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The Importance of the G20 in Shaping Global Economic Governance

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The G20 summit of the leaders of the biggest economies in the world was held in Hangzhou on 4–5 September. Despite ambitious plans, it did not deliver many tangible results. This could be a sign of the low effectiveness of the G20 in achieving long-term economic goals. Nevertheless, the group has succeeded in fighting international economic crises that have touched all of its members. Given the increase in global issues and the ambitions of emerging economies, G20 summits enable discussion of current economic as well as political topics.

The G20 is an informal group created in 1999. It is a forum for dialogue on key world economic issues and consists of 19 countries—Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, South Korea, Russia, Saudi Arabia, South Africa, Turkey, U.S., Great Britain—and the European Union. The G20 member states represent two-thirds of the world's population and account for around 85% of global GDP and around 75% of trade. There are no legal criteria for membership. However, members have to play an important role in the world economy. In practice, the G20 is the largest economies in the world. The only exception is South Africa, which in terms of nominal GDP as well as purchasing power parity (PPP) rankings would be around the 30th biggest economy. However, South Africa is also a member of the BRICS group of emerging markets and the only African country in the G20. Its membership shows there are both political reasons for choosing the group's members and a bid to ensure regional representation.

The G20 lacks permanent structures. Its work is managed by the member state holding the rotational one-year presidency, and it coordinates its efforts with the previous and following presidencies (so-called Troika). Nevertheless, the most important decisions are made at the summits of heads of state and government.

Organisation of G20 Summits. When the G20 started, only finance ministers and central bank governors met. The group was a response to the currency crisis of the late 1990s that especially hit countries in Southeast Asia and Russia. The first meeting of heads of state or government took place in Washington in 2008. The reason for changing the formula was the outbreak of the global financial crisis. Given its potential damage to the global economy, the countries agreed that decisions in response to it should be made at the highest level, including those of emerging economies such as China and India. At the Pittsburgh summit in 2009, the G20 was confirmed as the key forum for international economic policy coordination.

Since 2011, summits have been held once a year in the country holding the presidency (in 2009-10, the summits were held twice a year). The presidency system is also regionally balanced. For example, after China, which holds the presidency in 2016, will be Germany—the next summit will take place in Hamburg in July 2017—and then Argentina. The decisions of the summits are made by consensus. Representatives of major international organisations are invited to meetings, including the UN, International Monetary Fund (IMF), World Bank (WB), and World Trade Organisation (WTO), as well as Spain (the next largest economy outside the G20) and other selected countries (such as those from Africa when topics related to the continent are on the summit's agenda).

Before a summit, preparatory meetings take place and the summit's agenda is fixed. These meetings include the finance ministers and central bank governors, other ministers (foreign, trade, labour, agriculture, energy) as well as personal representatives of the leaders, dubbed *sherpas* for their hard work. Special groups also contribute to the summit's agenda, including the Business 20 (B20), which represents entrepreneurs, and Labour 20 (L20), composed of labour unions.

An Ambiguous Assessment of the G20. In 2008–2015, 10 G20 summits were held, including five between 2008 and 2010 during the height of the global financial crisis. An assessment of the summits' results depends on the area in focus. The first summits, especially, delivered positive results in handling the effects of the crisis. The leaders agreed, among other things, a plan for reform of financial regulations (Washington, November 2008) and decided to support economies with stimulus packages, inject more money into international institutions (including the IMF) and to create the Financial Stability Board (London, April 2009). These actions had a positive effect on financial markets and the stability of the world economy. Moreover, the decision to increase the share of votes of emerging economies in the IMF was made in 2010. Thus, the G20 initiated changes in the system of global economic governance.

In next couple of years, given a lack of pressure to undertake quick actions against the crisis, a division of interests among the G20 member states became more visible. The effect was a disparity between the declarations and the efforts and results. For example, the U.S. blocked changes in the IMF and calls to increase the role of emerging economies (although the changes were implemented in 2016), and negotiations on the Doha Round of the WTO has been ongoing since 2001. There is also scant progress in such areas as investment and improving conditions for investors in G20 states (compared to the pre-crisis status) and in fighting tax havens. This lack of movement undermines the credibility of the G20 to coordinate long-term changes in the world economy beyond just reacting to a crisis.

The Hangzhou Summit. The 11th G20 summit took place in Hangzhou, China, on 4–5 September. The Chinese presidency planned 10 topics for discussion: 1) innovative growth, 2) UN Sustainable Development Goals, 3) structural reforms, 4) trade, 5) investment, 6) reform of the international financial architecture, 7) tackling corruption, 8) support for the industrialisation of Africa and the least developed states, 9) entrepreneurship, and 10) ratification of the Paris Agreement on climate change. The most progress has been made on the last point, as the U.S. and China—the biggest greenhouse gases producers—have ratified the Paris Agreement. Moreover, all G20 members support ratification of the deal and have announced financial contributions for "green investment."

In other areas, though, there have been only announcements of common initiatives to support global economic growth and more evenly distribute the fruit of it. The "Hangzhou Action Plan" was accepted, which consists of structural reforms such as a reduction in legal and administrative barriers for enterprises and promotion of investment through the Global Infrastructure Connectivity Alliance, established in 2016. The G20 leaders also announced their willingness to achieve the UN's Sustainable Development Goals and to continue changes to international financial institutions (including the IMF) to enhance the significance of emerging economies. One of the main topics of discussion was innovative growth. Its importance was underlined by the place of the summit—Hangzhou—a Chinese technological hub and the headquarters of well-known firms, including Alibaba Group, one of the world leaders in e-commerce. In this regards, the G20 "Blueprint on Innovative Growth" and G20 "2016 Innovation Action Plan" were adopted. Moreover, the G20 leaders supported the fight against protectionism and efforts to revive world trade by calling, for example, for ratification of the Trade Facilitation Agreement in the WTO, which limits red tape for companies. Despite China expressing reluctance, the group stated that overproduction in some sectors—notably China's steel industry—is detrimental to the global economy. It called for solutions to this area to be prepared by the end of 2017. The G20 leaders also called for coordination in the fight against corruption, halting tax avoidance and coping with mass migration.

Conclusions. The G20 gained credit as a forum and efficient mechanism to handle the world financial crisis. It has contributed to a more stable global economy. However, its achievements in long-term goals should be assessed as limited. This evaluation is underpinned by the effects of the most recent summit in China. The initiatives announced in Hangzhou are very general in scope and their implementation will depend on the political will of the group's member states. They could be hard to achieve, given the often diverse aims of particular states (such as in trade) and the limited trust between some of them (U.S. and Russia or China). There are also other hurdles, such as the heterogeneity of the member states, the state of relations between them and the very wide agenda.

However, beyond the official agenda of the summit, the G20 has become a vital forum for informal meetings between leaders (for example, on the sidelines of U.N. General Assembly sessions or ASEM summits). These conversations can have a bigger impact than the decisions made during the official part of the summits. These kind of talks also took place in Hangzhou, such as those concerning Brexit, the situation in Ukraine, in Syria, in Turkey and in North Korea. Although the results of these discussions are difficult to assess or were announced as not successful (such as the first failed U.S.-Russia talks on a ceasefire in Syria, which was agreed later), the G20's significance as a platform to discuss global and regional issues will increase. One can expect that emerging economies such as China will strive to play a more important role in shaping the agenda. They are going to exploit the perception of the relatively weaker position of the West, including the EU, which is dealing with Brexit, and the U.S., which is at a political crossroads with its presidential elections. In that vein, these emerging economies will try to set the tone for discussions on issues important from their point of view, such as reform of international economic institutions.