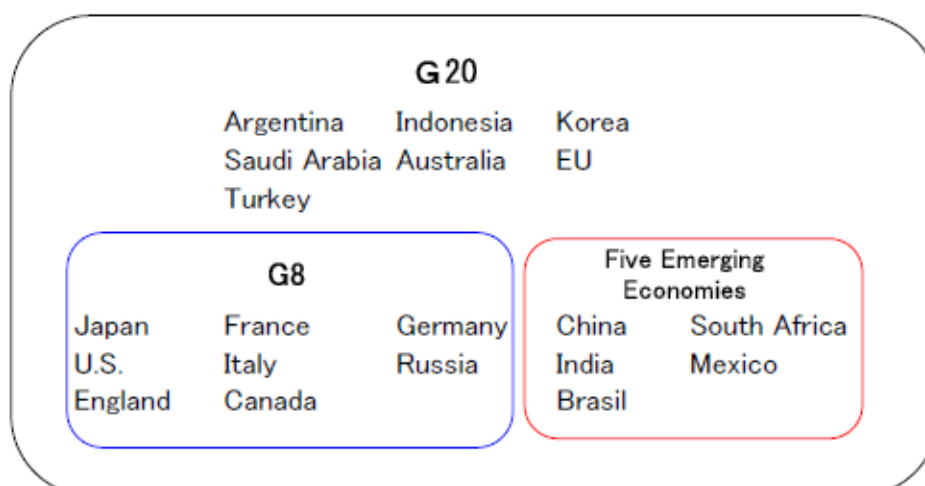


G-20: In Search Of A Role in Global Governance

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The next G-20 summit is scheduled for 24th September in Pittsburg. The selection of the venue is perhaps expected to send a message to the converging world leaders that collective and coordinated action is still important if cities such as Pittsburg which have been worst hit by the ongoing recession are to regain their vitality on the basis of a sustained global economic recovery. The objective of bringing together all the advanced economies and large emerging economies is perhaps to stress the importance of continued collective action for engendering the needed global economic recovery and preventing the recurrence of another financial sector crisis. This is in essence the *raison d'être* for the formation of G-20. It is also expected that the G-20 will contribute to achieving a successful conclusion of the Doha Round and to reaching a consensus on climate change issues to be discussed at Copenhagen. In short, the grouping is portrayed as the principal global formation for pushing a collective agenda for global reforms and joint action at a time when the world faces several major challenges. Therefore, it is pertinent to ask the direct and perhaps the rather difficult question whether the G-20, as it is presently constituted, is actually capable of delivering on this promise or does the global community need some alternate approach and institutional framework to make progress on global challenges facing us today.

With the first signs of economic recovery in advanced economies and the health of their financial sectors being restored, there is now significantly less pressure on trying to find new solutions for fighting off recessionary pressures and reforming the global financial sector. The world it seems can go back to business as usual.



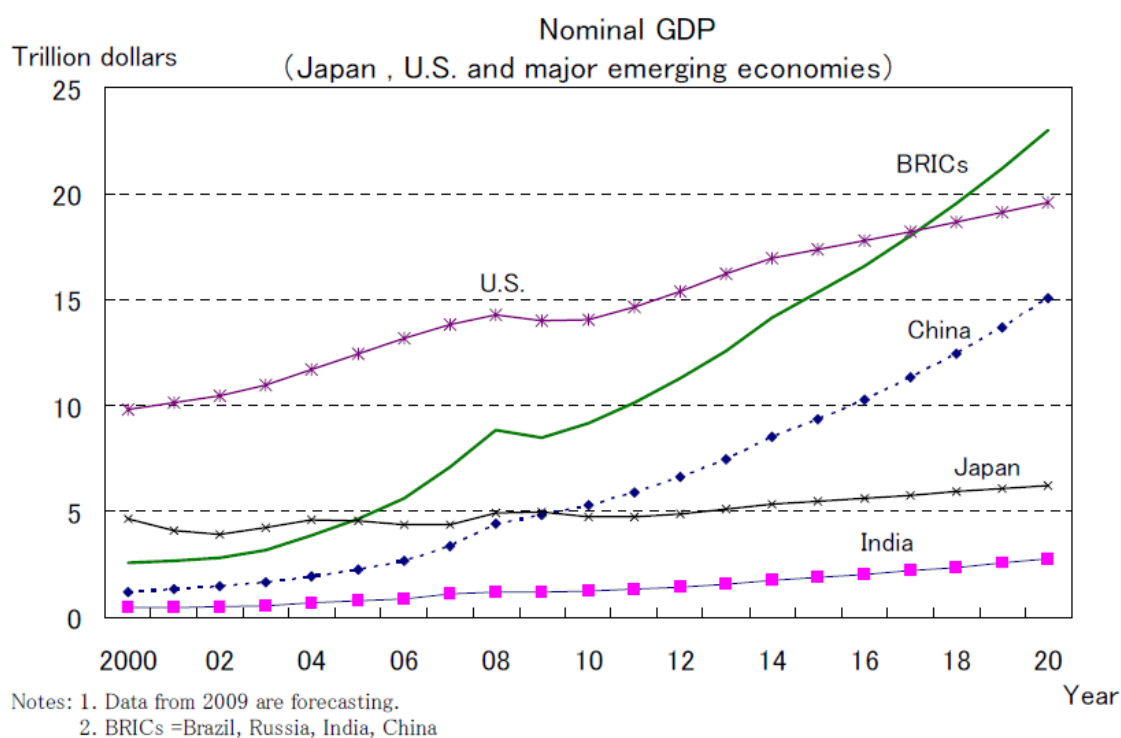
Therefore, the next G-20 summit will find it more difficult to justify the continued existence of the grouping. This is especially true when several other informal formations like the G-8, G-8 plus O-5, G-30 and G-77 exist already. The leaders collecting at Pittsburg must make up their mind if there is a continuing role for G-20 in the changed context or should it be given a quiet burial and resurrected again if needed. There are in my view far too many of these informal groups at present and their overlapping mandates tend to diffuse the focus of global action and also creates unwanted confusion on occasions. In any case we also have the formal institutional structures under the aegis of the UN system which can and are regularly used for reaching agreements on global issues.

Therefore, the only justification of continuing with G-20 would if it is accepted as the principal informal global formation and is at the center of a new emerging global governance architecture. This can happen only if the G-8 is replaced by the G-20 and at the same time the Helingendram-Aquila Process (HAP) is also subsumed within the aegis of the G-20.

It is in my view somewhat dysfunctional to continue with both the G-8 and the G-20 processes as clearly the two work at cross purposes. The former emphasizes the divide between the advanced and emerging economies, while the latter attempts to bring them together as a cohesive body which is collectively responsible for global governance. The best way forward would perhaps be to strengthen the HAP (G-8 +O-5) process, which will bring together the eight advanced economies and the five large emerging economies as the core group for tackling global challenges. This would be a more structured and sequenced approach for facilitating the entry of the five large emerging economies into the core formation for discussing and tackling global challenges.

But to make the HAP or the 'G-8 plus O-5' process workable and effective, the present working modality will have to be changed as this preserves the divide between the "Haves(the G-8)" and the "Have nots (O-5)" and thereby reduces the possibility of any collective decision making involving all 13 countries. The experience of the O-5 countries from such gatherings, except the one at Aquila where the agreement on climate change was signed jointly has been rather disappointing. Therefore, it may be efficacious to institutionalize the HAP process as the G-13 and immediately phase out the G-20 and also wind up the G-8, sooner rather than later. This will allow an orderly and manageable entry of the rising economic powers into the core formation for global governance. This is necessary to keep the global governance mechanisms in line with the emerging distribution of global economic and strategic balances.

In any case it should be now agreed that the G-8 is no longer an appropriate formation as it excludes countries like China, India, South Africa and Brazil who have already emerged as major economic powers and whose share in world output and trade and technology flows is bound to increase in coming years and decades. The demographic profile of the O-5 countries, their higher savings and investment rates; rising productivity levels and increasing share in technology and innovation flows all unmistakably point towards their greater global presence in the coming period. It will be therefore advisable to ensure that the global political and governance structures make space for accommodating these rising powers to achieve an orderly transition.



But whatever be the nature and composition of a core formation for global governance (G-13 or G-20 or G-8 plus O-5) Japan and India can work together to make the core formation more effective by helping to evolve a consensus which is necessary to tackle the major challenges. They can also work together to push for real and fundamental reforms of the global financial sector so that we are spared the periodic recurrence of financial sector crisis. These are extremely costly for those who are the least capable of coping with their consequences. This has become rather important as the tendency both in the US and Europe is already to revert back to business as usual as economic recovery takes roots. Having suffered substantially from the fallout of the crisis,

despite pursuing somewhat conservative and prudent regulatory policies in the financial sector, countries like Brazil, China, India and Japan, should together push for real financial sector regulatory reforms in advanced economies. In this they will be supported by the European members who also support fundamental and thorough going reforms in the financial sector.

As the present and former member of the Quad, which is the core negotiating group within the WTO, India and Japan can work together to bring about a successful conclusion of the Doha Round. They should jointly float the idea for a Global Convention on Food Security with the objective of banning the use of food as a strategic weapon by a member country against any other. The Convention could also generate agreement on ruling out food export bans and to empower the WTO to act against cartels in the food grains and cereal sector. By eliminating the anxiety on food security, the Convention could pave the way for an agreement to bring agriculture into the multilateral trading regime. Given the complementary demographic structures of Japan and India, the two countries would be expected to be on the same side for further liberalization of global services trade as this would be a win-win outcome for both.

Other than jointly pushing for a revamp of the informal global governance structures, as discussed above, India and Japan should also call for the reform of the formal or the UN based global governance systems both for the political and the economic issues. Thus, the two countries should continue their joint efforts to achieve an expansion of the Security Council so as to make it more representative of current economic and political realities. In the case of international financial institutions, like the IMF, World Bank or the regional development banks, Japan may consider supporting the stand by India and other emerging economies for more voice and representation and a transparent and merit based selection process for heads of these international financial institutions. This will bring credit to Japan as being a front runner in changing the global governance architecture in line with the evolving global economic balances.

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