 and *Norwegian Call for Nordic Membership in the G20, "*article" December 8, 2009 - available on the website of the Norwegian Ministry for Foreign Affairs.

[46] Svein Gjedrem, op.cit.

[47] See Norwegian Ministry of Foreign Affairs, Pressemelding 16.02.2012, www.regjeringen.no/nb/dep/ud/pressesenter/pressemeldinger/2012/g20_mexico.html?id=672685

Selected helpful websites:

- International Monetary Fund: http://www.imf.org - Detailed G20 related information on various pages.
- G20: http://www.g20.org/ - G20 communiqués, declarations, reports, news etc.
- The 2012 Mexican G20 Presidency: http://g20mexico.org/
- G20 Information Center at the University of Toronto: http://www.g20.utoronto.ca - Contains various G20 and G20 related documents.