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The G20 after Eight Years:
How Effective a Vehicle for Developing-Country Influence?

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Abstract

To what extent has eight years of participation in the Group of Twenty Finance Ministers and Central Bank Governors (G20) strengthened the influence of developing countries in global governance? This paper tries to answer this question by assessing the degree to which the G20's annual communiqués reflect the policy preferences of the G20's developed and developing country members. Nine policy issues are selected in which developed and developing countries have expressed significant differences of opinion in forums outside the G20. Then, consensus on those issues is compared systematically across the G20, the G7, and the G24. The G7 and the G24 communiqués are used s proxies for the policy preferences of the developed and developing countries of the G20, respectively.

The results of this exercise suggest that the G20 has primarily served as a vehicle for mobilizing support for G7 policies, especially on issues about which the G7 governments cared most strongly. Endorsement by the G20 has given these G7-driven policies a broader base of legitimacy and support. At the same time, positions favored by developing countries—especially those that would have imposed large costs on G7 firms and governments—have made no headway in the group. Developing countries have become more active and assertive in the G20 as the network has matured, and in two instances they made original contributions to the global policy agenda. But so far the benefits of these initiatives have been modest. After eight years, the G20 has done little to enhance developing-country influence, but the G20 still holds promise for its developing country members.

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The G20 After Eight Years

To many observers, the creation of the Group of 20 Finance Ministers and Central Bank Governors (G20) in 1999 marked a watershed in global governance. After decades in which the most important decisions in global financial and monetary management had been the exclusive province of a small club of the three, five, or at most seven richest nations, a ministerial-level network had emerged bringing together the world's most advanced economies and some of the largest developing countries.[1] Convened at the initiative of the United States and other industrialized countries, the network promised to be a powerful, yet inclusive forum for global economic management. For the most sanguine commentators, the emergence of the G20 heralded a new age of more inclusive economic governance.

After eight years of G20 meetings and communiqués, there is little consensus about what the G20 has actually meant for the voice of developing countries in global governance.[2] Some scholars have embraced the network with optimism, arguing that "…the creation of the G20 has at least established a key institutional mechanism by which emerging market economies are able to affect the way in which the global financial system is governed."[3] Others have been less positive: "The G20 is severely flawed…As at present constituted, it is unlikely to lead anywhere. Its very existence deflects energies from more appropriate and hopeful processes and agendas."[4]

Which of these views is right? Has the G20 made a real difference to the degree of voice and influence developing countries enjoy in global economic governance? The existing academic and policy literature has mostly described the G20 in the context of efforts to build a new international financial architecture,[5] tried to explain the network's genesis,[6] analyzed its impact in global governance,[7] or prescribed ways to reform the G20.[8] However, the influence of developing countries in the G20 has been neglected by scholars.

This piece takes a critical look at G20 from the perspective of an outsider looking in.[9] It tries to assess whether participation in the G20 network has enabled developing countries to exercise greater voice and influence in global economic governance. The paper does this by evaluating the degree to which the G20's annual communiqués reflect the policy preferences of the G20's developed and developing country members. Nine policy issues are selected in which developed and developing countries have expressed significant differences of opinion in forums outside the G20. Then, consensus on those issues is compared systematically across the G20, the G7, and the G24. The G7 and the G24 communiqués are used s proxies for the policy preferences of the developed and developing countries of the G20, respectively.

I use the term "developing countries" in this paper to refer to G20 members other than the G7 (United States, United Kingdom, France, Germany, Italy, Canada, and Japan) and Australia. This includes low-income India and middle-income Argentina, Brazil, China, South Africa, Turkey, Mexico, Indonesia, and Russia. Two high-income countries—Saudi Arabia and Korea—are also included in this category because they have tended to identify with other middle-income countries and because they face social and political problems more characteristic of middle-income countries than of mature economies.

The paper proceeds in three sections. First, I examine the political environment and the motives that gave birth to the G20 in 1999. I also describe the network's characteristics and institutional environment. Then, I explore the degree of influence developing counties enjoy within the network by evaluating the

degree to which G7 and G24 positions on nine key issues are reflected in G20 communiqués. Finally, I draw some conclusions from this comparative exercise and discuss scenarios for the G20's future.

This paper is part of a collection—soon to be published as an edited volume by Oxford University Press—that examines the creation, evolution, and impact of eight inter-governmental networks constituted partly or entirely by developing countries.[10] The project was launched by the Global Economic Governance Programme at Oxford University, and its overarching goal is to assess how developing countries are faring in an increasingly "networked" global order—one in which economic decisions are increasingly made in informal networks, rather than in formal international organizations.

Why create the G20?

The G20 was a child of the Asian financial crisis of 1997-98.[11] While some argued that the crisis was primarily caused by sudden capital outflows, it also became clear that the crisis had important domestic roots, such as weak banking sectors and risky private-sector borrowing practices. If unaddressed, these domestic vulnerabilities could magnify and propagate the impact of financial crises, potentially destabilizing the regional and even global financial system. These domestic policy issues could not be adequately addressed by the G7 governments acting alone—they required the active participation of and "buy in" from the largest, systemically-significant developing countries.

Then question, then, became to engage developing countries on issues of global financial governance. From the beginning, the G7—and particularly the US government—sought a structure that would disturb as little as possible the existing institutional architecture. Therefore, the creation of new international organizations was quickly ruled out. In a June 1999 report to their heads of state, the G7 finance ministers explicitly rejected the creation of new international organizations and instead endorsed efforts "to widen the ongoing dialogue on the international financial system to a broader range of countries…"[12] Proposals for an Asian Monetary Fund were famously buried by strong US Treasury opposition.

Creating the G20 was not the only possible course of action. At least two existing institutions could have been used to "broaden the ongoing dialogue." The Bank for International Settlements (BIS)—the Basel-based "central bankers' bank" and forum for bank regulators—might have been expanded to include the new systemically-significant middle-income countries. However, the addition of up to twelve developing countries to the BIS roster would have changed the character of the organization, whose board of directors has been controlled since the 1930s by half a dozen industrialized countries, while its committees report directly to the G10.[13] In addition, the institutional culture of the BIS is dominated by central bankers and bank regulators, not by the broader-vision finance ministries. The relatively narrow and technical focus of BIS committees would have been too constraining for the type of dialogue required.

Another alternative would have been the International Monetary and Financial Committee (IMFC) of the IMF.[14] The Committee is charged with advising the Fund's Board of Governors on matters concerning the management of the international financial system. With a representation structure based on the constituency system of the executive boards of the IMF and World Bank, the 24-member IMFC was probably the other obvious alternative.

However, the US Treasury had misgivings.[15] The IMFC is not conducive to informal dialogue but lends itself to the reading of prepared, pre-negotiated statements. Also, IMF staff and management was seen as exercising too much control over the IMFC's agenda and communiqués, and the IMF as a whole was seen as under-representing Asia and over-representing Europe. Finally, the IMFC included a variety of countries beyond the handful of systemically-significant economies the G7 was interested in engaging directly.

Soon, the need for a new forum—an inter-governmental network—became clear. Financial crises were to be prevented through enhanced surveillance undertaken jointly by the Bank and Fund, complemented by a loose structure of standard-setting bodies, financial regulators, private-sector actors, and developed- and developing-country governments. The IMF would remain the lender of last resort. This structure would be loosely tied together by a network of government officials from the G7, systemically-significant countries, and the Bretton Woods institutions.

The next problem then became selecting the membership. The first incarnation of the G20 was a network known as the G22, or the "Willard Group." This was very much an initiative of US President Bill Clinton and was announced in November 1997, while the Asian crisis was still unfolding. The group comprised finance ministers and central bank governors from the G7 and fifteen other countries, not all of which were obviously systemically significant. Not surprisingly, East Asian countries were heavily represented.[16]

The network first met in April 1998 to discuss the stability of the global financial system, and its main contribution was three reports on issues related to the strengthening of the international financial architecture.[17] In early 1999, the G22 was superseded by a more unwieldy incarnation, the G33, which supplemented the original G22 countries with a range of African and Middle Eastern countries and non-G7 European economies.[18] The G33's main achievement was to convene seminars on the international financial architecture in Bonn and Washington in the spring of 1999.

The G33 was finally replaced by a more permanent grouping, the G20, which was officially created at the G7 Finance Ministers' meeting on September 26, 1999. This would be a consensus-based, deliberative body, established as "a forum for informal dialogue" with the purpose of ensuring "broader participation in discussions on international financial affairs among countries whose size or strategic importance gives them a particularly crucial role in the global economy."[19] Canadian leadership was instrumental in the creation of the G20, and Canadian Finance Minister Paul Martin was appointed the network's first chairman. [20]

Membership in the G20 network was ultimately decided in negotiations between the US Treasury Secretary and the Canadian Minister of Finance.[21] In addition to the G7 countries plus Russia, the G20 included the continental economies of China, India, and Brazil, as well as the systemically-significant economies of Mexico and Indonesia. The more debatable cases of Turkey, Australia, Korea, and Argentina, and South Africa were added after some bargaining. Saudi Arabia was added to ensure representation of the Arab world and because of its leading role in OPEC and significant voting share in the Bretton Woods institutions. Also, the Managing Director of the IMF and the President of the World Bank were included in the network, as well as the president of the European Central Bank and the chairpersons of the IMFC and the Development Committee.

Table 1: Selected characteristics of G20 members

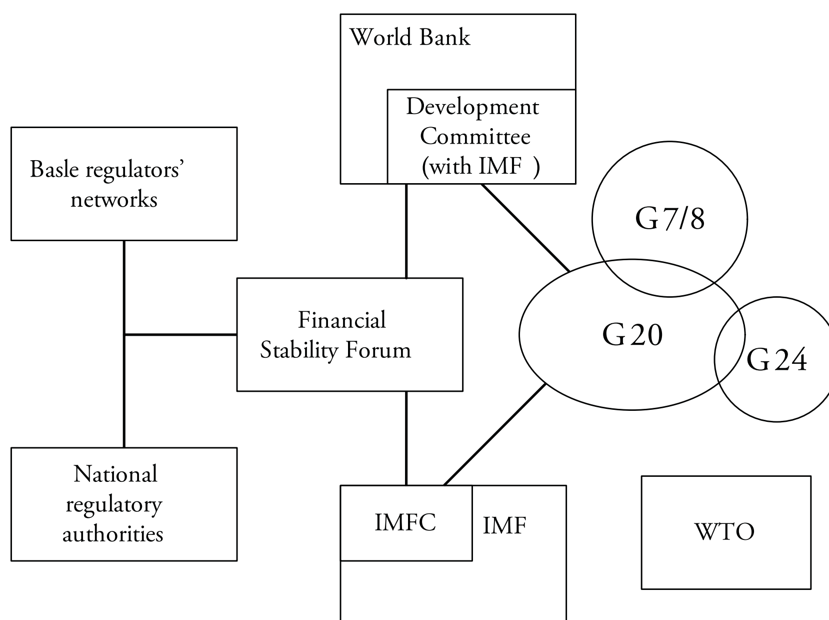
Country	Share of world population (2005)	Share of world output (2005 in current $)	Share of world exports of goods and services (2006 in current $)	Voting share, IMF Executive Board (%)	Voting share, IBRD Executive Board (%)	Foreign bank claims by home country as a percent of world total (Dec 2004)	Outstanding international debt securities by country of issuer as % of total for developing countries (March 2005)
Australia	0.3	1.6	1.0	1.5	1.5	1.6	
Canada	0.5	2.5	3.2	3.0	2.8	1.5	
France	0.9	4.8	4.1	5.0	4.3	5.2	
Germany	1.3	6.3	9.3	6.0	4.5	7.6	
Italy	0.9	3.9	3.4	3.3	2.8	4.0	
Japan	2.0	10.2	5.4	6.2	7.9	4.1	
Russia	2.2	1.7	2.4	2.8	2.8		
UK	0.9	4.9	3.5	5.0	4.3	15.0	
USA	4.6	27.8	8.6	17.1	16.4	21.4	
Argentina	0.6	0.4	0.4	1.0	1.1		11.8
Brazil	2.9	1.8	1.2	1.4	2.1		12.0
China	20.3	5.0	8.1	3.0	2.8		3.2
India	17.0	1.8	1.0	1.9	2.8		1.0
Indonesia	3.4	0.6	0.9	1.0	0.9		1.3
Mexico	1.6	1.7	1.9	1.2	1.2		11.1
Saudi Arabia	0.4	0.7	1.6	3.2	2.8		0.1
South Africa	0.7	0.5	0.4	0.9	0.9		2.5
South Korea	0.8	1.8	2.8	0.8	1.0		10.1
Turkey	1.1	0.8	0.7	0.5	0.5		4.2
TOTAL	**62.4%**	**78.8%**	**59.9%**	**64.5%**	**63.2%**	**60.4%**	**57.3%**

Sources: World Development Indicators (World Bank), BIS international financial statistics, IMF.

The result of these negotiations was a highly diverse group in both political and economic terms. Included were mature multi-party democracies, several states transitioning to some form of democracy, a monarchy, and a Communist, one-party state. The network also contained a wide range of national income levels, with the United States at one end (GNI per capita of $43,000) to India at the other (GNI per capita of $730). Ideas about the appropriate role of the state in the economy also varied widely in the group, from the economic liberalism of the United States and United Kingdom to the highly interventionist states of China and, to a lesser extent, Korea and Brazil. In contrast to the G7, the G20 was far from a peer group of like-minded states.

On the other hand, a great strength of the G20 was the highly representative nature of its membership. As Table 1 shows, G20 members represent over 60 percent of the world's people and almost 60 percent of global exports, as well as nearly 80 percent of the world's economic output. They also hold

Figure 1: The G20's institutional environment



over 60 percent of the votes on the executive boards of both Bretton Woods institutions, giving them a legitimate basis to consider initiatives for reforming the IMF and World Bank. In addition, the developed countries of the G20 house the biggest international lending banks, while its developed-country members issue just under 60 percent of all developing-country international debt securities. In other words, the G20 was well equipped to discuss issues of finance, debt, and trade while ensuring that the major traders, creditors, and debtors, would be represented around the table.

Unlike other inter-governmental networks, the G20 would not be nested within an international organization. As the figure above shows, the G20 enjoyed direct institutional links with the Bretton Woods institutions (both are represented in the network) but no direct links to or influence over the Financial Stability Forum (FSF)[22] or the Basel regulators' networks.

Assessing developing-country influence in the G20

Having examined the G20's genesis and institutional environment, now we can turn our attention to the paper's central question: Has the G20 enhanced developing-country voice and influence in global economic governance, or is it better described as a vehicle for mobilizing emerging-economy support for a G7-driven policy agenda?

Several characteristics of the network affect the ability of the G20's developing countries to exert influence within the network. In theory, the G20's membership structure should benefit developing countries. Middle-income countries or "emerging markets" outnumber the G7 and Australia by a margin of eleven to eight, if one puts Russia in the developing country camp (not an unreasonable assumption given that Russia's economic structure and policy dilemmas have more in common with those of other middle-income countries than with the G7 members). In addition, the exclu-

sion of least-developed countries means that the G20 developing countries can avoid some of the damaging policy splits that divide middle- and low-income countries in other forums, such as the WTO and United Nations. Finally, the chair of the G20, first held by a G7 country (Canada) for three consecutive ministerial meetings, now rotates regularly among the membership following a complex scheme.[23]

Yet, other features of the network undermine developing-country influence. Since the G20 is a consensus-based forum for discussion rather than a voting-based, decision-making entity, the developing countries' numerical advantage does not necessarily translate into greater influence. In addition, the G7 countries have more resources at their central banks and finance ministries to devote to G20 matters and therefore enjoy an advantage in terms of shaping the agenda, conducting research, and developing positions. For example, Australia and Canada have taken the leadership in hosting G20 workshops and preparing position papers.

Another important factor is the existence of multiple points for G7 influence over the G20's agenda and workplan. The G7 wields enormous influence in the networks and organizations that surround the G20, particularly in the IMFC, the executive boards of the Bank and Fund, the BIS, and the FSF. This means that G20 must react and engage with issues and positions in a heavily G7-dominated institutional environment. The G7's influence is further enhanced by the fact that G7 finance ministers—by virtue of holding their own ministerial and head-of–state meetings before the G20 ministerial each year—are more likely than developing-country ministers to arrive with a common agenda and a set of well-articulated positions. Also, the G7 finance deputies meet six times a year and communicate via conference call regularly, compared with the G20's semiannual deputies' meetings.

Having considered some of the G20's structural characteristics, now we can ask how the group has functioned in practice for developing countries. When the preferences of the G7 and the G20 developing countries differ on a certain issue, to what degree are latter able to qualify, moderate, or shift the view of the leading industrialized states? In other words, is the G20 a forum for real dialogue, persuasion, and mutual learning between advanced and developing economies, or does it act mainly as a vehicle for legitimizing the G7's policy preferences? Although the G20's internal documents and proceedings remain confidential, it is possible to take a first cut at this question by examining the public record.

My approach is to first identify the preferences of the G7 and the G20's developing countries in key policy areas by looking at the positions the two groups have taken independently in forums other than the G20. The position of the G7 finance ministers, I take from the group's annual communiqués and the reports to their heads of government from 1999 to 2007. The positions of the G20 developing countries, I infer from the semi-annual communiqués and related documents of the G24 over the same period.

Established in 1971 to coordinate the positions of developing countries on international financial issues, the G24 meets twice a year before the spring and annual meetings of the IMF and World Bank governors. Using G24 communiqués for this comparative exercise has three advantages. First, the G24 includes seven of the eleven "developing country" members of the G20 (China and Saudi Arabia are

regular participants, even though they are not in the original membership), so the group's statements can provide us with a reasonable proxy for these countries' preferences.[24] Second, G24 meetings are highly attuned to the discussions at the G7, IMFC, and G20, so G24 communiqués address the same issues and debates as these other groupings. And third, the G24's broader developing-country membership can help us detect differences in the interests of the middle-income countries of the G20 and low-income countries.

After examining the G7 and G24 positions on key issues, I then compare them with the positions articulated in the G20's annual communiqués for the same years. (Appendix 1 shows the evolution of the G20 agenda.) If the G20's position is indistinguishable from the G7's on issues in which the G24 and the G7 disagree, we can conclude one of two things. Either the G7 is coaxing or coercing at least some of the membership of the G20 into agreement, or the split is within the G24 itself—the middle-income countries which sit on both networks may actually have more in common with their G7 counterparts than with low-income countries. If, on the other hand, we find that the G20 position reflects a compromise between the G7 and G24 view, or if the G20 position largely reflects the G24's preferences, then this would suggest that the G20 really is a forum where developing countries really are influencing the views of the most powerful states.

For this comparative exercise, I look at nine issues of special relevance to developing countries, issues that have been discussed by all three country groupings. In all areas chosen, the G24 stance differed in some significant respect with the G7 position. The areas selected were (1) capital account liberalization and capital controls, (2) the formulation and adoption of standards and codes, (3) developing-country representation in new international forums, (4) the formulation and implementation of anti-money-laundering measures and measures to combat the financing of terrorism (AML-CFT), (5) IMF and World Bank conditionality, (6) reforming the governance of the Bretton Woods institutions, (7) rules and practices in international trade, (8) debt relief and poverty reduction, and (9) sovereign-debt restructuring. The full comparative exercise is detailed in Appendix 2.

This exercise allows us to sort G20 positions on the selected issues into four categories, depending on how they relate to their G7 counterparts. In the first category, the G20 stance not only drops all significant G24 objections and embraces the G7 posture but also expands upon it. This "G7 plus" position adds to the original number of policy commitments, makes them more detailed, or provides mechanisms or timelines that might make them "harder" and more enforceable.

Issues in the second category are those in which the G20 dropped the G24's objections and endorsed the G7 position without adding new commitments or refinements. The third category includes issues in which the G20 simply chose to remain substantively silent, making only a very general statement without siding with either the G7 or G24. Finally, issues that fall in the fourth category are those in which the G20 adopted elements of the G24 position, elements that do not appear in G7 communiqués. Table 2 shows the categorization of the nine selected issues.

Table 2: Classification of G20 positions

G20 adopts "G7 plus" position	G20 endorses G7 position	G20 remains silent or neutral	G20 builds on the G24 position
AML-CFT	Standards and codes Representation in new forums Debt relief	Conditionality Capital controls Trade	Sovereign-debt restructuring Reform of the BWIs

"G7 plus"

The most extreme example of the G20 adopting a G7 position in the area of measures to combat money laundering and the financing of terrorism. The G20 not only endorsed the G7's position, but adopted a more detailed and extensive version of the G7's own "Action Plan to Combat the Financing of Terrorism." The "G20 Action Plan on Terrorist Financing" is three times as long as the G7 plan, and includes more and more detailed commitments in the areas of freezing terrorist assets, implementation of international standards, information sharing, technical assistance, and compliance and reporting. At the same time, the G24's concerns about the G7's Financial Action Task Force (FATF) framework were all dropped in the G20 communiqués, including concerns about the "non-voluntary" and "non-cooperative" ways in which FATF recommendations were applied to non-FATF members.

This outcome is not surprising, as the US government made AML-CFT measures a top national security priority and was prepared to pressure other countries into accepting and implementing them. Also, the G20's annual meeting in 2001 took place only weeks after the September 11th attacks, in an environment that made it very difficult to challenge the US-proposed measures. Finally, the G7 countries had started developing an AML-CFT framework several years before 2001, so that by the time the terrorist attacks took place, there was already a set of detailed initiatives that could be tabled at the G20 in short order.

Endorsing the G7 position

Three issues fall into the second category, where the G20 communiqués endorsed the G7 position without additions or refinements. The first issue is standards and codes, where the lines between the G7 and the G24 were clearly drawn. The G7 wanted compliance with the new standards to be part of regular IMF surveillance under Article IV, and it wanted standards and codes incorporated into Fund conditionality.[25] The G24, on the other hand, argued that the scope of IMF surveillance should not be extended to include observance of standards and codes, and that such observance should not be a consideration in Fund conditionality. In addition, the G24 demanded that pressure to observe transparency standards also be put on hedge funds and other private financial institutions; it also called for a more inclusive process for developing standards and codes, one that gave developing countries a greater voice.

The G20's position aligned solidly with the G7's. The G20 agreed that "IMF surveillance should be the principal mechanism for monitoring countries' progress in implementing standards and codes…"[26] G20 members committed to undertaking ROSCs and FSAPs—the joint IMF and World Bank sur-

veillance programs created to monitor the observance of codes and standards. G24 calls for a more inclusive standard-setting process and for applying standards to hedge funds were dropped, and the G20 stayed silent on whether observance of standards and codes should be a consideration in the design of conditionality.

A second issue in this category is developing-country representation new forums. The G24 repeatedly voiced concerns about the lack of developing-country participation in the Financial Stability Forum and expressed alarm at the growing role of international forums in which developing countries had little voice, such as the BIS. Yet, the G20 did not raise these concerns in its communiqués and instead endorsed the work of the FSF and its affiliated bodies.

Third is the case of debt relief. In its 2000 and 2002 communiqués, the G24 expressed "deep concern" about the under-funding of the HIPC Initiative and Trust Fund and the slow implementation of the debt relief initiative.[27] It also noted that the HIPC Initiative's funding arrangements shifted a disproportionate burden of the cost of the initiative on other developing countries. However, the G20 chose not to voice these concerns or to convey a sense of urgency about the funds shortage. Instead, it echoed the G7's call on counties to commit to a 100 percent reduction of ODA claims and eligible commercial claims. It also welcomed donors' commitments to increase aid.

Silence and neutrality

The third category of issues includes those in which the G20 preferred to sidestep a controversy by staying little about it and refusing to take sides. This was the case with IMF and World Bank conditionality. On this critical issue for developing countries, the G7 and G24 positions clashed, especially in 1999-2000. G7 documents from this period staked out specific policy areas where conditionality should remain in place, even though some of these areas that were not considered core competencies of the Bretton Woods institutions. These included trade liberalization, the creation of non-discriminatory insolvency regimes, and the elimination of state-directed lending on non-commercial terms.[28] At the same time, the G24 was condemning the intrusiveness of conditionality and its expansion beyond the mandate of the Bretton Woods institutions. The group also called for streamlining conditionality.

Over time, the G7 and G24 found common ground in supporting IMF efforts to review and streamline conditionality. By contrast, the G20 stayed out of this debate entirely, at least in public. G20 communiqués made no direct mention of conditionality, and the group's 2005 "Statement on Reforming the Bretton Woods Insitutions" contained only a very general declaration about the appropriate roles of the IMF and World Bank.

Another case in this category is capital account liberalization. Capital controls were an issue of considerable interest to the middle-income countries of the G20 (at least six of which suffered a financial crisis triggered by capital outflows between 1999 and 2005). In its June 1999 communiqué, the G7 discouraged in somewhat tortured language the use of capital controls, declaring that "controls on capital inflows may be justified for a transitional period, but more comprehensive controls carry costs and should not be a substitute for reform; controls on capital outflows carry greater long term costs, are not effective policy instruments, and should not be a substitute for reform, through they may be necessary in exceptional

circumstances."[29] Instead of discouraging the use of capital controls, the G24 called for further analysis on the use and effectiveness of specific capital controls, especially those on derivatives trading.

The G20's communiqués made no mention of capital controls—they neither echoed the G7 stance discouraging most controls, nor did they affirm the G24's call for further analysis. The G20 ministers limited themselves to a general and mostly uncontroversial statement—that capital account liberalization can be a good thing, as long as it is implemented carefully, with the right sequencing, with effective regulation and supervision, and supported by technical assistance.

Finally, on trade, the G7 and G24 communiqués were quite diverse and emphasized different policies. The G7 called for more trade-related technical assistance, the incorporation of trade liberalization measures in Fund and Bank programs and operations, the reduction of trade-distorting support and subsidies, and increasing market access for developing countries, among other things. The G24 condemned protectionist measures in developed countries, called on stronger IMF surveillance on the trade practices of industrialized countries, urged the Bank and Fund to publicize the development impact of trade restrictions, and blamed industrialized countries for the failure of the Doha round.

The G20 did not take sides in this debate and instead opted for general language on the need to reduce trade-distorting support and export subsidies. It omitted the G24's calls for ending industrialized-country agricultural tariffs and subsidies and for intensified IMF surveillance of industrialized-country trade policies. At the same time, it dropped G7 demands that trade liberalization be part of Bank and Fund programs. The G20 did diverge from the G7 by highlighting the need for special and differential treatment for developing countries.

Building on the G24 agenda

The fourth and final category includes issues in which the G20 adopted and sometimes expanded on elements that were part of the G24's agenda (but not of the G7's). Two issues fall into this category. The first is debt restructuring, where the G20 picked up on the G24's proposal for a voluntary code of conduct for sovereign debt restructuring that was agreed by both private creditors and sovereign issuers. Using its unique position as a forum that brought together the home countries of major private creditors and top issuers of sovereign bonds, the G20 played a pro-active role by actively encouraging and later endorsing the "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets." This was a unique G20 contribution, as the G7 was simply not the right venue to endorse principles requiring the agreement of both creditor and debtor countries.

The other issue in which the G20 diverged from the G7's line and built on the G24 position was the reform of the Bretton Woods institutions. Since 2000, the G24 had been pushing for governance reform at the BWIs, including a more transparent process for the selection of the heads of the World Bank and IMF and streamlined formulas for calculating quotas and voting power at both institutions. Starting in 2005, the G20 took up that cause, echoing virtually all of the G24's concerns and proposals (the one exception was the G24's call for a formula using GDP in purchasing-power-adjusted terms). This pressure seems to have helped persuade the IMF and World Bank governors to approve an *ad hoc* quota increase for China, Mexico, Turkey, and Korea in September 2006. The G20's demands for reform went beyond

the G7's more modest proposals, which focused on getting the BWIs to make more documents public and to establish an evaluation body at the IMF. The G7 did recognize in 2005 the need to "to review the Fund's governance and quotas to reflect developments in the world economy," but the G20 was more detailed and insistent than the G7 in calling for major reform at the BWIs.[30]

To summarize, in four of the nine issues studied, the G20 endorsed and elaborated on the G7's position (one case) and endorsed the G7's position with no elaboration (three cases). In three cases, the G20 remained silent or neutral on the issue, and only in two cases did the G20 incorporate and build on G24 concerns. In other words, the G7's position was reflected in the G20 communiqués twice as frequently than the G24's, and in a third of the cases, countries exercised a "veto" that prevented the group from issuing anything more than a neutral statement.

Crucially, it should be noted that the distribution of burdens imposed on countries were *not* the same across issues. Those issues in which the G7 position prevailed over the G24's involved relatively high costs for developing countries, whether in the form of adaptation costs (as in the implementation of AML-CFT measures and standards and codes) or in terms of forgone resources (as in under-funded debt relief commitments). Those issues in which silence and neutrality predominated included those in which G7 consumers, firms, and governments would have had to bear much of the cost had the G24 position prevailed (as in the imposition of capital controls by emerging economies or the removal of tariffs and subsidies in agriculture).

And third, those issues in which the G24 position won the day promised modest benefits for developing countries but did not seriously challenge G7 interests. For example, the principles on debt restructuring promote and endorsed by the G20 were prepared with extensive input from the International Institute of Finance, which represents the interests of leading US financial institutions. Also, the principles were consistent with the preferences of the US and UK governments, which favored a flexible, case-by-case approach to debt restructurings.[31] In the case of BWI reform, the G20's pressure has so far led only to small *ad hoc* quota increases for four countries, a measure which has not meaningfully disturbed the balance of power in either institution. In short, the victories the G7 appears to have won at the G20 are not only more numerous—they have been of much greater consequence than those won by developing countries.

Two hypotheses

How can we account for this pattern of declarations in G20 communiqués? And what does it tell us about developing-country influence in the network? A conclusive explanation this would require a detailed study of the G20's internal dynamics and negotiations, which is beyond the scope of this paper. However, we can at least ponder two hypotheses.

The first, mentioned before, is that the real split is within the G24, between the emerging-market economies and the rest of the developing world. If this hypothesis is correct, them the G24's quarrels with the G7 were primarily fueled by the group's poor countries, countries such as Ethiopia, Guatemala, and Sri Lanka. Meanwhile, the G20's developing countries—large "emerging markets" like China, India, or Brazil—did not have to be bullied or coaxed into agreement by the G7; they had already embraced that position freely, and this is why the G20's stance was in harmony with the G7's on key issues.

There are grounds to be skeptical of this hypothesis. There is no doubt that the large emerging economies have interests that differ from those of least-developed countries. Yet, on most of the issues selected for this comparative exercise, those differences proved small, or at least, they were set aside for the sake of consensus at the G24. Indeed, the G24's objections to the G7 agenda seem to be coming from middle-income countries as much as from low-income countries. This becomes clear when examine the positions some of the G20's developing countries have taken at IMFC meetings.

For example, Brazil has charged at the IMFC that "exaggerated expansion of [IMF and World Bank] conditionality has become dysfunctional, detrimental to the Fund's effectiveness, and has made program implementation unnecessarily more complicated."[32] Chinese officials have declared in the same forum that on standards and codes "we favor voluntary participation as opposed to forced implementation..."[33] On anti-money laundering issues, China has also declared that "While the FATF is invited to participate in the assessments, it should forgo its 'name and shame' practice…The Fund/Bank-led assessments should not include aspects of law enforcement."[34] Also, India has openly advocated the use of GDP on a purchasing-power-parity basis in a revised formula for calculating IMF and World Bank quotas.[35] All of these positions are echoed, sometimes verbatim, in G24 communiqués. In short, the reason we often see convergence between the G7 and the G20 on key issues may not be because the G20's developing countries agree with everything their advanced-economy peers have to say.

An alternative hypothesis is that the non-G7 members of the G20 simply do not find it worthwhile to expend much political capital in that forum, choosing instead to fight policy battles in formal institutional organs—such as the executive boards of the IMF and World Bank—where decisions have real implications. An central reality of the G20 is that an enormous wealth and power gap exists between the G7 countries (or, more accurately, the G3 or G5) and the rest of the countries sitting around the G20 table. For most developing-country officials, picking a fight with powerful G7 ministers on sensitive issues for the sake a more balanced G20 communiqué that few will read is simply not worth the political cost, particularly if they fear potential G7 retribution in other venues. Thus, there may be a "chilling effect" that biases the contents of G20 communiqués in the direction of the G7 position, particularly when G7 officials put their full weight behind a position, thereby raising the political cost to non-G7 members of opposing it.

This hypothesis is correct, then it would provide a better explanation of why G7 and G20 positions converged on certain issues in G20 communiqués but diverged elsewhere. Telling is the declaration of a US Treasury official, who made the following remark in an interview, apparently in genuine puzzlement: "I don't understand. In the G20, the [developing country] governors had no problems with standards and codes. But then, in the executive board [of the IMF], they raised all kinds of problems. There seems to be a disconnect between the governors and their executive directors."[36] There may very well be method to this madness: the "disconnect" does not reflect a breakdown of communication or bureaucratic insubordination. Rather, it may reflect a deliberate choice by governments to fight policy battles only in forums where they can afford the political costs of fighting them.

A supporter of the G20 might still conclude that challenging the G7 in public is not what the G20 was created for, that its real value added is more subtle and unobservable from the outside. The real contribution of the network, this argument runs, is mutual learning and education, frank discussion (the depth

and quality of which is not necessarily reflected in the final communiqués), and relationship-building among senior officials. Scholars may want to assess the value of these functions by surveying G20 officials. But eventually, the degree to which participants value participation the group will be reflected in indicators that can be observed from the outside—the attendance numbers and the seniority of the officials sent to the meetings.

Finally, one important nuance is worth noting. The G20's dynamics have not remained static over time. The willingness of developing countries to challenge the G7 and to add new issues to the agenda appears to have grown over time. Developing countries were least active in the first three years of the G20, when a G7 country hosted the G20 meetings and occupied the chair. Developing-country officials were probably muted during this period by a mix of awe at the opportunity to sit in such an intimate setting with the heavyweights and mistrust about the G7's motivations for creating the forum.

But over time, developing-country officials gave grown comfortable with the network and have learned how to make it work for them. Developing countries have started using their role as chairs to introduce into the agenda issues of special interest to them and to pursue initiatives they feel strong about, such as the governance reform in the Bretton Woods institutions. Whether this greater assertiveness by developing countries will translate into a distinctly alterative policy agenda in G20 communiqués remains to be seen.

Conclusion

This paper has examined the origins and output of the Group of Twenty Finance Ministers and Central Bank Governors over its eight years in existence. It has tried to assess whether the network has enhanced the influence of its low- and middle-income countries in global governance. To do so, it analyzed the substance of the G20's public consensus on nine policy issues. Industrialized and developing countries expressed significant differences of opinion on these issues in other forums, namely the G7 and the G24.

Using G24 communiqués as a proxy for the views of non-G7 members of the G20, I found that in four of the nine cases studied, the G20 endorsed without qualification the G7 position. In another three cases, the G20 remained silent or neutral. Only in two of the nine cases did the G20 incorporate significant elements of the G24's alternative agenda into its public declarations. Notably, the distribution of costs varied across issues. On those issues in which the G7 stance prevailed, the costs fell most heavily on developing countries, while the issues in which the G20 stayed neutral would have imposed the heavier costs on G7 firms and governments. Finally, the G24 viewpoint prevailed on issues that promised relatively modest benefits for developing countries without imposing significant costs on the most powerful states.

The comparative exercise suggests that the G20 has primarily served as a vehicle for mobilizing support for G7 policies, especially on issues about which the G7 cared most strongly, such as measures to fight money laundering, combat the financing of terrorism, and promote the adoption and implementation of standards and codes. Endorsement by the G20 has given these G7-driven policies a broader base of legitimacy and support. At the same time, positions favored by developing countries—especially those that would have imposed large costs on G7 firms and governments but could have produced large benefits for developing countries—have made no headway in the group. Developing countries have become more active and assertive in the G20 as the network has matured, and in two instances they made origi-

nal contributions to the global policy agenda. But so far the benefits of these initiatives have been modest. In sum, after eight years, the G20 has little to enhance developing-country influence.

The future of the G20

In view of all this, should developing countries give up on the G20? Not quite yet. Politics inside the G20 network have proven to be dynamic, and participation in the group may yet help developing countries influence the global agenda on key issues. Whether the G20 becomes a more effective vehicle for developing-country influence, however, will depend on how the network evolves over the next phase of its history.

At present, the group has exhausted its initial mandate on financial crisis prevention and resolution and is struggling to recapture its sense of purpose and direction. The G7 has lost much of the interest it initially had in the G20, and the developing countries that have chaired the group in recent years have been struggling to design agendas that are at once urgent, relevant to the whole membership, and tractable. Thus, the G20 has reached an important juncture.

There are three possible scenarios for the next stage of the G20's evolution. One scenario is that G20 governors and ministers will continue to meet regularly, organizing seminars and producing occasional papers, exchanging country experiences, and producing uncontroversial and little-noted communiqués that mostly adhere to G7 declarations or remain neutral on controversial issues. Because the G20 is the only ministerial-level network that brings together the G7 and large emerging economies, its developing-country members will continue to attend, if for no other reason than because they value the prestige of sitting at the same table with the great powers. In this scenario, the network will remain a largely weak vehicle for developing-country influence.

The second scenario, one much discussed these days, is that the G20 will give way to an "L20" or similar incarnation, a grouping that brings together advanced economies and large developing countries at the head-of-state and head-of-government level. The path to an L20 is strewn with political landmines, and it is only likely to happen slowly, through the gradual augmentation of today's G7/8. If the L20 ever materializes, the G20 will have served a crucial role as stepping stone to a more inclusive form of global governance.

The third scenario is that the G20 will come of age. This is an optimistic possibility, but the G20's recent history suggests that it is not implausible. In this scenario, the non-G7 members of the network—emboldened by their growing weight in the global economy and led by China, India, and Brazil—begin to engage the G7 in a serious debate about key issues in global economic governance. With increasing frequency, they put issues on the G20 agenda that are not being discussed elsewhere, issues that would not be discussed otherwise, and issues extending well beyond the G20's traditionally narrow focus on financial and monetary issues. G20 communiqués begin to reflect a more substantive dialogue and to offer a genuine synthesis of developed- and developing-country prescriptions on global issues.

Over time, the network could become the central locus for meaningful, high-level debate on economic matters among the world's key players, one that would influence the agendas of other governments,

networks, and institutions. Whether or not this scenario comes to pass will depend on whether the G7 comes to appreciate the value of such a debate, and whether the non-G7 countries find it worthwhile to pursue it through a network such as the G20, rather than through formal international organizations.

Endnotes

1 A network can be defined as a non-hierarchical governance structure in which relations among actors are repeated and enduring, but where no one has the power to arbitrate and resolve disputes among the members. For details, see Joel M. Podolny and Karen L. Page, "Network Forms of Organization," *Annual Review of Sociology*, 24 (1998), pp.57-76 and Walter W. Powell, "Neither Market Nor Hierarchy: Network Forms of Organization," *Research in Organizational Behavior*, 12 (1990), pp.295-336.

2 In this paper, I use the generic term "developing countries" to refer to G20 members other than the G7 (United States, United Kingdom, France, Germany, Italy, Canada, and Japan) and Australia. This includes low-income India and middle-income Argentina, Brazil, China, South Africa, Turkey, Mexico, Indonesia, and Russia. Two high-income countries—Saudi Arabia and Korea—are also included in this category because they have tended to identify with other middle-income countries and because they face social and political problems more characteristic of middle-income countries than of mature economies.

3 Randall D. Germain, "Global Financial Governance and the Problem of Inclusion," *Global Governance*, 4:7 (October 2001), p.411.

4 Gerry Helleiner, "Developing Countries, Global Financial Governance, and the Group of Twenty: A Note," paper prepared for the Governance Working Group of the Global Financial Governance Initiative, March 2001, p.5.

5 Roy Culpeper, "Systemic Reform at a Standstill: A Flock of 'Gs' in Search of Global Financial Stability," North-South Institute, June 2000 and Randall D. Germain, "Reforming the International Financial Architecture: The New Political Agenda," Paper presented at the International Studies Association, Chicago, February 24, 2001.

6 Tony Porter, "The G7, the Financial Stability Forum, the G20, and the Politics of International Financial Regulation," Paper prepared for the International Studies Association Annual Meeting, Los Angeles, California, March 15, 2000.

7 John Kirton, "Guiding Global Economic Governance: The G20, the G7, and the International Monetary Fund at Century's Dawn," in John Kirton and George von Furstenberg, *New Directions in Global Economic Governance: Managing Globalization in the Twenty-First Century*, (Ashgate: Aldershot, 2001), pp.143-167; John Kirton, "The G20: Representativeness, Effectiveness and Leadership in Global Governance," in John J. Kirton, Joseph P. Daniels, and Andreas Freytag, eds., *Guiding Global Order: G8 governance in the twenty-first century*, (Ashgate: Aldershot, 2001), pp.143-172; and John Kirton, "From G7 to G20: Capacity, Leadership, and Normative Diffusion in Global Financial Governance," paper presented at the International Studies Association Annual Convention, 20 February 2005.

8 See, for example, Anne-Marie Slaughter, "Government Networks, World Order, and the G20," Paper prepared for the project "The G20 Architecture in 2020—Securing a Legitimate for the G20," IDRC, February 29, 2004; Barry Carin and Gordon Smith, "Making Change Happen at the Global Level," Paper prepared for the project "The G20 Architecture in 2020—Securing a Legitimate for the G20," IDRC, February 29, 2004; and Colin I. Bradford, Jr. and Johannes F. Linn, "Global Economic Governance at a Crossroads: Replacing the G-7 with the G-20," Brookings Institution Policy Brief No.131, April 2004.

9 For an "insider's look" at the G20, see Vanessa Rubio-Marquez, "The G20: A practitioner's perspective," in Martinez-Diaz and Woods, *Networks of Influence? Developing Countries in a Networked Global Order*, (Oxford: Oxford University Press, forthcoming 2008).

10 Leonardo Martinez-Diaz and Ngaire Woods, *Networks of Influence? Developing Countries in a Networked Global Order*, (Oxford: Oxford University Press, forthcoming 2008).

11 According to a senior Canadian government official, the idea of establishing a forum that included the G10 plus large developing countries to discuss financial matters had been raised at the G7 Finance Ministers' meeting in Halifax in 1995. However, the idea met with opposition from European governments and was shelved.

12 June 1999 report of the G7 finance ministers to their heads of state on "Strengthening the International Financial Architecture."

13 The BIS Board of Directors is controlled by the founding members (the United States, United Kingdom, France, Germany, Italy, and Belgium), which are guaranteed a majority on the board (12 of 21 votes). The influential Basel Committee on Banking Supervision reports directly to the G10, which includes the founding members plus Canada, Japan, the Netherlands, Sweden, and Switzerland. Developing countries would eventually be invited to sit on the BIS's various committees, but only as observers with no voting power. The BIS and the G20 would eventually be linked indirectly through the Financial Stability Forum, as I discuss below.

14 Originally the Interim Committee, the ministerial-level body was re-launched as the IMFC in September 1999.

15 Correspondence with Brad Setser, former acting director of the US Treasury's Office of International Monetary and Financial Policy, February 24, 2006.

16 The G22 included Argentina, Australia, Brazil, China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, Mexico, Poland, Russia, Singapore, South Africa, and Thailand.

17 The reports were produced by three G22 working groups, one on transparency and accountability, another on strengthening financial systems, and a third on international financial crises. Available at www.imf.org/external/np/g22/.

18 To the G22 membership, the G33 added Belgium, Chile, Côte d'Ivoire, Egypt, Morocco, the Netherlands, Saudi Arabia, Spain, Sweden, Switzerland, and Turkey.

19 Press release of G7 finance ministers' meeting, "Finance Minister Paul Martin Chosen as Inaugural Chairperson of New Group of Twenty," September 25, 1999.

20 G7 opinion about the creation of the G20 was divided. The Canadians were most supportive, while the US government was supportive though not fully committed to taking an active a role in the network. Most Europeans, with the exception of the British, were not supportive, though the German government eventually came to see the proposal favorably. In the end, much pushing was required from the US and Canadian governments to overcome European resistance. Confidential interview with former senior Canadian Treasury official.

21 For a detailed account of the negotiations process of membership selection for the G20, see John Kirton, "Guiding Global Economic Governance: The G20, the G7, and the International Monetary Fund at Century's Dawn," in John Kirton and George von Furstenberg, *New Directions in Global Economic Governance: Managing Globalization in the Twenty-First Century*, (Ashgate: Aldershot, 2001).

22 The 42-member Financial Stability Forum, whose mission is to improve the functioning of financial markets and the reduction of systemic risk, is composed of regulators from Australia, Canada, France, Germany, Hong Kong SAR, Italy, Japan, the Netherlands, Singapore, the United Kingdom, and the United States. It also includes senior representatives from the BIS, the IMF, the OECD, and the World Bank, as well as representatives of international regulatory groupings (BCBS, IOSCO, IAIS) and representatives from two committees of central bank experts.

23 The chair has rotated from Canada (1999-2001) to India (2002), Mexico (2003), Germany (2004), China (2005), Australia (2006), South Africa (2007), and Brazil (2008).

24 The G24 is currently composed of Algeria, Argentina, Brazil, Colombia, Cote D'Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, Gabon, Ghana, Guatemala, India, Iran, Lebanon, Mexico, Nigeria, Pakistan, Peru, the Philippines, South Africa, Sri Lanka, Syria, Trinidad and Tobago, and Venezuela. However, all members of the G77 are welcome to attend G24 meetings.

25 Communiqué of G-7 Finance Ministers and Central Bank Governors to the Köln Economic Summit, June 18-20, 1999, 21(c).

26 Communiqué of the G20 Finance Ministers and Central Bank Governors, October, 25, 2000, Annex, section 4.

27 Intergovernmental Group of Twenty-Four on International Monetary Affairs Communiqué, April 15, 2000 and Intergovernmental Group of Twenty-Four on International Monetary Affairs Communiqué, September 27, 2002.

28 Communiqué of G-7 Finance Ministers and Central Bank Governors, February 20, 1999, Annex, section XXVI.

29 Communiqué of G-7 Finance Ministers and Central Bank Governors to the Köln Economic Summit, June 18-20, 1999, 50(g).

30 Statement by G7 Finance Ministers and Central Bank Governors, London, December 2-3, 2005.

31 John Kirton, "The G20: Representativeness, Effectiveness and Leadership in Global Governance," in John J. Kirton, Joseph P. Daniels, and Andreas Freytag, eds., *Guiding Global Order: G8 governance in the twenty-first century*, (Ashgate: Aldershot, 2001), p.152.

32 Statement by Pedro Malan, Minister of Finance, Brazil, Meeting of the International Monetary and Financial Committee, April 29, 2001.

33 Statement by Li Ruogu, Assistant Governor, People's Bank of China, Meeting of the International Monetary and Financial Committee, April 29, 2001.

34 Statement by Dai Xianglong, Governor, People's Bank of China, Meeting of the International Monetary and Financial Committee, September 28, 2002.

35 Statement by Palaniappan Chidambaram, Minister of Finance, India, Meeting of the International Monetary and Financial Committee, September 17, 2006.

36 Confidential interview with senior US Treasury official.Selected characteristics of G20 members.

Appendix 1: The Evolution of the G20 Agenda

Meeting	Issues reaffirmed in communiqué	New issues introduced in communiqué	Key public outputs (in addition to communiqué)
Berlin, Germany 1999	—	• Importance of multilateral trade liberalization • Strengthening national balance sheets to prevent shocks • Improving sovereign debt management • Risks of unsustainable exchange rate regimes • Domestic responses to globalization • Standards and codes	—
Montreal, Canada 2000	• Support for trade liberalization	• Improving the effectiveness of international financial institutions (IFIs) • Implementing the "emerging international consensus" on reducing vulnerability to financial crises • Promoting better capital account liberalization • Enhanced HIPC Initiative • Improving the effectiveness of international development assistance • Combating money laundering, tax evasion, and corruption • Implementing social safety nets	Communiqué annex: Reducing Vulnerability to Financial Crises
Ottawa, Canada 2001	• Standards and codes • Appropriate exchange rate regimes • Prudent liability management • Well-sequenced capital account liberalization • Support for trade liberalization	• Combating terrorist financing	Action Plan on Terrorist Financing

Meeting	Issues reaffirmed in communiqué	New issues introduced in communiqué	Key public outputs (in addition to communiqué)
Delhi, India 2002	• Improving effectiveness of IFIs • Standards and codes • Appropriate exchange rate regimes • Prudent liability management • Well-sequenced capital account liberalization • Trade liberalization • Enhanced HIPC Initiative • Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) standards	• Approaches to crisis resolution – Sovereign Debt Restructuring Mechanism (SDRM), collective action clauses (CACs), and a voluntary code of good practices • Trade: phasing-out of trade-distorting subsidies and providing trade-related technical assistance • Commitment to Millennium Development Goals (MDGs) and support for New Partnership for African Development (NEPAD) • Support for increases in international development assistance	Workshop on "Globalization, Living Standards, and Inequality: recent Progress and Continuing Challenges"
Morelia, Mexico 2003	• Trade liberalization • AML/CFT standards • Enhanced HIPC Initiative • Support for CACs	• Financial-sector reform and domestic financial-market development • Future of IMF Contingent Credit Line (CCL) at the role of precautionary facilities or arrangements • Efforts to reduce tax evasion through info exchange • Support for Monterrey Commitments	"Economic Reform in this Era of Globalization: 16 Country Cases"

Meeting	Issues reaffirmed in communiqué	New issues introduced in communiqué	Key public outputs (in addition to communiqué)
Berlin, Germany 2004	• Commitment to MDGs and Monterrey Consensus • Trade liberalization • Domestic financial sector development • Fighting tax evasion – commitment to standards developed by OECD Committee on Fiscal Affairs • AML/CFT • Well-sequenced capital account liberalization • Standards and codes	• Cooperation between oil producers and consumers to ensure adequate energy supply • Growth-enhancing policies and strategies • Regional cooperation and integration in finance, including formation of regional bond and financial-services markets • Ensuring smooth flows of capital between regions at different demographic stages; issues of longevity and ageing • Endorsement of "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets"	• G20 Accord for Sustained Growth • G20 Reform Agenda 2004 – general country commitments to implement Accord for Sustained Growth • G20 Statement on Transparency and Exchange of Information for Tax Purposes • Workshop on "Regional Economic Integration in Global Framework"
Xianghe, China 2005	• Trade liberalization • Fighting tax evasion • Commitment to the MDGs • Cooperation between oil producers and consumers • Addressing the challenges of population-ageing in the OECD	• Strengthening oil market transparency • Energy conservation and alternative energy resources • Review representation, strategies, and operations of the Bretton Woods Institutions • Improving remittance services and enhance access to formal financial systems • Developing better ways for financing development	• G20 Statement on Reforming the Bretton Woods Institutions • G20 Statement on Global Development Issues • G20 Reform Agenda 2005 • "Institution Building in the Financial Sector" • Brochure on G20 Accord for Sustained Growth • Workshop on "Demographic Challenges and Migration"
Melbourne, Australia 2006	• Trade liberalization • Commitment to Accord for Sustained Growth • Remittances • Demographic change • Quota reform in IMF • Voice and participation in IFIs • Leadership selection in Bretton Woods institutions • Fighting tax evasion	• Global energy and mineral markets, including need for transparency in extractive industries, developing common definitions of energy reserves, and developing principles to guide trade and investment in extractive industries • Need to modernize IMF surveillance • World Bank-IMF collaboration	• G20 Reform Agenda 2006 • Member Country Measures to Combat Financing of Terrorism • Grid on Reports of Observance of Standards and Codes and Financial System Stability Assessments • Workshop on "Demography and Financial Markets"

Appendix 2: Comparing G7, G24, and G20 positions on nine key issues

Issue area	G7 position	G24 position	G20 position
Capital account liberalization and capital controls	International capital flows enable a better allocation of capital and foster economic development; the opening of capital markets must be carried out in a well sequenced manner, accompanied by well-regulated financial sector and consistent macroeconomic policy (1998-99); controls on capital inflows may be justified for a transitional period, but more comprehensive controls carry costs and should not be a substitute for reform; controls on capital outflows carry greater long term costs, are not effective policy instruments, and should not be a substitute for reform, through they may be necessary in exceptional circumstances (1999)	The benefits of further capital account liberalization depend on the prevailing circumstances of each country; the IMF can play a leading role in promoting an orderly and gradual liberalization as long as it is sensitive to local conditions and technical assistance (TA) is provided where needed (1998); further analysis of the use and effectiveness of specific capital controls is needed, especially in relation to derivatives trading (1999)	G20 ministers agree to advance global financial integration with TA and advice from the international financial community (2000); capital account liberalization should proceed in an appropriately sequenced manner (2001); increased financial liberalization, integration, and effective regulatory policies and supervision, with due regard to timing and sequencing, are means to enhance the development of the financial system (2003)
Standards and codes	Cornerstone of enhanced transparency in the financial system is internationally agreed standards and codes; BIS, IASC, IAS, and OECD should prepare new standards and codes (1999); IMF should monitor compliance with standards as part of regular surveillance under Article IV; IMF should publicize failures to meet standards, and adherence to standards should be used in determining Fund conditionality (1998); TA should be provided where needed; development of ROSCs and FSAPs applauded (2000)	Increased attention to standards and codes as part of Fund surveillance is acceptable, but it must remain within the core competencies of the Fund and compliance should remain voluntary; compliance assessments should take into account countries' institutional capacities and level of development; TA should be provided (1998); participation of developing countries in development of standards and codes has been limited and a more inclusive process is needed; the scope of IMF surveillance should not be extended to cover the observance of standards and codes; transparency should apply to all players in the international financial system, including highly-leveraged institutions (2000); observance of standards and codes should not be incorporated into program conditionality (2001)	G20 ministers welcome the work of the BWIs and other bodies toward the establishment of standards and codes; more widespread implementation of these codes is desirable; members agree to undertake the completion of ROSCs and FSAPs (1999); G20 endorses FSF's recommendations and encourages continued work on incentives to foster implementation in a manner and at a pace that reflects each country's unique development, reform priorities, and institutional structure; IMF surveillance should be the principal mechanism for monitoring countries' progress in implementing standards and codes; governments should be encouraged to participate in IMF-led assessment programs and conduct on-going self-assessments of progress in observance of standards; TA should be available to assist countries with implementation (2000)

Issue area	G7 position	G24 position	G20 position
Developing-country representation in new forums	Promoting financial stability does not require new international organizations; the G7 will convene the Financial Stability Forum (FSF); it will initially be a G7 initiative only, but more national authorities will be invited to join over time; new mechanism for informal dialogue [G20] proposed to complement and reinforce the role of the governing bodies of the Bretton Woods institutions (1999)	To have legitimacy and ownership, the choice of participants for the proposed forum [G20] should take into account the constituency structure of the Bretton Woods institutions and should not undermine their role; the creation of the FSF is welcomed, but there should be appropriate developing-country representation (1999); there is concern about the growing role taken played by international fora (other than the Bretton Woods institutions) where developing-country representation is limited (2000)	No explicit references to new forums and institutions; endorsement of the work of the FSF (2000).
AML/CFT	Support the efforts of the Financial Action Task Force (FATF); urge it to identify countries and territories that fail to cooperate in the fight against money laundering, consult with them, and if consultations are not productive, recommend action designed to convince them to modify their laws and practices (1999); encourage non-cooperative jurisdictions to demonstrate their willingness and ability to implement reforms so they can be de-listed from the non-cooperative countries list at earliest possible time; G7 Action Plan to Combat Financing of Terrorism prepared (2001)	Anti-money laundering should be a cooperative venture between developed and developing countries; should include large financial centers as well as off-shore centers; there is concern about non-cooperative and non-voluntary manner in which FATF recommendations are being applied to non-members; application of standards should take into account countries' capabilities and level of development; IMF should not become involved in law enforcement (2001); regrets that FATF has not totally abolished its non-cooperative approach and concerned that many countries have been unfairly put in non-cooperative countries list (2002)	G20 ministers are committed to combating terrorism by cutting off its financial sources; endorsed a G20 Action Plan on Terrorist Financing which closely follows the G7 Action Plan to Combat the Financing of Terrorism (2001); support surveillance and voluntary self-assessment through the FATF and other bodies; agree to participate in self-assessment of eight special recommendations on terrorist financing (2001); committed to implementing revised FATF Forty Recommendations and the FATF Special Recommendations (2004); call on FATF and FATF-style regional bodies to broaden the support base for their work (2006)

Issue area	G7 position	G24 position	G20 position
IMF/WB conditionality	The IMF should continue to include in its conditionality policies on trade liberalization, elimination of state-directed lending on non-commercial terms, and provision of non-discriminatory insolvency regimes (1999); country adherence to standards and codes should be used in determining Fund conditionality (1999); G7 looks forward to upcoming review of conditionality by IMF (2000); G7 pleased with recent reforms on streamlined conditionality (2004)	The G24 is concerned about the intrusiveness of BWI conditionality into socio-political matters stretching beyond the mandate of the BWIs (1999); encourage IMF to streamline conditionality immediately for all new PGRF-supported programs; conditionality has become excessive in magnitude and scope; need to take into account institutional capacity and domestic legislative processes when implementing conditionality; too much conditionality undermines ownership; welcomes review of IMF conditionality (2000); streamlining IMF conditionality should not result in shifting conditionalities to World Bank or others; need more Bank-Fund collaboration to reduce cross-conditionality (2002)	G20 ministers affirm that the IMF should primarily focus on national and international macroeconomic and financial stability, exercising enhanced surveillance, and strengthening crisis prevention and resolution; the World Bank should keep its focus on development, sharpening its financial and technical assistance roles for both least-developed countries and emerging markets (2005)
Reform of the Bretton Woods Institutions	Asian financial crisis has confirmed central role of IMF and World Bank in international financial system; quota increase and New Arrangements to Borrow will give IMF more resources to do its job; BWIs should become more transparent and publish more information, including PINS and Article IV consultations; IMF should develop a formal mechanism for systematic evaluation; creation of Contingent Credit Line welcomed (1998); Interim Committee should be given permanent standing as the IMFC; the G7 "takes note" of discussions to change the formula for calculating quotas at the BWIs (2000, 2001); the G7 countries "stress the need to review the Fund's governance and quotas to reflect developments in the world economy" (2005)	Call for a modified Contingent Credit Line; call for design of a transparent and inclusive process for the selection of the IMF managing director and World Bank president (2000); quota formula should eliminate existing bias that underestimates size of developing economies; basic votes should be substantially increased (2002); call for timetable for enhancing voting power, voice, and participation of developing countries in BWIs (2003); strong disappointment that little has been done in this area or in the selection process; call for quota formula to incorporate GDP in purchasing-power-party adjusted terms (2004); welcome *ad hoc* quota increase for Mexico, China, Turkey, and Korea, but the Singapore reform package does not adequately address fundamental issue of under-representation (2006); welcome agreement to amend Articles to keep basic votes at constant share of voting power (2007)	The governance structure of the BWIs (quotas and representation) should reflect changes in economic weight; call for achieving concrete progress on quota reform by Singapore meetings of IMF and World Bank in September 2006; selection of senior management of the IMF and World Bank should be based on merit and ensure broad representation of all member countries (2005); G20 welcomes the support given by IMF Governors in Singapore to quota and governance reform aimed at reflecting members' relative positions in the world economy and enhancing voice of low-income countries at the Fund (2006)

Issue area	G7 position	G24 position	G20 position
Trade	Strong commitment to open, fair, competitive and dynamic international trade (1999); urge BWIs to work with the WTO to improve effectiveness of trade-related technical assistance and to more fully incorporate policies promoting international trade into Fund programs and Bank operations (2000); welcome industrialized country initiatives which, providing improved market access for exports from poorest countries, will facilitate their integration into the world economy (2001); more needs to be done to enhance South-South trade (2003); urge speedy resumption of Doha round (2004); call on all countries to substantially increase market access in agriculture, industrial products, and services, especially for developing countries; significantly reduce trade-distorting support; eliminate all forms of export subsidies in agriculture (2005); urge members to address the concerns of developing countries in trade negotiations (2006)	Protectionist measures employed by industrial countries impede global employment growth and poverty reduction (2000); urges developed countries to liberalize trade in areas of particular importance to developing countries (2002); blames for the failure of the WTO Cancun ministerial the unwillingness of major industrialized countries to remove barriers to agricultural imports (2003); IMF surveillance should focus on implementation of trade policies in industrialized as well as developing countries; urges World Bank and IMF to publicize the impact of trade restrictions and sanctions (2005); disappointment over suspension of Doha round; observes that current trading system is heavily biased against developing countries (2006)	Support efforts by the WTO to build consensus toward further multilateral trade liberalization; agree to promote domestic policies that help spread the benefits of integration to all members of society (2000); call on all WTO members to re-energize the Doha negotiation process (2003); committed to significantly increasing market access for goods and services, reducing trade-distorting domestic support, eliminating all forms of export subsidies in agriculture, providing effective special and differential treatment for developing countries, and increasing aid for trade (2005)
Debt relief and poverty reduction	G7 agrees that HPIC Debt Initiative is the appropriate framework for addressing debt problems of poorest countries (1999); strong support for efforts of HIPCs to develop PRSPs; note that some bilateral contributions have been made to HIPC Initiative, including Trust Fund, but some require legislative approval; emphasize importance of country-owned PRSPs; emphasize commitment to 100% debt relief on ODA and eligible commercial claims (2000); commitment to promote the participation of all creditors in financing the HIPC Trust Fund (2002); commitment to full implementation of HIPC Initiative, including topping up relief where appropriate (2003)	HIPC countries should be allowed to use Interim PRSPs to avoid delays in provision of debt relief while PRSPs are being finalized; deep concern about the insufficiency of bilateral contributions to HIPC Trust Fund; HIPC Initiative's funding arrangements shift disproportionate burden of costs to other developing countries (2000); disappointment that after six years of operations, only 5 of 38 eligible countries requiring debt relief have reached the completion point; a number of creditors are not providing their share of debt relief (2002)	Call for those bilateral creditors to commit to 100% reduction of ODA claims and eligible commercial claims (2000); welcome increases in ODA (2002); welcome donors' commitments to significantly increase development assistance and the debt relief initiative launched at Gleneagles (2005)

Issue area	G7 position	G24 position	G20 position
Sovereign debt restructuring	G7 calls upon private sector to broaden use of collective action clauses (CACs) (1998); G7 Action Plan issued to include CACs into debt contracts; welcome private sector and issuing countries' support for placing CACs in sovereign bond issues (2002); welcome work on code of good conduct and on proposal on a sovereign debt restructuring mechanism (2003)	The IMF should deepen studies for engaging, on a case-by-case basis, the development at the international level of equitable procedures for debt settlement as exist at national levels (2000); G24 prefers voluntary, country-specific and market-friendly approaches to sovereign debt restructuring; open-minded about proposals for incorporating CACs (2002); welcome increasing voluntary use of CACs; proposals for a voluntary code of conduct for sovereign debt restructuring should be agreed by both private creditors and sovereign issuers; debt sustainability analyses should be base on country-specific circumstances (2003)	Support work on comprehensive and market compatible approaches to crisis resolution, including CACs, a sovereign debt restructuring mechanism, and a code of good practices (2002); welcome increasingly widespread use of CACs, encourage discussions between issuers and market participants to develop workable code of conduct (2003)

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