

The G20 and Global Economic Governance

1. Prospects for Governing the World Economy

Both complexity and interdependence are essential features of contemporary global challenges. Thus, effective control over globalisation requires the creation of a new institutional order corresponding with the needs of the globalisation era. The concept of leaving globalisation to itself, i.e. not undertaking any measures aimed at regulating global problems should be rejected. The above view is well characterized by the belief that progressing globalisation processes will automatically lead to the development of rules of conduct that will not inhibit the positive effects of globalisation. However, the chances of implementing such a concept are faint. One must agree with Joseph E. Stiglitz that not taking any actions to steer global finance and the global economy more efficiently may lead to the increase in the number of crises whose effects will be far more severe than ever before¹.

It is therefore time to change the rules and principles governing the world economy. It appears to be indispensable to reflect upon who and how should take decisions at the international level. Simultaneously, J. E. Stiglitz suggests putting an end to assigning such great significance to ideology. Instead, special attention should be paid to effectiveness². It is thus necessary to consider what this new global institutional order should look like. Basically, at least four conceptions can be taken into account: a world government, a forum for cooperation of regional organizations, entrusting key competencies to one of the already existing international organizations or to the consulting and advisory forum such as the G8 or G20.

The creation of the world government which would establish and implement regulations covering the entire world seems to be a utopian concept. Such a model assumes

¹ Stiglitz, Joseph E. (2010), *Freefall: America, Free Markets, and the Sinking of the World Economy*, New York, W.W. Norton & Company, p. 211.

² Stiglitz, Joseph E. (2007), *Globalizacja*, Warszawa, Wydawnictwo Naukowe PWN, p. 36.

treating the world as the universal state³ or the universal homogeneous state⁴. Yet, the world is too diverse, too divided to be governed⁵. The creation of the single world government as well as the appointment of the president or the finance minister are perceived as an unattainable idea both now and in the foreseeable future.

Though the conception assuming the cooperation of regional organizations seems feasible, still, in the long term only. The first phase in creating such a model is the foundation of institutionalized, i.e. based on a common and cohesive regulatory system, regional organizations. Subsequently, organizations should make an attempt to coordinate policies among themselves, and thereby on a global scale.

All the issues relating to a certain region would be resolved within the framework of a specific organization whereas global issues affecting all or the majority of the states would be investigated on the forum gathering together representatives of all the regional organizations. This concept has numerous advantages. It is far easier to develop a position on a given topic within a group of states similar in terms of economic or cultural advancement than on a global forum. The functioning of such a model would also enable to test new institutional arrangements on a regional basis first, and only then – if they prove to be effective – introduce them to a global forum⁶.

The existing integration processes of several neighbouring countries adopt different schemes depending on the region of the world. At its most advanced stage of development, there is the institutional order of the European Union, now consisting of 27 states. Regional organizations operating in other parts of the world (America: MERCOSUR, NAFTA; Africa: SADC, ECOWAS; Eurasia: CIS; Asia: ASEAN, SAARC, GCC, SCO) are characterized by far looser ties between states and, hence, less advanced institutionalisation⁷. Additional problems emerge when a country is a member of more than one organisation and thus, its interests are represented by more than one organisation. This remains true even for the G20 forum.

³ Skudrzyk, Piotr (1992), *Losy cywilizacji według Arnolda J. Toynbee'ego*, Katowice, Towarzystwo Zachęty Kultury.

⁴ Fukuyama, Francis, *Koniec historii*, Poznań, Zysk i Spółka.

⁵ Kołodko, Grzegorz W. (2007), *Polska z globalizacją w tle. Instytucjonalne i polityczne aspekty rozwoju gospodarczego*, Toruń., p. 45.

⁶ Kołodko Grzegorz W., *Wędrujący świat*, Warszawa, p. 348.

⁷ It should be remembered that creating a strong regional organization is a long-term process (the Treaty of Paris, under which the European Coal and Steel Community was established, was signed in 1951; however, the process of both broadening and deepening integration within the European Union still proceeds).

The fourth model assumes entrusting functions of introducing and enforcing operating principles to the already existing organizations. It may be considered to entrust this role to international organizations of nearly universal coverage (the International Monetary Fund, the World Bank) or to informal consultative and advisory bodies such as the G8 and G20, which in part already have decision-making prerogatives, at least indirectly.

The International Monetary Fund and the World Bank are without a doubt international economic organizations. Although founded sixty-five years ago, they did not gain the attributes of worldwide organizations until the 1990s, when they were joined by all the post-socialist countries and postcolonial emerging market economies. However, their importance in the years preceding the current crisis decreased as a result of the organisations' ineffective policies in the area of economic crisis prevention and management as well as the deviation from the mission to which they were called⁸. Moreover, the method of voting and selecting people in charge of the IMF and World Bank have strongly favoured developed countries for years despite the fact that developing countries have an increasing impact on the global economy.

Nevertheless, since 2007 the IMF seems to be following the right direction. Dominique Strauss-Kahn, ideologically linked with the Keynesian Economics school of thought, was appointed Managing Director. He launched a vigorous reform of the Fund's macroeconomic and credit policy. Strauss-Kahn also reduced employment and, when compared to his predecessors, he is definitely more receptive to the demands of developing countries. On his initiative, the IMF's Flexible Credit Line (FCL) was created and rendered accessible for the first time to Mexico at the beginning of 2009. Notwithstanding, it cannot be forgotten that the IMF did not take adequate steps to prevent the economic crisis, and even contributed to its creation⁹. If the IMF wishes to gain credibility, it has to undergo further structural transformations in the near future so that the distribution of votes and shares reflects the interests and contribution of developing countries¹⁰.

Therefore, the concept of entrusting the coordination of the global economy to an informal forum consisting of carefully selected countries appears to be the most reasonable solution. There is a wide variety of theoretical possibilities. The function of a 'regulator' of the

⁸ For further reference, please see also Stiglitz, Joseph E. (2007), *Globalizacja*, Warszawa

⁹ Stiglitz, Joseph E. (2010), *Freefall*, op. cit., pp. 214-215.

¹⁰ Rubini Nouriel, Mihm Stephan (2010), *Crisis economis. A crash course in the future of finance*, The Penguin Press, New York 2010.

world economy may be transferred to one of the existing advisory and consultative bodies, such as the G24, G8 or G20. The creation of an entirely new structure is an idea worth considering as well.

Firstly, however, it should be analysed what criteria are necessary for such a solution to be functional. In 2005, Wen Jiabao stated: We must develop new tools and approaches to successfully address evolving global issues. These can only be addressed by a broad representation of world leaders that can collectively speak for large segments of the world population [...] ¹¹. Following the Chinese Prime Minister's line of reasoning, it can be contended that the groundwork for such a forum should be the appropriate selection of countries as well as the competent organization of meetings at the level of heads of state and government. Decisions concerning global challenges made by such a structure should therefore be taken at the highest level, i.e. by world leaders. Due to the fact that state leaders have a direct influence on governments and other state institutions, promises made at the global forum are more likely to come into force at the national level. The elaboration of specific solutions at the highest level strongly affects the acceleration of the pace of decision-making processes (as compared, for instance, with the decisions taken at the ministerial level) and increases the rank of the arrangements adopted. At informal meetings, out of the spotlight, it is far easier to raise sensitive and difficult issues.

The creation of an entirely new structure consisting of several states, which would seek to govern the world economy is a time-consuming process requiring extensive consultations. It is noteworthy that the Centre for International Governance Innovation (CIGI) in cooperation with the Centre for Global Studies (CFGS) prepared a project of such an organisation known under the name the L20 (Leaders 20). According to the assumptions of the project, L20 is an informal forum of leaders which aims to achieve pragmatic solutions to core global problems. However, the meetings of leaders within the framework of the L20 would be dedicated to the most important political issues only.

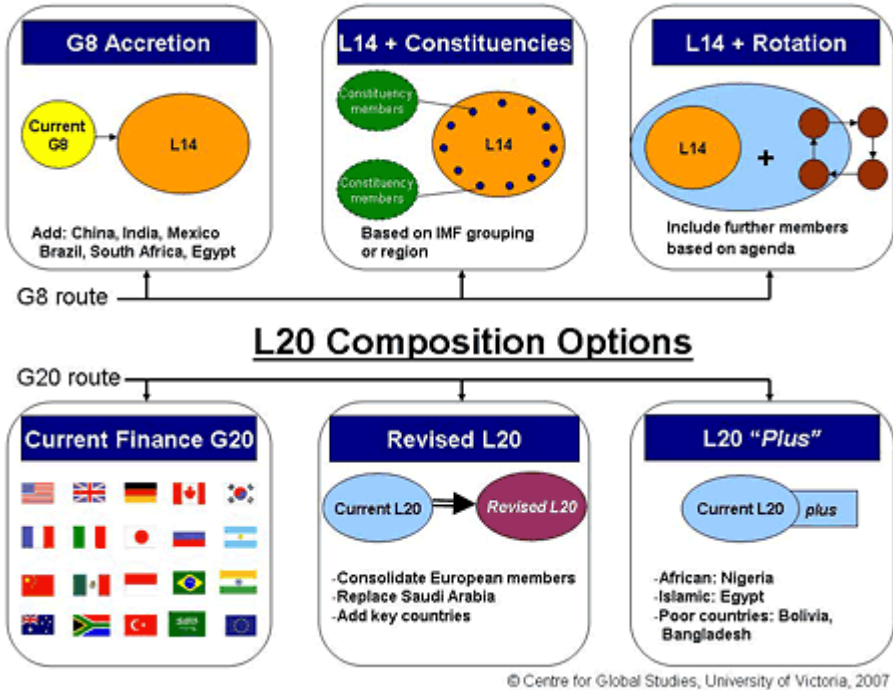
The project's authors extensively describe the process of selecting issues that should be examined by the L20. In one of the points, they clearly indicate that the new forum will develop solutions to these issues which are not discussed at other international forums, particularly they do not wish to interfere with the topics raised by the G8 or G20 and the

¹¹ Quotation from the L20 website, available at www.l20.org.

International Monetary Fund¹². Yet, the procedure of selecting states that would become part of the forum still remains unresolved.

Figure 1 presents six models according to which the L20 would arise. The authors suggest two ways: the first involves transformation of the G8, the second of the G20. Especially three options deserve special attention here. The first one proposes the creation of the L14 which would include the G8 Member States and six developing countries: China, India, Mexico, Brazil, the Republic of South Africa and Egypt. The selection of these particular members is based on the geographic criterion (two countries from each region, excluding Europe which is overrepresented in the G8) as well as the economic criterion (GDP).

Figure 1. The L20 Composition Options.



Source: www.l20.org.

The L14 option (actually Group 14) has often appeared in the declarations of the G8 leaders. At the 2010 Summit in L'Aquila the French President, Nicolas Sarkozy and the Italian Prime Minister, Silvio Berlusconi postulated commencing talks on critical global issues in a new wider circle, i.e. within the G14 comprising the G8 countries and developing countries

¹² The L20 website, available at <http://www.l20.org/findings.php>.

that had been invited to the summit in Italy¹³. The French president even declared that the G14 summit will be held during the French presidency of the G8 in 2011. In addition to the above-indicated countries, the L20 would encompass six other states. Their membership, however, would not be permanent. The criterion for the selection of countries would be based on the issues touched upon at the summit in order to invite those countries which are directly concerned with the meeting agenda.

The rotation system is not the most effective solution though, what has been proved by the functioning of the UN Security Council. The second, also worth considering, idea is to base the L20 on the revised G20. The revision of the G20 would involve consolidation of membership of the European Union member states. At present, some EU member countries are doubly represented. Germany, the United Kingdom, Italy and France are the G20 members simultaneously having their interests represented by the EU. This results in a kind of peculiar overrepresentation of European countries. The revision conducted in this manner would enable other major economies from other continents to engage in the global discussion. This review is, of course, extremely difficult to perform and would certainly meet considerable resistance of the major European economic powers.

Both basing global governance on the agreement of regional organizations and the creation of a brand new forum are viable processes, albeit only in the future. To prevent further economic crises though, the key actions must be taken now. The best solution would be taking control over the world economy by one of the existing advisory and consultative structures. Bearing in mind that the most important factor here is the proper selection of countries forming such a structure – due to both the representativeness imperative and the requirement of universal acceptability – the most diversified forum should only be taken into account.

The developing countries fora – the G24, G77 and G110 – do not appear to be appropriate for two reasons at least: firstly, they represent the interests of developing countries only and secondly, they are too numerous. The settlement of crucial global issues without the participation of developed countries, in particular the USA and the EU, is impossible. The way the United Nations functions proves, however, that reaching consensus among almost

¹³ Leaders of China, India, Mexico, the Republic of South Africa, Egypt and Brazil were invited to the summit in Italy.

two hundred countries is a lengthy process, sometimes even unattainable, and often partial or delayed.

The idea to raise the meetings of the USA and China leaders to the rank of the G2 meetings is worth considering at this point since both states have become especially important in the light of the recent economic crisis. The World Bank President, Robert Zoellick highlights the fact that the G20 without the Sino-American G2 may fail because healing the world economy is possible only through unprecedented and strengthened bilateral cooperation between the two already mentioned powers. It gradually becomes obvious that tightening cooperation between two countries with the highest national income is essential for the global economy, particularly in such uncertain times as those of the economic crisis. During the USA-China Summit in November 2009, a significant number of bilateral initiatives in the area of new technologies, climate and energy was agreed upon. The formulation of standards for electric cars by the USA and China was symptomatic – and some (exaggerating) treat it as a severe blow for the European Union¹⁴. Thus far, it has been the EU which acted as a regulatory power, and China only adopted the already developed standards.

The creation of the strong, partly formalized and institutionalized Sino-American partnership may lead to the fact that the US relations with other allies of the Asian region, including Japan, Thailand, South Korea and India, would slowly descent to the second-class status¹⁵. The Indian Ambassador, M. K. Bhadrakumar noted that due to the Chinamania spreading across America, the USA-India relations have entered a phase of stagnation¹⁶.

European leaders are likewise concerned that the focal point of the USA economic interests moves from Europe to China. The Foreign Minister of the UK, David Miliband asserts that it falls within the scope of European interests to ensure that the EU's place is alongside China and the USA, hereby creating the G3 forum¹⁷. The vital European interest is, after all, to participate in and strengthen multilateral organizations. Otherwise, it will have an increasingly lesser impact on world politics. The forum consisting of China, the USA and the European Union would constitute only 31% of the world population, simultaneously representing 44% of Gross World Product. It can be maintained that the G3 has far greater

¹⁴ Świeboda, Paweł (2010), *G-3 czy G-2? Europejskie polykanie żaby. Jakie szanse na nowy ekonomiczny porządek świata?*, in Kuźniar, Roman (ed.), *Rocznik strategiczny 2009/2010*, Scholar, p. 41.

¹⁵ Borger, Julian (2009), David Miliband: 'China ready to join US as world power', *The Guardian*, 17 May 2009, available at <http://www.guardian.co.uk/politics/2009/may/17/david-miliband-china-world-power>.

¹⁶ Bhadrakumar, M. K. (2009), *India frets over Obama's Chinamania*, Asia Times, available at http://www.atimes.com/atimes/South_Asia/KC14Df01.html.

¹⁷ Borger, Julian (2009), David Miliband: op. cit.

legitimacy than the G8 to act since it comprises not only developed but also developing countries.

So far, the G8 has played a leadership role in global governance. The G7 Birmingham Summit of 1998 issued a communiqué stating that Our challenge is to build on and sustain the process of globalisation and to ensure that its benefits are spread more widely to improve the quality of life of people everywhere. We must also ensure that our institutions and structures keep pace with the rapid technological and economic changes under way in the world¹⁸.

Nonetheless, the G8 forum should be rejected on the same basis as the fora for developing countries. Beside Japan, it encompasses states situated only on two continents, Europe and North America, and represents merely 13% of the world population. There are basically two arguments in favour of the G8: high GDP (representing over 55% of Gross World Product) and the recent opening doors to developing countries. The first step towards the intensification of cooperation between the G8 and other countries was taken by the Japanese presidency in 2000 when three African presidents: Thabo Mbeki (the Republic of South Africa), Olusegun Obasanjo (Nigeria) and Abdulaziz Bouteflika (Algeria) were also invited to the G8 Summit. They presented the plan of economic and political development in Africa to the G8 members. Inviting countries whose problems are discussed at the G8 forum, has become a kind of tradition¹⁹. The 2009 G8 Summit in L'Aquila devoted to the issue of the economic crisis hosted leaders of the key economies from various regions of the world affected by the crisis (China, India, Brazil, Mexico, Egypt and the Republic of South Africa).

Nevertheless, due to the economic crisis, developing countries have strengthened their position. It became obvious that all relevant decisions concerning the world economy would now be taken at the forum wider than the G8²⁰. This increased the demand for the organization in which developing countries would no longer participate ad hoc. Instead, they would be granted the rights of a full member. Furthermore, the G8 has also been criticized for its low efficiency in implementing its own decisions and lack of competence to solve key global issues²¹.

¹⁸ The G7 Birmingham Summit Communiqué, 15–17 May 1998.

¹⁹ More information about the G8 summits available at <http://www.g8.utoronto.ca/summit/index.htm>

²⁰ Kołodko, Grzegorz W., *Wędrujący...*, op. cit. For further reference, please see also Stiglitz, Joseph E., *Freefall*, op. cit., p. 212.

²¹ Schneekener, Ulrich (2009), *The Opportunities and Limits of Global Governance by Clubs*, SWP Comments, No. 22, p. 1.

2. From the G8 to the G20: Evolution of the Global Economic Governance System

One of the first signs attesting that the centre of global governance begins to move from the G8 to the G20 appeared in late 2008, when the USA President, George W. Bush²² invited leaders of the G20 member states to the meeting in Washington. The chief aim of the Washington Summit at the level of heads of state and government was to analyse causes of the economic crisis and the progress made in fighting it. State leaders also made an attempt to formulate the main principles of the public finance sector reform.

As the crisis continued to escalate, developed countries became aware of the fact that they had failed to develop effective solutions within the G8 forum. At the meeting of G8 finance ministers and central bank governors in Rome the Italian Minister, Giulio Tremonti stated that the appropriate measures directed at reforming international finance would be announced at the G20 Summit in London. A few months later, at the G8 Summit in July 2009 in L'Aquila the USA President, Barack Obama declared: To think we can somehow deal with some of these global challenges [global warming and the crisis] in the absence of major powers like China, India and Brazil seems to be wrong-headed²³.

The arguments presented above clearly indicate that the G20 at the level of leaders is an organisation able to endeavour to coordinate the world economy. Hence, the G20 forum is worth a more detailed analysis accompanied by the assessment of its role in steering the world economy during and after the global economic crisis.

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The current composition of the G20 has been the result of the process ongoing for over the past 20 years. It is noteworthy to examine how decisions concerning the accession of individual members were made. The G20 initially grew out of the Group of Seven whose creation dates back to 25 March 1973. As a result of the accumulation of diverse premises²⁴, finance ministers of Germany, the UK, the USA and France met at the White House Library

²² Some sources, however, say that the Italian and French Presidents were the initiators of the meeting.

²³ Zmierzch G8, nowe forum na horyzoncie, available at: http://gospodarka.gazeta.pl/gospodarka/1,69866,6810586,Zmierzch_G8_nowe_forum_na_horyzoncie_Reuters.html (02.08.2010)

²⁴ The main reasons for the G7 creation are as follows: the collapse of the Bretton Woods system, the energy crisis of the early 1970s, security threats caused by, *inter alia*, India's nuclear test in 1974. For further reference, please see also S. Para, *W poszukiwaniu nowej formuły współpracy globalnej: od G7 do G20*, in J. Symonides, *Świat wobec współczesnych wyzwań i zagrożeń*, Warszawa 2010, p. 188

(hence the name of the Library Group)²⁵. In 1975, the first summit of the G6 was held. In addition to the already mentioned countries, Japan, as suggested by the USA, also participated in the meeting. To compensate for the absence of the European Communities, it was decided that Italy – which then held the presidency – would as well be invited²⁶. The forum originally planned for five countries, finally expanded to seven members when Canada, after Italy's admission, endeavoured to gain membership. The Canadian Prime Minister, Pierre Elitte argued that we could not accept being excluded from conferences that bring together all our principal economic partners²⁷. Despite the firm resistance of France, President Gerald Ford invited Canada to the summit in 1976. The new member, Russia, was admitted only after the following 23 years²⁸. Even though the Russian president had participated in the so-called political G8 since 1998, he had not engaged into discussions on financial and economic matters until 2002. The process of enlarging the original Group of Five was completed in 2002. However, it is worth noting that the G7 has never been closed to developing countries. Since 2000, the G8 meetings have been attended by representatives of various countries from Africa, Asia and South America (depending on the subject of the summit).

In the face of the Asian financial crisis, on 18 June 1999 at the Summit in Cologne the G8 member states decided to create an economic and financial forum which would also include developing countries. However, it was decided against the cooperation at the level of heads of state and government since raising the meetings of such a group to the rank of summits would excessively strengthen the position of such countries as India, China and Brazil. It is hard to resist the belief that the establishment of the G20 was 'a gesture of courtesy' of the G8 member states towards developing countries rather than a real desire to enable them to affect decisions on major issues concerning the world economy. The G8 policy-makers were then convinced that they would be able to maintain their leading position in coordinating the global economy. Similarly to the G8 membership, the entry criteria for the G20 were not specified. Only two assumptions were made: firstly, the composition of the entire forum should have been regionally balanced; secondly, the countries invited should

²⁵ The meeting was initiated by the US Chancellor of the Exchequer, George Schultz. The proposal was made in 1971 at the first ministerial meeting dedicated to monetary policy, which was held in the Smithsonian Institution in Washington. The meeting was also attended by finance ministers of France and Germany.

²⁶ Hajnal P., (2007) *The G8 System and the G-20*, Ashgate, Toronto,

²⁷ Ibidem, p. 38

²⁸ On 14 July 1989, the president of Russia, Mikhail Gorbachev sent a letter to President Mitterrand in which he applied for the association of Russia with the G7.

have been relevant to the global economy (systemically significant economies)²⁹. The top twenty countries (excluding the G8 states) that had the highest GDP in 1998 were as follows: China (the 7th position), Brazil (the 8th position), Mexico (the 11th position), India (the 12th position), Australia (the 14th position) South Korea (the 15th position), Argentina (the 16th position). These countries were invited to the G20 without any opposition. Turkey and Indonesia did not meet either the economic criterion nor were sufficiently democratic countries. Nevertheless, they were admitted to the G20. The above decision was grounded on the wish to motivate them and help with conducting the necessary reforms. Due to the previous energy crises, the G8 countries agreed to invite Saudi Arabia which, in addition to its leading role in the Organisation of the Petroleum Exporting Countries (OPEC), also had a significant number of votes in the IMF³⁰. The choice of representatives of African countries appeared to be the most complicated³¹. Several candidatures were under consideration, albeit only the Republic of South Africa was invited. Nigeria was also seriously considered, but the former chairman of the G20, Paul Martin emphasizes that other countries that were very seriously considered, such as Nigeria, basically solved their democratic deficit, but unfortunately it was well after the creation of the G20³². It should be noted, however, that the invitation of only one representative from Africa – the continent inhabited by one seventh of the world population – justifies the charge of the failure to fulfil the regional criterion.

The list of the richest twenty countries in 1998 also included European countries, i.e. Spain, the Netherlands, Sweden but they did not become members of the G20 since it was decided to invite the European Union as the sole representative of all the member states³³. This created a kind of curiosity: on the one hand, the EU as a whole is a member of the G20; on the other hand, Italy, France, Britain and Germany are independent members of the organisation. These countries are thus doubly represented: individually and by the EU. Inasmuch as such membership composition has remained unchanged since 1999, it is

²⁹ Statement of the G7 finance ministers and central bank governors, 25 September 1999, Washington DC.

³⁰ The percentage of Saudi Arabian votes in the total number of votes in the IMF amounted to 3.31 and was higher than the percentage of China, Canada or Russia; E. Latoszek, M. Proczek, (2001) *Organizacje międzynarodowe. Założenia, cele, działalność*, Warszawa 2001,

³¹ More about the member selection process, please refer to J.Kirton, *Guiding Global Economic Governance; The G20 to G7, and the International Monetary Fund at Century's Dawn*, in J. Kirton, G. M. von Furstenberg, *New Directions in Global Economic Governance: Managing Globalization in Twenty First Century*. Ashgate, pp. 143-167

³² Interview with the chairman of the G20, Paul Martin (18.10.2001); available at <http://www.g8.utoronto.ca/g20/interviews/Martin011118.pdf>

³³ The EU is the only regional organization which is a member of the G20. Cooperation between the G20 and other organizations is based primarily on consultations.

currently difficult to imagine that these countries might be excluded from the G20. Nonetheless, the complaint about Europe being overrepresented is well-founded.

The principal objective of the G20 set in 1999 was to develop a common position on financial mechanisms and the development of the world economy. In this context, the G20 Member States were obliged to prepare and carry out the reform of global economic institutions (the IMF and World Bank) as well as produce reliable analyses on vital global challenges³⁴. Within 9 years of the G20 existence, i.e. until the outbreak of the economic crisis in 2008, the forum failed to adopt and implement rules which could serve as the foundation underlying the functioning of the global economy. It is thus obvious that, in the light of the greatest crisis of the last 30 years, developed countries decided to change the formula for cooperation. On 14-15 November 2008 in Washington, the first G20 Summit organized by President George W. Bush was held. Its chief aim, as indicated in the Final Declaration, was to improve cooperation among the G20 countries in order to restore economic growth and design necessary reforms of the global financial system. It was also decided to continue the leaders' meetings setting the next Summit in London on 1-2 April. Subsequent Summits were held half-yearly: 24-25 September 2009 in Pittsburgh, 26-27 June in Toronto and 11-12 November 2010 in Seoul. In addition to Member States, international organisations are also invited to the G20 Summits: the International Monetary Fund (IMF), the World Bank, the Financial Stability Board (FSB), the World Trade Organisation (WTO), the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), the International Labour Organisation (ILO). Invitations are as well issued to the countries currently holding the presidency of regional organizations: at the Korean summit Ethiopia represented the New Partnership for Africa's Development (NEPAD), Malawi – the African Union and Vietnam – the Association of South-East Asian Nations (ASEAN).

The G20 meetings at the ministerial level are still held and are more frequent than those at the leaders' level³⁵. Ministerial conferences include preparation of not only the leaders' summits but also ministers' own agendas³⁶. Such a system of work management enables Member States to remain in permanent contact which considerably increases the efficiency of their work.

³⁴ P. Heap, *Globalization and summits reform. An Experiment in International Governance*, Ottwawa 2008

³⁵ The G20 November Summit in Cannes was preceded by as many as four meetings of finance ministers and central bank governors (18-19.02.2011, 14.04.2011, 23.09.2011 and 16.10.2011), one meeting of labour ministers (25-27.09.2011) and the first meeting of agriculture ministers (24-25.05.2011). In 2010, eight ministerial meetings were held.

³⁶ More about the ministerial level summits available at <http://www.g20.utoronto.ca/ministerials.html>

In favour of recognising the G20 as an organization representative enough to settle matters relating to the global economy attests the fact that it represents 61% of the world population and, simultaneously, all the continents. Member countries generate about 85% of Gross World Product and, at least once a year, main economic partners – multiparty democracies, monarchies and communist China – gather around the negotiation table. Decisions on taking anti-crisis measures and introducing preventive changes in economic policy are made by countries with radically different views on government intervention in the economy – ranging from interventionist China, through countries actively engaging in the economic process: South Korea and Brazil, up to the liberal United States and Western Europe³⁷. The Chinese Prime Minister, Wen Jiabao, while characterizing the ideal forum for cooperation debating on global issues, pointed to two fundamental features that such an organization should have. Firstly, the foundation for the emergence of such a forum is the proper selection of countries. Secondly, meetings should be held at the level of leaders. The first criterion has already been discussed. It is worthwhile to reflect upon the essence of the second one. The organization of leaders' meetings significantly raises the cost of the summit (the Summit in Toronto cost nearly USD 659 million, of which over USD 500 million was spent on security)³⁸ and is much more complicated to carry out (inter alia, because of the difficulty in the availability of leaders at the same time). However, the rank of the provisions adopted at the level of leaders is much higher. The effectiveness of their implementation also significantly increases. The position of state leaders has a direct impact on government and other state institutions. The arrangements adopted at the international level are thereby more likely to come into force at the national level. Better understanding of heads of states and governments enables to explore the limitations that individual Member States face as well as to become familiar with their political and economic priorities³⁹. This is probably best illustrated by the British Airways advertisement, posted at the official website of the French Presidency of the G8 and G20, which states that in business contacts nothing beats the face-to-face meeting, the firm handshake, the eye contact, getting your actual foot in the door⁴⁰. At informal meetings, out of the spotlight, it is far easier to raise difficult and sensitive issues⁴¹. A kind of novelty is an increasing percentage of women in the G20 group of leaders. Currently,

³⁷ Para, Sylwia, (2010), *Perspektywy sterowania gospodarką światową po kryzysie*, in G. Kołodko (ed.) , *Globalizacja, kryzys i co dalej ?*, Warszawa, p. 308

³⁸ For further reference, please see also: J. Kirton, J. Gueber. S. Tanna, *G20 and G8 summits cost*, available at http://www.g8.utoronto.ca/evaluations/factsheet/factsheet_costs.pdf (3.02.2011)

³⁹ Dybczyński, A (2006)., *Środowisko międzynarodowe a zachowania państw*, Wrocław, p. 96

⁴⁰ <http://g20g8.com/index.html>

⁴¹ Para, Sylwia, *Perspektywy...*, op. cit., p. 304

the G20 Summits are attended by four women: the Australian Prime Minister, the President of Argentina, the President of Brazil and the German Chancellor (see Table 1).

The institution in charge of steering the world economy should be characterized by both operational efficiency and effectiveness in the implementation of the adopted provisions. Therefore, it should be equipped with an adequate organizational apparatus and a panel of experts. Such an apparatus already exists within the G20 and consists of three components: the rotating Presidency, the Troika and the lack of a permanent secretariat.

The chairmanship of the G20 has changed according to the key agreed at the 2001 Summit in Canada. Paul Martin – the initiator of the idea – proposed to divide countries into five groups and, each year, a country from a different group would hold the presidency⁴². Therewithal, the reservation about the chair alternating between developed (the G8) and developing countries was made. Such a rotation system functioned until November 2008 when the first leader-level summit was convened. Both rotation within groups and the division between the G8 and other members were disturbed. The frequency of meetings was increased (twice a year)⁴³ – and thus, meetings were also held in the countries that currently did not hold the Presidency⁴⁴. The year 2011 belongs to the French presidency and for the first time since 2008 there will be only one G20 leaders-level Summit. Nicolas Sarkozy also announced the first seminar discussion⁴⁵ concerning the issues of monetary systems to be held in March 2011 in China. Korea, France, Mexico and (probably) in 2013 Russia – this order clearly indicates the return to the previous presidency arrangements and, concurrently, strengthens the position of developing countries.

Also, the Troika is the main characteristic of the G20. It is a system of holding the presidency, based on the premise that the management group consists of three countries: past, present and future chairs (the 2011 Troika includes South Korea, France and Mexico). This system, even though seldom practiced in international organizations, has a lot of advantages:

⁴² For further reference, please see also *The Group of Twenty: A History*; available at <http://www.g20.utoronto.ca/docs/g20history.pdf> (2.02.2011)

⁴³ Guebert J., *G20 Plans and Preparations*, 21.01.2010, available at <http://www.g20.utoronto.ca/g20plans/g20plans101021.pdf>.

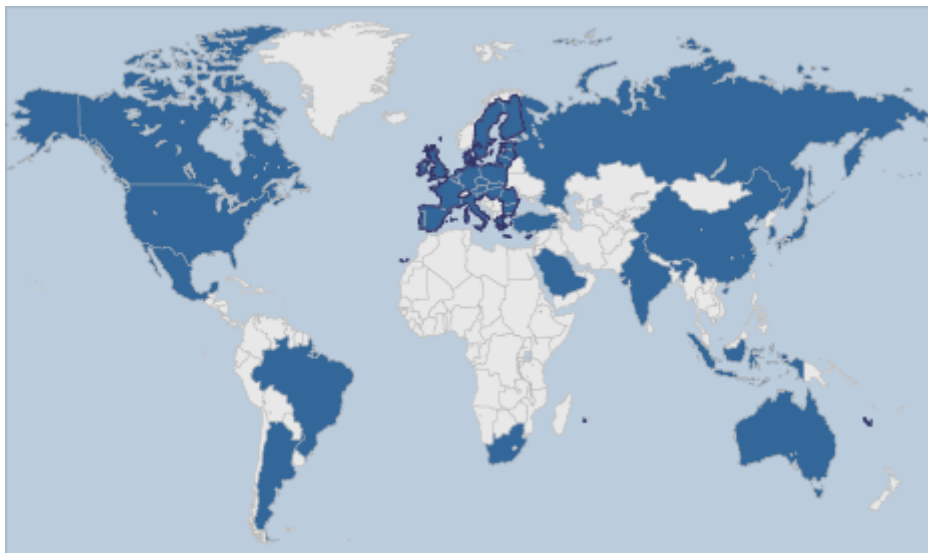
⁴⁴ In 2008, the G20 was chaired by Brazil but the leaders-level Summit was held in Washington. In 2009, the presidency was held by the United Kingdom and the Summits were held in London (April) and Pittsburgh (September). In 2010, the G20 leaders' level was chaired by South Korea as the first of developing countries; therefore, South Korea hosted the November meeting; the July Summit, however, was held in Toronto.

⁴⁵ For further reference, please see also *France and the G20. Uncharacteristic modesty*, *The Economist* 27.01.2011, available at <http://www.economist.com/node/18013850>

ensures the continuity of the Presidency as well as guarantees that at least one developing country is within the group preparing the next presidency⁴⁶.

Another distinguishing feature of the G20 is the lack of a permanent secretariat. The result is that the entire burden of the implementation of the provisions adopted at various summits rests on the country organizing the summit or the Bretton Woods Institutions. The lack of the permanent secretariat is undoubtedly disadvantageous to developing countries. This is due to the fact that, since the first meeting of the G20 leaders till the 2010 Summit in Korea, all four summits were organised by the G8 members which also have a decisive voice in the International Monetary Fund and the World Bank.

Figure 2. The G20 Countries



Source: www.bbc.co.uk.

3. Effectiveness of the G20

While creating the Group of Twenty, the G8 states planned to entrust the Group with the majority of economic matters, including developing agreements on fostering economic growth, reducing the misuse of the financial system, counteracting financial crises, combating financial terrorism. The G20's basic aim was to develop a common position concerning the evolution of the global economy and financial mechanisms. This was closely tied with the need for reforms of the key international organizations, particularly the World Bank and the

⁴⁶ Para, Sylwia, *Perspektywy*, op. cit

International Monetary Fund, and the creation of reliable analyses on crucial global issues, including demographic changes and progress in regional integration processes⁴⁷.

The Washington and London Summits' agendas encompassed the same five points. These were the issues of particular importance from the viewpoint of the economic situation in the world. The Washington Summit convened five working groups whose task was to prepare a detailed study of the problems enumerated below so that the London Summit could take respective measures⁴⁸.

1. Regulation of and supervision over the financial system and industry and, in particular, strengthening financial institutions.
2. Fostering growth in the global economy through fiscal and monetary stimuli.
3. Reform of international financial institutions, specifically the International Monetary Fund, the World Bank and the Financial Stability Forum (FSF), so that they could address the current crisis and prevent the next ones.
4. Helping developing and emerging economies through the distribution of available resources by financial institutions.
5. Liberalization of trade and investment through overcoming protectionism and the completion of the Doha Round negotiations (WTO)⁴⁹.

Before the Summit in London, Prime Minister Gordon Brown added two more points to the agenda: employment, training and social inclusion, and the climate change. Moreover, he had to make an attempt to balance the interests of the United States and European countries. The moot question was which issues are to be treated as the top priority at the London Summit. The President of the USA, Barack Obama wanted to deal with the issues of economic growth and, therefore, he was inclined to accept solutions aimed at stimulating financial markets. Contemporaneously, the leaders of France and Germany wished, above all, to adopt strong international regulations for the entire financial sector.⁵⁰

⁴⁷ Heap, Peter C. (2008). *Globalization and Summits Reform. An Experiment in International Governance*, Ottawa, Springer.

⁴⁸ Kirton John, (2009), *The Implications of the G20's London Summit for International Banking*, available at www.g7.utoronto.ca/scholar/kirton-iba-090515.pdf (09.08.2010), p. 2.

⁴⁹ *Summit Declaration on Financial Markets and the World Economy*, Washington, DC, 15 November 2008; *The Global Plan for Recovery and Reform*, London, 2 April 2009.

⁵⁰ Kirton, John (2009), *The Implications...*, op. cit., p. 2.

The London Summit was undoubtedly successful. Decisions relating to the most sensitive areas in the time of crisis were taken. State leaders agreed to devote 1.1 trillion dollars to programmes that foster prosperity. Even though the choice of the institution responsible for the distribution of financial means was not difficult, it raised a lot of doubts. This role was entrusted to the International Monetary Fund what was controversial not only because of the fact that the Fund had not taken any effective actions in advance to prevent the crisis, but had also pursued the policy of deregulation which indeed contributed to the outbreak of the crisis and its rapid spread over the world⁵¹.

Following the provisions made, the sum of 500 billion dollars was allocated to the IMF (raising thereby the amount of the Fund's financial resources to 750 billion dollars). Additionally, the Credit Line Amount granted by the IMF to the countries most strongly affected by the crisis was increased to 250 billion dollars. China agreed to these stipulations provided that by the beginning of 2012, the IMF would be reformed in such a way that developing countries could influence its functioning and the decision-making process to a greater extent. The G20 Member States adopted the Declaration on Strengthening the Financial System, whose the most important provisions are as follows:

- transformation of the Financial Stability Forum (FSF) into the Financial Stability Board (FSB) comprising all the G20 Member States, the FSF members, Spain and the European Commission;
- taking action against tax havens; (leaders announced that the era of banking secrecy has come to an end);
- extending regulation and supervision to all financial institutions, including, for the first time in history, the hedge fund sector.

The Financial Stability Board and the International Monetary Fund were authorised to monitor the progress of the implementation of the Declaration objectives. Likewise, relevant stipulations were made in the field of trade. The World Trade Organization was requested to monitor countries that resort to protectionist policies. State leaders also declared the completion of the Doha Round trade negotiations. They emphasised the fact that the completion of negotiations would make the world economy gain approximately USD 150 billion annually.

⁵¹ Stiglitz, Joseph E. (2010), *Freefall*, op. cit., pp. 214-215.

The World Bank report prepared for the G20 finance ministers meeting stated that within the three weeks after the London Summit nine Member States had violated the anti-protectionist arrangements⁵². Simultaneously, during these three weeks, four countries had taken appropriate measures to implement the provisions in this area. The plan to revive the global economy and reform its institutions adopted at the London Summit may serve as an evidence that, in response to the global crisis, the major countries of the world economy are able to lay aside their individual interests and reach consensus. A detailed report on the implementation of various decisions taken at the G20 leaders-level Summits in Washington and London was presented on 5 September 2009⁵³. It indicates that Member States treat the agreed arrangements seriously and work towards their full realisation.

At the Pittsburgh Summit it was decided about converting the G20 into the main forum for international economic cooperation⁵⁴ whereby it became a structure within the framework of which most relevant issues concerning the global economy are raised. At the same time, it means degradation of the G8 which continues to operate, albeit economic issues are beyond the scope of the forum. It found its reflection in the next G8 Summit held in June 2010 in Huntsville. The agenda of the summit included, instead of economic, mainly political aspects of international security. This time, representatives of developing countries who are part of the G20 did not receive invitations to the summit.

In the final declaration of the Pittsburgh Summit, the G20 leaders expressed their satisfaction with the progress made in implementing the provisions of the previous summits. Owing to the stabilization mechanism agreed upon by the G20 states, halting the recession was successful. The leaders stressed, however, that at this stage a sense of normalcy should not lead to complacency. According to the declaration, by the end of the year each G20 state is to present how it intends to control its national financial institutions. The Framework for Strong, Sustainable and Balanced Growth containing provisions on economic cooperation and coordination was launched. The central focus of the conference moved from debating the provisions aimed at combating the crisis to making concrete decisions about taking and implementing protective measures within the agreed deadlines.

⁵² Kirton, John (2009), *The Implications...*, op. cit., p. 8.

⁵³ *Progress report on the actions of the London and Washington G20 summits*, available at http://g20.org/Documents/20090905_G20_progress_update_London_Fin_Mins_final.pdf (09.08.2010).

⁵⁴ *G20 Leaders Statement: The Pittsburgh Summit*, 24-25 September 2009, Pittsburgh.

Similarly important issue on the agenda was the reform of international economic organizations, in particular the revision of the voting system within the IMF and World Bank. The reform entails the increase in the share of votes of developing countries and countries in transition. Corresponding changes in the voting system at the World Bank were implemented at the end of April 2010.

The June Summit in Toronto was the first meeting of the G20 countries as the premier forum for international economic cooperation⁵⁵. State leaders highlighted the need for the coordination of national economies but could not agree on the methods, pace and scope of certain measures aimed at reforming the global economy⁵⁶. Two different visions for economic recovery – the American and the European one – were presented. While President Barack Obama suggested that the key to economic growth is the implementation of successive stimulus packages, European leaders opted for cost-saving programmes and budget deficit reduction. The Toronto Declaration agreed to a solution that meets the demands of each party. Although the commitments to reduce budget deficits by half till 2013 and to reduce or stabilize public debt till 2016 were approved, the Declaration also states that taking concrete actions aimed at achieving sustainable and balanced economic growth should be differentiated for and tailored to the specificity of each country's economy. Similarly, fiscal consolidation plans should be growth-friendly and thus, the pace of their implementation should depend on the phase of recovery from the crisis in individual states.

Enumerating the failures of the Toronto Summit, at least three deserve to be stressed. Firstly, even though promised by European countries and the USA, neither joint strategies to foster economic growth were accepted nor key preference measures identified. Secondly, there was a failure in implementing the IMF reform agreed at the Pittsburgh Summit which related to the changes in the voting procedure and the allocation of quotas as well as to the adoption of more transparent rules for filling the highest positions within the organisation. Thirdly, the completion date of the Doha Round was not announced which significantly weakens the chance to complete negotiations on further trade liberalisation in the near future, especially in regard to agricultural commodities and services.

The agenda of the November Summit in Seoul was significantly extended when compared to the agendas of previous summits. On the one hand, the widening of the scope of

⁵⁵ The G20 Toronto Summit Declaration, 27 June 2010.

⁵⁶ Gradziuk, Artur and Koczor, Marcin (2010), Wyniki szczytu G20 w Toronto, *Biuletyn Polskiego Instytutu Spraw Międzynarodowych*, No. 100, 1 July 2010.

issues to be dealt with by the G20 is extremely positive, as most of the issues requiring adjustment were transferred from the G8, hence the major economic forum consisting, after all, of developing countries has a stronger influence on the global economy. On the other hand, it is difficult to resist the impression that adding new items to the agenda is done to reduce the pressure exerted due to the lack of effective implementation of the already adopted critical provisions⁵⁷. At the moment, the G20 should first demonstrate that it is able to meet the commitments made and thereby confirm its legitimacy to serve the function of the main economic forum.

The Seoul Summit ended without a major breakthrough. Currency issues became the leitmotif of the meeting. Taking decisions in this and many other areas was, however, postponed till the next meeting. To everyone's amazement, there was no response to the currency crisis in the eurozone. What is more, one of the major issues relating to trade was not discussed. Though the G20 Member States admitted that the chances to meet the completion deadline of the Doha Round were only marginal, they did not define the new deadline to finalise trade negotiations. In the final declaration, the G20 Member States acknowledged that uncoordinated policy actions will only lead to worse outcomes for all. Commenting on the Seoul Summit, President Barack Obama emphasised, however, that it's not always going to be immediately world-changing. But step by step, what we're doing is building stronger international mechanisms and institutions that will help stabilize the economy, ensure economic growth and reduce some tensions.

Nonetheless, the Seoul Summit was important for several other reasons. For the first time, the leaders' level meeting was held in a developing country. Secondly, the G20 Summit was, for the first time in history, preceded by the B20 Business Summit which was attended by 120 leading businesspeople of the G20 Member States. Thirdly, also for the first time, the G20 Summit was held concurrently with the APEC Summit which further strengthened the position of emerging market economies.

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The G20 took over the role of the institution in charge of steering the world economy at the first leaders' level summit. Declarations adopted and problems left without a solution are the most hotly debated issues both before and after each of the G20 Summits. On this

⁵⁷ *The G20's role in the post crisis world*, Seoul 2010, study prepared by the Madrid Club FRIDA and the Korean Government, p. 19

basis, some commentators deemed the G20 forum virtually ineffective. J. Żyżyński openly admits that traditional neoliberal recommendations of the G20 are maladjusted and do not solve existing problems but only their consequences⁵⁸. The question of the realisation of the provisions adopted is less frequently mentioned by the Member States. The G20 Research Group⁵⁹ prepared the Compliance Report which explores the efforts undertaken by the G20 states to comply with the arrangements adopted at the summits. This analysis comprehensively illustrates how effective the forum is. Table 1 shows the results of the individual G20 members presented on a scale of -1 to +1, where 1 means full compliance with the commitments made by the G20 and -1 indicates either non-compliance or measures taken that are directly opposite to those adopted at the summit. 'O' indicates partial compliance, i.e. the work on the implementation of the initiatives has been launched but the results cannot yet be observed. Analysing Table 1, three basic conclusions can be drawn. Firstly, the country organising the summit shows the highest degree of compliance with the provisions adopted in the declaration from this particular summit. (The UK and the USA showed full compliance twice. The score of Canada is 0.78 – it must be remembered, however, that there was only a 3.5-month period of time between the G20 Toronto Summit and the completion of the research on compliance. Also, this is the highest score among the members of the G20). Secondly, the G8 countries have significantly higher efficiency in the implementation of the G20 Summit arrangements than developing countries. India and Indonesia had the lowest compliance rate and received negative scores at the three most important summits. Thirdly, it may seem that the effectiveness of the implementation of the Declaration obligations decreased sharply after the Declaration of the second summit was adopted. Nevertheless, it cannot be forgotten that the Washington Summit initiated the cooperation among leaders and the first concrete decisions had not been taken until the London Summit.

Table 1. The G20 members' compliance with the commitments made at the G20 summits.

	Washington	London	Pittsburgh	Toronto	Average
Indonesia	n/a	-0,4	-0,63	-0,13	-0,29

⁵⁸ J. Żyżyński compares the G20 activity to the treatment of cancer through applying simple prescriptions such as 'warm clothes and healthy eating habits'; J. Żyżyński, *Neoliberalizm – ślepa uliczka globalizacji*, in G. Kołodko, *Globalizacja...*, op. cit. p. 36

⁵⁹ *2010 G20 Toronto Summit Final Compliance Report*, 28-29 October 2010, Munk School of Global Affairs, University of Toronto, 14 November 2010

India	0	-0,4	-0,38	-0,29	-0,27
Argentina	0	-0,6	-0,13	0	-0,18
Turkey	n/a	0,2	-0,25	-0,14	-0,05
Saudi Arabia	n/a	0,2	-0,13	-0,13	-0,02
China	0	-0,4	0,13	0,38	0,03
Brazil	1	0,2	-0,63	0,29	0,22
Russia	0	0,4	0,38	0,13	0,23
Korea	n/a	0	0,75	0,56	0,33
Australia	n/a	0,6	0,5	0,56	0,42
Italy	1	0	0,13	0,56	0,42
USA	0	0,4	1	0,33	0,43
South Africa	1	0,4	0,63	-0,14	0,47
Japan	1	0,2	0,5	0,56	0,57
Mexico	1	0	0,75	0,56	0,58
European Union	1	0,6	0,38	0,57	0,64
France	1	0,8	0,63	0,56	0,75
Germany	1	0,8	0,63	0,56	0,75
Canada	1	0,6	0,63	0,78	0,75
United Kingdom	1	1	0,5	0,78	0,82
G20 Average	0,67	0,23	0,24	0,28	0,36

Source: prepared on the basis of 2010 G20 Toronto Summit Final Compliance Report

The average of 0.36 gives hope that the G20 will meet the challenge of being the premier global economic forum. The G20 average proves that the majority of the commitments made at the summits are reflected in national regulations. Detailed information about the provisions most difficult to implement is to be found in Tables 2 and 3.

Economic policy, international financial institutions reform, development, finance, trade and corruption are the key problems discussed at the G20 leaders' level summits. The most difficult to introduce are the stipulations of the Toronto Summit concerning corruption (score -0.20). It was then determined that all members should ratify and implement the United Nations Convention against Corruption⁶⁰. Although the issue of combating corruption is one

⁶⁰ United Nations Convention against Corruption of 31 October 2003

of the major priorities of the G20, 20% of its members did not even ratify the Convention⁶¹. Another weakness of the G20 Declaration are the arrangements relating to trade. Since the London Summit, the compliance score for trade commitments has been decreasing steadily (from 0.67 – the Washington arrangements to 0.15 – the Toronto Declaration). The Washington Summit Declaration proclaimed that, against the background of the economic crisis, countries would restrain from raising new barriers to trade in goods and services (...) throughout the following year. The stipulation about rejecting protectionism can also be found in the London Declaration. Nevertheless, the World Bank Report prepared for the G20 ministerial meeting⁶² makes it clear that, within three weeks after the London Summit, 9 of 19 states violated their anti-protectionism commitments. Additionally, the G20 countries pledged to conclude the Uruguay Round negotiations, which had not yet ended and there was no completion deadline set.

The greatest success is reflected in the adoption of the arrangements for the reform of international financial institutions and economic policy. Since the Washington Summit, one of the main priorities of the G20 is the reform of international financial institutions. Though postponed several times, it began even before the Toronto Summit (the World Bank reform) and finally gained approval at the Seoul Summit (the International Monetary Fund reform). Furthermore, due to stabilization packages adopted at the London Summit – timely implemented by the Member States – halting recession was successful. Notwithstanding that at the Toronto Summit in 2010 state leaders could not compromise over the methods, pace and scope of certain measures aimed at reforming the global economy⁶³, the solution that meets the demands of each party was eventually developed. European leaders, who opted for reducing budget deficits and introducing cost-saving programmes, managed to push through a provision that public debt should be stabilized till 2016 and budget deficits reduced by half till 2013. To address Barack Obama's postulates, a stipulation was added that undertaking concrete actions aimed at promoting sustainable and balanced growth should be compatible with the specificity of each country's economy⁶⁴.

Table 2. The G20 Compliance by Issue

⁶¹ Germany, India, Japan and Indonesia signed the Convention but have not ratified it yet; for further reference, please see also: <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>

⁶² Kirton, J., *The Implications of the G20's London Summit for International Banking* available at <http://www.g8.utoronto.ca/scholar/kirton-iba-090515.pdf>

⁶³ A. Gradziuk, M. Koczor, *Wyniki szczytu G20 w Toronto*. Biuletyn Polskiego Instytutu Spraw Międzynarodowych, No. 100

⁶⁴ The G20 Toronto Summit Declaration, 27 June 2010

	Macroeconomic policy			IFI reform		Development		
	Londo n	Pittsburg h	Toront o	London	Pittsburgh	Londo n	Pittsburg h	Toront o
Saudi Arabia	1	1	0	0	0	0	0	-1
Argentina	0	1	1	-1	0	-1	-1	0
Australia	1	0	1	0	1	0.5	0.5	0
Brazil	0	0	1	-1	1	0.5	-1	0
China	0	1	1	-1	1	-0.5	0	0
France	0	1	1	1	1	1	0	1
India	-1	1	-1	-1	1	-0.5	-1	0
Indonesia	0	0	0	-1	1	-0.5	-1	-1
Japan	0	1	1	1	1	0.5	0.5	1
Canada	1	1	1	1	1	0.5	0.5	1
Korea	0	1	1	1	1	-0.5	0	0
Mexico	0	1	0	-1	1	0	0	-1
Germany	1	1	0	1	1	1	0.5	1
Russia	1	1	1	0	1	0.5	0	0
South Africa	1	1	-1	1	1	-0.5	0.5	-1
Turkey	1	1	1	-1	1	-0.5	-1	0
European Union	0	0	1	0	1	1	0.5	1
USA	0	0	0	1	1	0.5	0.5	1
United Kingdom	1	1	1	1	1	1	1	1
Italy	0	0	1	0	1	0	-0,5	0
Average	0.35	0.7	0.55	0.05	0.9	0.15	-0.05	0.15

Source: 2010 G20 Toronto Summit Final Compliance Report

	Finance			Trade				Corruption	
	London	Pittsburgh	Toronto	Washington	London	Pittsburgh	Toronto	Pittsburgh	Toronto
Saudi Arabia	0	-1	-1	n/a	0	0	1	-1	-1
Argentina	-1	0	0	0	0	0	-1	0	0
Australia	0	1	0	n/a	1	0	1	1	0
Brazil	-1	-1	0	1	1	-1	-1	0	0
China	-1	0	0	0	0	0	1	0	0
France	1	1	0	1	1	0	1	1	0
India	0	-1	0	0	0	0	-1	-1	-1
Indonesia	0	-1	-1	n/a	-1	-1	0	0	0
Japan	0	1	0	1	0	-1	1	0	-1
Canada	0	0	1	1	1	0	1	1	0
Korea	0	1	0	n/a	1	1	1	1	0
Mexico	0	0	-1	1	0	0	-1	1	0
Germany	0	1	1	1	1	0	1	0	-1
Russia	0	1	0	0	0	-1	-1	1	0
South Africa	1	0	-1	1	1	1	-1	1	0
Turkey	0	-1	0	n/a	1	1	-1	-1	0
European Union	0	1	1	1	1	1	1	0	0
USA	1	0	1	0	0	0	-1	1	0
United Kingdom	1	1	1	1	1	1	1	1	0
Italy	-1	0	1	1	1	1	1	0	0
Average	0	0.15	0.1	0.67	0.5	0.1	0.15	0.3	-0.2

Table 3. The G20 Compliance by Issue

Source: prepared on the basis of 2010 G20 Toronto Summit Final Compliance Report

4. Conclusions

The G20 in its current shape seems to be the next stage of the process directed at including emerging powers into global economic governance. Since the Washington Summit in 2008, developing countries, on equal terms with the G8 countries, have decided on major issues

concerning the world economy. Despite many allegations undermining representativeness and efficiency, the G20, which has already proved successful as an anti-crisis forum, is the only institution at the moment that can attempt to steer the global economy. Transformation into the premier economic forum, the successful Seoul Summit and a very ambitious agenda of the French presidency allow to hope that the forum herein discussed will be perceived, notably by decision-makers of key world economies, as the most suitable to seek solutions to global problems. In order to increase efficiency of the actions taken in the coming years, the G20 should focus on the following issues. Firstly, raising the compliance rate of the commitments made. Special emphasis should be placed on the implementation of the already adopted provisions instead of adding new items to the agenda. Secondly, the chief priority for the coming years should be establishing and strengthening cooperation with the so-called uninvited states, i.e. states that are not members of the G20. The absolute capability of controlling the world economy will be achieved by the Group of Twenty only when countries not belonging to it, representing nearly 40% of the world population, agree to implement provisions adopted by the Group. To attain this goal, an appropriate organisational apparatus alongside the necessary expertise ought to be developed. It appears to be indispensable to, on the one hand, coordinate the implementation of the provisions adopted at the G20 summits in non-member states and, on the other hand, to allow these countries to submit their postulates to the G20. Secondly, initiating deeper cooperation with the already existing international organizations is an essential factor as well. Close cooperation with the IMF in the field of finance, with the World Bank on development matters, with the WTO on the completion of the Uruguay Round negotiations, with the United Nations in such areas as environmental protection, corruption and energy will enable the G20 to effectively coordinate and govern the global economy.

Without a doubt, the new institutional order of the world economy will be evolving very slowly stemming from interactions and conflicts of interests. The belief that it can be designed in advance and then simply translated into practice is a utopian concept⁶⁵. Member State leaders, in the London Summit Declaration, acknowledged the fact, probably obvious to all, that the global crisis requires global solutions. Introducing significant changes to the functioning of the global economy is not only desirable but, most of all, necessary. These

⁶⁵ Kołodko Grzegorz W, *Wędrujący...*, op. cit., p. 344.

reforms should allow developing countries to effectively influence the issues concerning their development in the globalized economy⁶⁶.

The coming years will show whether the G20 has actually managed to carry out the necessary reforms⁶⁷. The risk of another, more fraught with consequences, crisis mobilises the G20 states' leaders. There is also a strong likelihood that the positive assessment of the Group of Twenty effectiveness in the field of the world economy will facilitate the expansion of its activity on several other vital issue areas.

The challenges facing the G20 include, inter alia, global policy coordination along with the elimination of global imbalances, strengthening financial regulations, conducting the reform of the international monetary system, assuring food security, tackling climate change.

Strengthening financial regulations should be focused on tightening the rules already adopted (e.g. rules on transparency and integrity of financial markets). Special arrangements should also be developed for non-bank financial institutions. Likewise, the problem of corruption still remains unsolved.

The reform of the international monetary system – main responsibilities of the G20 in this area include identifying the causes and consequences of deficiencies occurring nowadays within the international monetary system. Subsequently, in order to avoid the deepening of global imbalances and further negative consequences for the world economy, adequate decisions should be taken to defend currencies against excessive volatility and ensure sufficient currency flexibility. The agreement between the USA and China (two members of the G20) shall be crucial to solving these problems.

In the next few years the G20 should also become a forum for cooperation on matters relating to energy and climate security⁶⁸. The adoption of international regulations on climate security by, at least, the G20 countries seems to be a challenging task. In the light of the current trends in energy markets and a growing uncertainty about the functioning of the energy industry – the two factors being, to some extent, a consequence of the financial crisis – it is important that the G20 recognises and addresses these problems. The group includes the

⁶⁶ Rubini Nouriel, Mihm Stephan (2010), *Crisis economics...*, op. cit., p. 267.

⁶⁷ Orłowski Witold M. (2010), *Jakie szanse na nowy ekonomiczny porządek świata?*, in Kuźniar Roman (ed.), *Rocznik strategiczny...*, op. cit., p. 41.

⁶⁸ Initial steps have been taken at the previous summits: The Leaders' Statement of the Pittsburgh Summit, 24-25 September 2009, pp. 13-15; The G20 Toronto Summit Declaration, 26-27 June 2010, point 42; The G-20 Seoul Summit Leaders' Declaration, 11-12 November 2010, pp.14-17

largest global consumers of raw materials and energy, and, ipso facto, major emitters of greenhouse gases. From the perspective of energy security, it is especially crucial that the two largest producers of hydrocarbon fuels – Saudi Arabia and Russia as well as biofuels – Brazil and the USA participate at the G20 forum. The provision of international energy security is an unquestionable challenge that is inextricably linked with facing all other types of hazards: geologic (depletion of Earth's energy resources), political (embargo, standstills/halting production), socio-economic (price volatility, strikes, lack of effective network transmission capacity, lack of production capacity), asymmetric (cyberterrorism of the energy sector, terrorist attacks on, for instance, oil fields) and technical (power plant failure, refinery or oil field explosion, technical defects)⁶⁹.

Measures aimed at ensuring food security should primarily be based on reducing the excessive volatility in the price of agricultural commodities and fighting the negative effects of price variations. The G20 Member States consider themselves competent enough to face this challenge, inter alia, due to the fact that their agricultural area accounts for 65% of the world's arable land and they deliver 77% of the world's grain production. The first steps to address this issue have already been taken. On the initiative of the French presidency, the meeting of the G20 agriculture ministers will be held in May 2011 for the first time.

⁶⁹ For further reference, please see K. Pronińska, Zagrożenia i wyzwania dla międzynarodowego bezpieczeństwa energetycznego, in K. Książkowski (ed.) Problemy bezpieczeństwa wewnętrznego i bezpieczeństwa międzynarodowego, Warszawa 2010

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