

## **G20: How Relevant Is It For Development?**

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After the Second World War, the world became hostage to bipolar power centres led by the USA and the USSR. This ended with the disintegration of the USSR in the early 1990s after which, the USA remained more or less the exclusive centre of power. The latter half of 1990s witnessed gradual but significant changes in the international economic order with countries from the global south, especially China and India, emerging as key players in international economic arena. Simultaneously, the East Asian financial crisis of 1997 highlighted the need for greater economic cooperation between advanced countries and developing countries. Multilateral forums to initiate an informal dialogue between advanced and emerging economies became an obvious necessity.

In this backdrop, in September 1999, the finance ministers and central bank governors of the Group of Eight countries (the G-8) announced their intention to “broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all.” This announcement marked the official birth of what subsequently became known as the Group of Twenty countries (the G-20). The already existing G8 group of countries, namely, USA, Japan, Germany, United Kingdom, France, Italy, Canada and Russia were joined by the 11 emerging and developing countries (namely, Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Korea, South Africa and Turkey) and the European Union to form the G20.

The G20 meets once a year, usually in late autumn, to discuss international economic issues. This event has come to be known as “Leaders Summit”, which brings together the Heads of the State of the member countries. In these meetings, discussions are undertaken by the “Sherpas” – the personal representatives of the leaders of each nation. They have been tasked by their Leaders to negotiate the Summits documents on their behalf. Thus, Leaders’ Declarations are finalized by ‘Sherpas’. In this process, they also meet other relevant stakeholders such as the business community, academic institutions,

representatives of labour union, young people and civil society organizations in order to facilitate an inclusive and representative dialogue. Till date, eight G20 Leaders Summits have been held in different member countries. The 9th G20 Leaders Summit will be held in Brisbane, Queensland (Australia) on 15–16 November 2014. The economic and political importance of the G20 can be gauged from the fact that after the onset of the global economic crisis in 2008, on the request of the US President, G20 evolved as a crisis manager group making an effort to move towards economic and financial stability. However, ‘development’ as an issue had not found any place in G20 agenda until the Leaders Summit in South Korea in 2010. Also, the official recognition of civil society (and the civil 20 process) started even later in 2013 in St. Petersburg, Russia.

### **Objectives of G20**

Although the initial focus of G20 was on issues related to international financial stability, it has also examined a broad range of longer-term economic issues of interest to its members. One of the key areas of emphasis of the G20 is promotion of shared economic growth and sustainable development. G20 is also trying to foster and adopt internationally recognized standards (through the example set by its members) in areas such as financial transparency, international tax cooperation and combating money laundering etc.

### **G20 and Development Issues**

As discussed before, until 2010, G20 leaders did not formally recognize issues relating to “development” in the G20 agenda. For the first time in the Seoul Summit (2010), leaders formally endorsed economic development with shared economic growth as an agenda. However, ‘shared economic growth’ can only be achieved if there is redistribution of income across and even within countries. The G20 nations have been found to be lagging in this respect. Over half of the world’s poor (who earn less than \$1.25 a day) live in the developing countries, which are members of G20 countries with high and growing levels of inequality being a common feature in such countries. According to *Standardized World Income Inequality Database*, 2013 just four G20 countries (Korea, Brazil, Mexico and Argentina) have been able to reduce in income inequality, in the last 20 years. Not only income, wealth (assets) is even more unequally distributed than income in these G20 countries. In US, top wealthiest 1% possesses 40% of the nation’s wealth whereas the bottom 80% own only 7% (Washington Times, January, 2014). Income and wealth

inequality however tells part of the story. Prevailing social norms that limit women's access to assets, income, and decision-making is one of the major constraints in moving towards an equal society.

### **India's role in G20**

India made a radical break in 1991 from its past policies and started a process of opening up to trade and foreign investment. Since the economic liberalization in 1990s, which led to average annual economic growth rates of 6-7%, India marked its presence in the global economic arena. Along with Brazil, Mexico and South Africa, India became an important economy of South. This has also led to its increased partnership with important players in the world, and an active engagement with several multilateral forums like G20. As a member of G20, India's leaders have voiced their opinion regarding rebalancing global governance through the reform of international financial institutions like World Bank and IMF, checking external macroeconomic imbalances, scrutinizing protectionist measures, widening of G20 agenda to include development issues etc. In the last G20 summit (September, 2013) the Indian Prime Minister, Dr. Manmohan Singh, has pointed out that 'rapid growth will have little meaning, however, unless social and economic inequalities, which still afflict our society, are not eliminated quickly and effectively'. Thus, there is an immediate need for giving priority to the reduction of inequalities as a path to more balanced economic recovery. However, the official G20 agenda for the Australia summit, 2014 is restricted to economic development with sustainable growth, job creation, and open trade. In the agenda, 'Development' is defined as creating conditions for developing countries to attract infrastructure investment, strengthening tax system and improving access to financial services. Important aspects like social infrastructure, gender, poverty etc. are completely missing from this G20 discourse. India, being a vibrant democracy, should take the lead in incorporating equity and sustainability as the primary agenda of G20 dialogue.

What is needed is a collective commitment from all member countries towards eradication of poverty and inequality. Public policies aimed at redistribution can pave the way for sustainable growth.

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