JGPG (2014) 3:35–48
DOI 10.14666/2194-7740-3-1-003
PAPER

The Group of 20 (G-20) and its Role Changing Global Economic Governance

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Abstract This article argues that the G-20 is an informal economic arrangement which was not significant before the latest global economic crisis. It has become an important institution since 2008 in order to respond to the current global economic crisis. The G-20 is a coordinating body of global economic governance which has a crucial role to coordinate its members and international financial institutions and thereby provide them with strategic policies on political and economic issues. Furthermore, the G-20 represents a flexible framework on managing global economic governance and monitoring the international financial system. It is a manifestation of flexible multilateralism in international relationship. Hopefully, the G-20 can be a revision of the old-fashioned architecture of global governance in the contemporary era.

Keywords The G-20 - Global governance - Flexible multilateralism - Advisory committee a steering group and development issues

Jel Classification F00 – G01 – G30

At the end of 2008, the financial crisis hit the US of America which affected the banking system, real estate business and investment. The financial crisis spread globally to Europe, Asia and other parts of the world (Eckes, 2011:205-212). The financial crisis has pushed all governments around the world to bail out their banks and deliver funds into the market in order to avoid an economic recession (Pitzke, 2008:1). Trade and investment activities were declining at that time. The labour market and development were also significantly affected by this situation. This financial catastrophe has reduced economic activities in developed countries and created economic fragility in developing countries. This financial crisis transformed into a global economic crisis because of economic interdependence amongst countries around the globe.

Most countries responded to this financial crisis unilaterally and bailed out banks and insurance companies. They have done these actions in order to maintain a market and build trust for investors. Moreover, most countries attempted to improve their export and reduce their import in order to maintain their economic performance. More specifically, they have employed soft

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protectionism measures against external products thus securing national business and avoiding job losses. However, business sectors have reduced their activities and expenses which reduce the number of work opportunities. The customer demands have also declined because of this economic situation. Therefore, most countries have faced these economic challenges until today since the global economic crisis has continuously deepened (European Central Bank, 2014:1 and IMF, 2014:1).

The most powerful countries have faced significant economic challenges after the global economic crisis of 2008. Generally, the G 7/8 comprises the most wealthy economies that deal with important world challenges and their solutions (G-7/8, 2009:1). However, it could not respond effectively at that time because most of its members were hit by the global economic crisis. Therefore, there was a need to involve emerging economies and developing countries in order to confront and solve this economic crisis. The economic power of G 7/8 eroded due to the shifting of economic wealth distribution from industrialised countries to emerging economies. As a result of this development, the global economic landscape has also changed. The G-20 has been a potential forum for developed and developing countries to deal with the latest economic crisis.

This paper argues that the G-20 is an informal economic arrangement which was not significant before the latest global economic crisis. It has become an important institution since 2008 in order to respond to the current global economic crisis. The G-20 is a coordinating body of global economic governance which has a crucial role to coordinate its members and international financial institutions and thereby provide them with strategic policies on political and economic issues. Furthermore, the G-20 represents a flexible framework on managing global economic governance and monitoring the international financial system. Hopefully, the G-20 can be a revision of the old-fashioned architecture of global governance in the contemporary era.

I will divide this paper into three sections as follows. First, I will briefly discuss multilateralism as a theoretical approach to assess G-20. Second, I will give an overview of the G-20 in order to understand its historical background, its achievements and its shortcomings. Finally, I conclude with a discussion of the implications for G-20 to global governance.

Multilateralism and the G-20

Multilateralism has been developing since the beginning of 1940s and has focussed on the global order and the development of international organizations. The global economic crisis in 1930s had had a serious impact on various aspects of human life, political, economic and socio-cultural. Therefore, multilateralism was implemented by world leaders in order to build a new world order which dealt with political, economic and socio-cultural issues, such as the Bretton Woods institutions. The main reason as to why multilateralism was created by several countries was in order to reduce the negative impact of bilateralism before the Second World War. Moreover, multilateralism has developed and transformed during the intervening years into its new form in 1980s. The new multilateralism is an approach to see that the interconnected issues of trade, development and investment provide a structure and place for governments and international organizations to deal with these related issues (Camps and Diebold, 1986: 6-7).

After the Cold War, multilateralism had been altered by the US of America because it was the only superpower after the collapse of the Soviet Union. The most challenging events from the political to security and economic affairs were solved by the US of America with a unilateral approach from the 1990s to mid 2000s. Recently, the dominance of US of America has declined in the international political and economic spheres. The world system has shifted from a uni polar to a multi polar system comprising many significant actors beside the US of America in the global scene. As a result of this development, multilateralism has retuned back to the global arena as an approach which has been employed by most of countries in the world.

Multilateralism can be defined as a collective institutional form established by countries based on common principles, rules and regulations governing their actions in international relations. Ruggie argues that multilateralism is a form of institution coordinating ties amongst countries based on common principles, rules and actions without regard to the specific interests of one country (Ruggie, 1993:11). Keohane adds that a multilateral framework consists of rules and regulations which shape the collective role and decide the common actions of its members (Keohane, 1994:48-49).

Recently, the global economic crisis has brought us to the turning point for a rethinking and remaking of a new type of multilateralism which might prevent an economic depression. Dominique Strauss-Kahn implied that multilateralism is an important solution in the current crisis and might avoid a similar crisis in the future (Strauss-Kahn, 2009:1). In the subject of the theory and practice of international relationship, multilateralism elaborates the changes in international decision-making and the necessity for a new focal point to be integrated into existing frameworks and systems (Kremenyuk, 2008:2).

The current political and economic challenges need to be tackled by inter-related policies. Therefore, the world needs governance in order to manage and respond to these challenges in effective ways. Karns and Mingst (2010:3-4) explained that “global governance is the multi-level collection of governance-related activities, rules and mechanisms, formal and informal, public and private, existing in the world today”. In my opinion, global governance is a collective group of public and private institutions providing structure, regulations, a scheme of works and actions based on common interests in a formal or informal way. Most countries, international/regional organizations and non-state actors have attempted to rethink and rebuild a new architecture of global governance in order to develop effective and reliable mechanisms in the face of the political and economic challenges.

Based on the explanation above, I argue that we need a flexible multilateralism in order to respond adequately to the current global economic crisis and to develop a new architecture for global governance. In my opinion, the G-20 can be a flexible arrangement which has as its main goal to coordinate and steer global macroeconomic policy. At the same time, the G-20 represents a new generation of global governance institutions in the contemporary world. In short, the G-20 is a manifestation of flexible multilateralism in international relations.

The G-20 is a forum for global economic development which aims to discuss important issues, political and economic, between developed and emerging economies (Eckes, 2011: 213-214). The main principle of G-20 is the stress on consensus decision-making, based on comments, recommendations and collective actions of its members. Every member can exercise its influence in order to convince other members formulate, develop collective commitments and actions and solve the problems (Pakpahan, 2012: 64). The G-20 reinforces the architecture of financial institutions and supports economic growth and development around the world. In practice, the G-20 arranges discussions on national policies, global co-operative actions and international economic institutions (G-20, 2014a:1).

The structure of G-20 is quite unique compared to other international organizations, such as The United Nations, the International Monetary Fund (IMF) and The World Bank. The G-20 chair is a coordinator for all members which holds its position for a year and rotates between members from different regions. There is a system of troika within the G-20 leadership which consists of past, present and future chairs. The troika has responsibilities to maintain agendas and develop management of the Group. G-20 does not have a permanent secretariat and supporting staffs. Therefore, the G-20 chair is responsible for creating an ad hoc secretariat which manages works and organizes summit and related meetings within the G-20 (G-20, 2014b:1).

The G-20 consists of a group of important countries in the global economy. Based on statistical data in 2009, the G-20 represents 87.82 % of world GDP which is USD 50,882.82 billion. Total percentages of the G-20 voting rights in international financial institutions are 64.69 % for the IMF and 63.31 % for the International Bank for Reconstruction and Development (IBRD) or the World Bank Group (see table 1). Moreover, the total population of G-20 in 2014 is 4,951,500.000 or 68,4 % of the world population (7,238,184,000) (Destatis and Population Reference Bureau, 2014:1).

Table 1 Key Economic Facts of The G-20

	GDP ($billions)		**Current Account ($billions)**		**Unemployment Rate (%)**		**IMF Voting Rights (%)**		**IBRD Voting Rights (%)**	
Countries	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**Current**	**2008**	**Current**
Canada	1499.55	1336.43	7.61	-36.13	6.16	8.28	2.89	2.88	2.78	2.43
France	2866.83	2675.92	-64.78	-38.84	7.88	9.39	4.86	4.85	4.30	4.17
Germany	3673.11	3352.74	245.72	160.63	7.24	7.44	5.88	5.87	4.49	4.00
Italy	2307.43	2118.26	-78.87	-71.27	6.78	7.75	3.19	3.19	2.78	2.64
Japan	4886.96	5068.06	157.08	141.66	3.99	5.08	6.02	6.01	7.86	6.84
Russia	1660.01	1229.23	102.40	47.51	6.50	8.40	2.69	2.69	2.78	2.77
United Kingdom	2684.22	2183.61	-40.73	-28.84	5.55	7.46	4.86	4.85	4.30	3.75
United States	14441.43	14256.28	-706.07	-418.00	5.82	9.28	16.77	16.74	16.38	15.85
Argentina	328.56	310.07	4.99	8.65	7.30	8.40	0.97	0.96	1.12	1.12
Australia	1059.49	997.20	-46.68	-29.89	4.70	5.60	1.47	1.47	1.53	1.33
Brazil	1635.52	1574.04	-28.19	-24.33	9.80	6.80	1.38	1.38	2.07	2.24
China	4519.94	4908.98	426.11	297.10	6.10		3.66	3.65	2.78	4.42
India	1206.68	1235.98	-26.62	-27.49	7.20	9.50	1.89	1.88	2.78	2.91
Indonesia	511.49	539.38	0.13	10.58	9.70		0.95	0.95	0.94	0.98
Korea	931.41	832.51	-5.78	42.67	3.65	5.00	1.33	1.33	0.99	1.57
Mexico	1089.95	874.90	-15.89	-5.24	3.70	5.50	1.43	1.43	1.18	1.68
Saudi Arabia	475.73	369.97	132.50	20.48	13.00	11.80	3.16	3.16	2.78	2.77
South Africa	276.77	287.22	-20.50	-13.76	24.20	24.30	0.85	0.85	0.85	0.76
Turkey	730.32	615.33	-41.29	-13.85	9.70	14.10	0.55	0.55	0.53	1.08
G20 Total	**53641.31**	**50882.82**	**-256.29**	**-49.85**			**64.80**	**64.69**	**63.22**	**63.31**
G20 % of World	**87.62**	**87.82**					**64.80**	**64.69**	**63.22**	**63.31**
Global Total	**61220.96**	**57937.46**								

Source: The G8 Information Centre (2010:1).
Compiled by Shamir Tanna from G8 and G20 Research Groups on 18 June 2010.
* Cells shaded in grey are not official country numbers; they are estimates from IMF experts.

An overview of the G-20

The G-20 was formed by ministers and the governors of central banks in the late 1990s. I will explain a milestone in the development of the G-20 from the first meeting to the most recent summit. The first G-20 meeting was held in Berlin, Germany on 15 December 1999 (G-20, 1999:1-2). Its purpose was to create a venue for an informal discussion between ministers and the governors of central banks in the context of the Bretton Wood system and its related issues. The discussion referred to the important economic and financial issues in order to preserve and achieve economic growth for all members. They discussed the way to respond to the economic challenges affecting the global financial system. They encouraged the Bretton Wood institutions to formulate international codes and regulations to support domestic economies and the global financial system.

The second G-20 meeting was held in Montreal, Canada on 25 October 2000 (G-20, 2000:1-6). Members of G-20 discussed the decision-making process and transparency of cooperation amongst them. They also agreed to continue the adoption of codes and standards for market integrity and financial sector policy. Moreover, they committed themselves to fight financial abuse which might have an impact on national economies and international economy, for example corruption and money laundering. Then, they encouraged the international financial community to support emerging market economies by integrating them into the global financial system.

The third G-20 meeting was held in Ottawa, Canada on 16 – 17 November 2001 (G-20, 2001:1-4). The G-20 agreed to promote the adoption of international codes and standards for macro economic policies, corporate governance and so on. They supported the consultation process in the development international codes and standards in the private sector and other international institutions. Furthermore, the G-20 will apply the UN measures to fight terrorist financing and block their activities relating to the financial system of its members. The G-20 committed itself to work together with the International Financial Institutions, the Financial Action Task Force on Money Laundering and the Financial Stability Forum in order to combat terrorist financing and money laundering.

The fourth G-20 meeting was held in Delhi, India on 23 November 2002 (G-20, 2002:1-4). The members of G-20 agreed to strengthen International Financial Institutions and financial monitoring thereby supporting the global financial system. The G-20 recognised that the process of crisis resolution would help to reduce the social and economic costs of a financial crisis and to preserve a connection with global capital markets. The G-20 called for cooperation between developed and developing countries, based on the Monterrey and Johannesburg Conferences and the Millennium Development Goals (MDGs).

The fifth G-20 meeting was held in Morelia, Mexico between 26 and 27 October 2003 (G-20, 2003:1-3). The members of G-20 encouraged the IMF to identify any financial obstacles, such as currency problems, incorrect balances and other issues. The members of G-20 agreed to strengthen and enhance their capacity and further develop their policies in order to maintain a healthy financial climate, for example by exchanging fiscal, financial and customs information between themselves and preventing terrorist financing activities. They also called upon developed and developing countries to build a collective work in order to achieve the aims of MDGs.

The sixth G-20 meeting was held in Berlin, Germany between 20 and 21 November 2004 (G-20, 2004:1-3). The members of G-20 accepted that regional cooperation and integration are crucial ways for engaging with national economies and global economies through trade and financial flows. They recognized that there are some members of G-20 who have faced demographic changes in these years. Therefore, the G-20 must apply fiscal consolidation and structural reforms in order to respond to this change. The members of G-20 exchanged their views and experiences on institution building in the financial sector, demographic challenge and regional economic initiatives.

The seventh G-20 meeting was held in Xianghe, China between 15 and 16 October 2005 (G-20, 2005:1-7). The G-20 recognized the improvement in the poverty rate among developing countries, the huge gap in economic development between developed and developing countries and the spread of protectionism around the globe. They also supported a review of the representations, programmes and strategies of the Bretton Woods Institutions. The G-20 also realised that there are a number of developing countries that may not reach MDGs based on the UN Millennium Review Summit.

The eighth G-20 meeting was held in Melbourne, Australia on 18 and 19 November 2006 (G-20, 2006:1-5). The G-20 attempted to preserve global growth and manage inflation with related policies, such as the shifts in monetary and fiscal policy, the flexibility of exchange rate and structural reform. The members of G-20 realized that there are increasing demands for energy and mineral commodities throughout the world. Therefore, the G-20 agreed that resource consumption, production, trade and investment in energy and mineral products should be carefully managed. The G-20 referred to the demographic changes around the world which have had a significant impact on labour migration and mobility of peoples. Finally, the G-20 agreed to improve the legitimacy of the IMF and the World Bank through a strategic policy review and governance reform within these financial institutions.

The ninth G-20 meeting was held in Kleinmond, South Africa between 17 and 18 November 2007 (G-20, 2007:1-5). The G-20 agreed to slow down global economic growth in order to reduce food prices, energy prices and related factors. The G-20 called for a careful assessment of inflation because of the constraint in commodity markets and negative impact on economic growth. Furthermore, the G-20 recognized that its members should attain a balance between their fiscal policies and ways of creating fiscal environment to finance social and economic development. Finally, the members of G-20 also committed themselves to the reformation of the Bretton Woods Institutions in order to give more weight, role and voice to emerging economies and governance reform within these institutions.

In the global economic crisis of 2008, the G-20 summit was held in Washington on 15 November 2008 (G-20, 2008:1-5). The leaders of G-20 countries improved the status of the G-20 from a forum of coordination for ministers and the governors of central banks to a forum of G-20 leaders in global economic cooperation. Since 2008, the G-20 Leaders' summit would be a premier decision-making forum to find effective solutions to global economic challenges and coordinate world economic agendas in advance. The meetings of finance ministers and central bank governors have been integrated as the preparatory and technical forum for formulating G-20's economic agendas for the G20 leaders' summits. The G-20 members agreed to take concrete action by stabilizing financial markets and recognizing monetary policy support, such as the employment of fiscal measures, assistance for developing countries to get financial aid, the empowerment of the World Bank and Multilateral Development Bank enabling them to play their development roles and creating finance for infrastructure and trade in developing countries. The G-20 members also committed themselves to common principles, as follows: first, they strengthened transparency and accountability within the financial market. Second, they reinforced their regulatory regime and prudent supervision as well as risk management for all financial markets. Third, they promoted financial integrity by protecting customers/investors and preventing illegal financing activities. Fourth, they wanted to strengthen international cooperation at every level in order to implement these financial measures. Fifth, they agreed to reform the Bretton Woods Institutions by reflecting the current economic situation and improving the legitimacy of these institutions.

Furthermore, the eleventh G-20 Summit was held in London, the United Kingdom on 2 April 2009 (G-20, 2009a:1-9). The leaders of G-20 agreed to apply fiscal expansion in order to protect and create jobs. They wanted to ensure strong national regulatory systems. Then, they committed themselves to strengthen cooperation and maintain consistency between them in order to stabilize the global financial system. The G-20 also launched the Declaration of Strengthening the Financial System which deals with the establishment of a new Financial Stability Board (FSB), the coordination between FSB and the IMF and the oversight of financial institutions, markets and instruments. The G-20 agreed to improve additional funds through international financial institutions in order to support economic growth in emerging economies and developing countries. It aimed to support bank recapitalisation, counter-cyclical expenses, trade activities and infrastructure finance. The G-20 also attempted to avoid new barriers for trade and investment which light be counter-productive to export activities.

The G-20 summit was held in Pittsburgh, the US of America from 24 to 25 September 2009 (G-20, 2009b:1-4). The leaders of G-20 committed to correct the regulatory system, to reform international financial institutions and to decrease financial access. They published the Framework for Strong, Sustainable and Balanced Growth which aims to assess and evaluate their policies to reach the G-20's objectives. The IMF would assist the members of G-20 with technical analysis in order to fit and harmonize policies of the G-20's members with the G-20's objectives. The G-20 and the IMF agreed to work together on the G-20 Mutual Assessment Process (MAP) as a collective process of mutual assessment between the G-20 and the IMF by harmonising their policies and achieving the G-20's objectives (IMF, 2010:1). They wanted to strengthen bank and insurance regulations in order to be more transparent and accountable. They also agreed to provide access to food, funds and energy for the least developed countries which have been affected by the global economic crisis. They committed to eliminate fuel subsidies and support poor people who have experienced a significant impact because of this economic situation. Finally, they committed to fight protectionism which might decrease the flow of trade amongst countries.

The thirteenth G-20 summit was held in Toronto, Canada between 26 and 27 June 2010 (G-20, 2010a:1-9). The members of G-20 maintained their commitments to improve demand, to strengthen public finances and to implement a transparent financial system. They have had four main pillars for financial reform: first, they wanted to build a strong regulatory framework. Second, they agreed to improve the supervision of financial regulations. Third, they committed to build a new system which has the power and instruments to resolve financial problems in the time of crisis. Fourth, they agreed to apply a transparent international assessment. Furthermore, the G-20 supported the legitimacy, effectiveness and capacity of the IMF and the World Bank in order to be able to respond to an economic crisis. The G-20 also agreed upon other related issues, such as the conclusion of the WTO Doha Round negotiation and the efforts of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations.

The fourteenth G-20 summit was held in Seoul, South Korea between 11 and 12 November 2010 (G-20, 2010b:1-9). The leaders of G-20 agreed to the Seoul Action Plan which covered short- and long-term programme of this group, as follows: first, they elected to employ fiscal consolidation and to improve the stability of the financial market, such as the implementation of the market determined exchange rate system. Second, they decided upon structural reforms in order to improve global demand, create more job-opportunities and develop economic growth. Third, they committed to reform of the IMF which would be a more effective and credible financial institution for the future. Fourth, they agreed to a regulatory framework covering bank capital and standard of liquidity and effective measures for financial institutions. Fifth, they launched the Seoul Development Consensus for Shared Growth which aims to improve the capacity of developing and least developed countries to achieve their potential growth. Sixth, they reaffirmed the need for a reformation of international financial institutions, thus representing the importance of emerging economies in the current economic situation. Finally, they recognized the establishment of the Seoul G-20 Business Summit as a forum for the discussion and participation by private sectors.

The G-20 meeting of finance ministers and central bank governors was held in Washington DC, the US of America between 14 and 15 April 2011 (G-20, 2011a:1). They agreed to several crucial agendas, such as first, the G-20 concerns on the social unrest in Middle East and North African countries as well as the natural disaster in Japan which give rise to economic uncertainty and high energy prices. Second, there are important challenges such as the increase in commodity prices. This situation would lead to price volatility in agricultural and food products. Therefore, the G-20 called for transparency and supervision in cash and commodity derivatives markets in order to prevent abuses and manipulation in these markets. Finally, they agreed to deal with the implementation of an anticorruption action plan. At the same time, the G-20 assigned the World Bank, the IMF and other development banks to provide a comprehensive analysis on stimulating climate change financing from individuals, private sectors, countries and multilateral institutions based on the principles and arrangements of the UN Framework Convention on Climate Change.

The fifteenth G-20 summit was held in Cannes, France between 3 and 4 November 2011 (G-20, 2011b:1). The leaders of G-20 committed to support growth and create jobs in their countries in order to achieve fiscal consolidation. They welcomed the decisions of European leaders to assist Greece with its debts and to develop firewalls to avoid contagion from the Euro crisis. They also supported the reformation of the global financial system in order to benefit from financial integration and to increase the resilience from dynamic financial flows. They agreed to coordinate in tackling volatility of food prices and development of agriculture productivity. Finally, they agreed to maintain G-20 as an informal forum that cooperated with non-members and other international organizations.

The sixteenth G-20 summit was held in Los Cabos, Mexico from 18 to 19 June 2012 (G-20, 2012:1-14). The leaders of G-20 committed to create global growth and build confidence. G-20 members in Europe would take the necessary actions to stabilize the Eurozone area, to strengthen banks and to develop the function of the European financial market. All G-20 countries agreed to undertake structural reform in their countries in order to create jobs and foster global demand. More specifically, they acknowledged labour rights and social protection for their citizens in order to reduce poverty. They committed to open trade and counter protectionism in all forms by pursuing the development of a multilateral trading system at the WTO. They continued to foster the reformation of a global monetary system and financial architecture. They agreed to promote a green economy and sustainable development in order to protect the environment. They attempted to control volatile prices in foods and to promote agriculture.

The seventeenth G-20 summit was held in St Petersburg, Russia from 5-6 November 2013. The G-20 agreed to set our reform for reaching sustainable and balanced economic growth and to make an accountability assessment explaining progress created on previous commitments. The leaders of G-20 also committed not to create new trade and investment protectionist measures until 2016. They agreed to the St Petersburg Accountability Report on G20 Development Commitments which explains the progress achieved since the G-20 ratified the 2010 Seoul Multi-Year Action Plan on Development. They endorsed the St Petersburg Development Outlook which elaborates the primary objectives, new initiatives and ongoing commitments for the G-20 development works. They also committed to identify and to implement collective or country-specific actions which may improve domestic investment environments. The G-20 reassured its commitment to implement agreed financial regulatory reforms and IMF reform (G-20, 2013a:3-27).

The eighteenth G-20 Summit will be held in Brisbane, Australia in November 2014. The G-20 officials prepare a G-20 agenda for growth and resilience in 2014 for the G-20 Leaders' Summit next month. The leaders of G-20 will discuss the above agenda. This agenda consists of G20 country growth strategies, for example: increasing quality investment in infrastructure, promoting competition, increasing employment and participation and eliminating trade barriers. G-20 has a primary role to build the resilience of the global economic through implementing financial regulation reforms, reforming international financial institutions, modernising global tax system and strengthening multilateral trading system (G-20, 2014c:1).

To some extent, these are achievements of the G-20, such as first, the G-20 has played an important role by responding to the global economic crisis and coordinating crucial measures and policies in order to stabilize national and world markets. Second, the G-20 has committed to develop a financial regulatory framework which will supervise the global financial system. Third, the G-20 showed their support for the reformation of international financial institutions (the IMF and the World Bank) by taking into consideration the importance and economic weight of emerging markets and developing countries in the current global economic landscape. Fourth, the G-20 has released its consensus on development for economic growth in its previous summit in Seoul. It is a good start to raise awareness amongst the G-20 members by including developmental affairs in their main economic agenda.

Despite these above achievements, there are also weaknesses of the G-20, they are as follows first, the G-20 is still a temporary arrangement which still quite weak in terms of cohesiveness and cohesion. Therefore, there is no clear mechanism within the G-20 for implementing the compliance of its agreement. Second, the G-20 does not have a permanent secretariat and supporting system to organize and manage its programmes, works and administration. This situation has impacted on the effectiveness of the G-20 in terms of realizing its committed agreements. Third, if we refer to the overview of the G-20 as explained earlier, the G-20 has agreed to reform the international financial institutions since 2000s. However, this commitment has become a priority agenda of the G-20 after strong pressure from developing to developed countries since the latest economic crisis. Fourth, the G-20 has committed to develop a regulatory framework for an international financial system. However, it is still an idea which has yet to be translated into an actual policy. Therefore, all members of the G-20 need to show their good will in order to execute its commitments.

The implications of the G-20 to the global governance

The G-20 has a significant role in global economic governance. The G-20 members have reflected the representativeness of different geographical areas throughout the world (Schenk, 2011:152-153). The G-20 comprises developed and developing countries which illustrates a balance within the current economic situation in the world. The G-20 covers a huge population and illustrates the significant economic weight of its members; this is demonstrated by the fact that the G-20 members represent two thirds of world population and 87.82 % of world economic weight based on GDP (G-20, 2014b:1).

Examining the changes in the G-20 and the need to revise global governance provides a constructive analysis of implications of the G-20 for global governance. The role of the G-20 can be that of a globally coordinating body for political and economic policies. In practice, the G-20 demonstrates its role as both an advisory committee and a steering group. More specifically, the G-20 is a group that gives advice to its members, international financial institutions and other related bodies in the realm of political economic affairs. Also, the G-20 is responsible for giving guidance on strategic decisions with regard to political and economic issues for its members, international financial institutions and special agencies. It also sets agendas, policy decisions and schedules of political and economic issues for its member states, international financial institutions and other related bodies. In short, the G-20 aims to be a crucial political and economy platform for reforming and strengthening global economic governance through effective policy coordination and compliance amongst their member countries and non member countries/institutions.

Furthermore, the G-20 needs functions and supports to demonstrate its effectiveness and credibility as an institution. The functions of the G-20 can be separated into four aims, such as first, the G-20 is gathering, analysing and spreading related information in order to respond to a crisis and to stabilize the economic situation. Second, the G-20 is a vehicle for coordination which can be used by its members to exchange ideas and decide upon policies/measures based on consensus. Third, the G-20 must actualise its commitment to establish a common regulatory framework to manage and supervise a global financial system, especially in the area of investment markets and private financial bodies (e.g. banks and insurance companies). Fourth, the G-20 can be a role model of flexible multilateralism for the revision and the development of the next generation of international institutions. An example would be that the G-20 provides guidance and strategic decisions for the reformation of international financial institutions.

With regard to its functions, the G-20 needs collective and concrete supports from its members in order to ensure that its role and functions operate effectively and can be well administered. The collective supports needed by the G-20, are as follows: first, the G-20 needs good will and concrete assistance from its members to get full support and translate their commitments into real works. Second, the G-20 may monitor and manage its crucial policy decisions by coordinating cooperative works with the FSB, international financial institutions (e.g. the IMF and the World Bank) and other global institutions, such as the G-20 that need full support and collective action in order to develop, implement and monitor a regulatory framework for a global financial system. Third, the G-20 countries chose to act as an informal forum which based their leadership on a Troika system (G-20, 2014b:1). The Troika system refers to the unified leadership with an equal position for the three entities or countries of the G-20. These countries or entities are responsible for the preparation and implementation of the G-20 summit and other related meetings. In the future, there is a possibility that the G-20 can establish a secretariat and supporting system to a solid coordination amongst its members and thereby implement its works.

Developments in the G-20 can have significant implications for global economic governance, they are as follows: first, the position of the G-20 is becoming the centre of a new global order. As a result of this development, the G-20 would be a revision of the existing global governance. The strategic position of the G-20 can improve the role of flexible multilateralism by responding to the current economic challenges, such as the need for financial stability, fluctuating food prices and a high unemployment rate and an economic inequality. The G-20 must strengthen its crucial role as an advisory committee and steering group of global governance to deal with political and macro economic policies.

Second, the G-20 has expanded its coverage of issues which need to be tackled. In the early stage of the G-20's establishment, it has mainly focussed on financial issues, such as exchange rate and balance of payments. Recently, the G-20 has enlarged its focus to take account of contemporary political and economic issues, such as development, trade and investment and the green economy. However, the G-20 must select crucial world problems to be tackled based on their global priority and its capability. In reality, the capacity and capability of the G-20 as a flexible multilateral group has limitations at the level of coordination among global institutions. The G-20 depends on its member states and global economic institutions in order to implement its initiatives and decisions. Examples of the G-20's capacity and capability are technical expertise, global policy harmonization and initiatives. This situation should be taken into account by the leaders of the G-20. The G-20 needs to match and bridge between its priorities and its competence and capacity. In short, there is a need for the G-20 to improve its capacity and capability to deal with contemporary world problems.

Third, the G-20 has opened a second track of its forum for the business community and private sectors in the latest Seoul Summit. Additionally, there has been recent progress in the G-20 because the Mexican and Russian presidencies of the G-20 have involved civil society in their consultations and preparations for the G-20 summits (G-20, 2011c and 2013b:1). This is a good sign of people participation in the decision-making process. However, this people participation should be expanded by the G-20 with the involvement of civil society organizations in the G-20. Therefore, the G-20 should also open a similar forum for civil society organizations and thus improve its popular legitimacy. The involvement of non-state actors will provide a representation of people in the dynamic interaction among actors in the G-20. In short, the G-20 summit and these additional forums can be done at the same time.

Fourth, the leaders of the G-20 should show their good will and demonstrate their credibility by redeveloping the international monetary system and by reforming the international financial institutions. In other words, the G-20 should translate its reform plan into real action. If the G-20 can maintain its spirit and decision to implement this plan, the credibility and effectiveness of the G-20 would be respected. The G-20 should apply capital controls and give emerging markets more authority to use their own measures but with international coordination in order to prevent a flood of foreign funds.

Fifth, the G-20's policies must have a positive economic impact for farmers, labourers, fishermen and marginalized people in lesser developed and developing countries. The Seoul Development Consensus for Shared Growth and trade agenda of the G-20 should include the development aims of lesser developed and developing countries. This is a preliminary sign for bridging the gap between what the leaders of the G-20 decided in this premier forum for international economic development and the implications of those decisions for ordinary people in lesser developed and developing countries. Farmers, labourers, small traders and poor people should also understand and feel the impact of the decisions of the G-20 in their life. Nowadays, the majority of people in lesser developed and developing countries do not know and understand about the G-20 and its roles and decisions to coordinate global institutions for our international economic development. But, they are the biggest constituents who would be affected by the decisions of the G-20.

In reality, the decision of the G-20 regarding development issue should be translated into practical results which have a positive effect for farmers, labourers, small traders and poor people. Farmers, labourers and small traders should get access to funds and training in order to improve their capacities. The small and medium enterprises should be encouraged by the national governments of the G-20 to be their economic backbone because it is they who have struggled to support the national economies in the time of global economic crisis rather than the large enterprises. Additionally, poor people in lesser developed and developing countries need access to food, health and education in order to reduce an income inequality between rich and poor and avoid civilian unrest. They do not have a social safety net and protection as most people in developed countries do.

Conclusion

The issues discussed above reflect the importance of the G-20 in the current period and for the future of global governance. I have identified important topics with regard to the G-20 and its related issues. I have elaborated on the overview of the G-20, its achievements and also its weakness thus far. The G-20 is still a young institution. However, there have been crucial developments in its role and works. More specifically, the G-20 can coordinate macroeconomic policies amongst its members by addressing the global economic crisis. The G-20 viewed its commitment to reform the international financial institutions (for instance; the IMF) in order to adjust to the new situation in the global economy and improve the legitimacy of these institutions. However, there are also shortcomings which have been faced by the G-20, such as the cohesiveness of the G-20 and the compliance of its members with the G-20's agreements. The G-20 has sometimes failed to implement its own commitments, such as its undertaking to reform international financial institutions and provide a regulatory framework for the global financial system. The G-20 might need a permanent secretariat and an appropriate supporting system in order to organize its meetings and to administer its management.

In response to the need for an approach to new global governance, I have examined the role, functions and support for the G-20. The role of the G-20 is a coordinating body for political and economic policies. It can be an advisory committee and a steering group for its members, international financial institutions and other related stakeholders. Moreover, the G-20 has several important functions, such as informational processing, an interactive forum for political and economic policies and a new model of flexible multilateralism. As a result of this situation, developments in the G-20 would affect global governance.

The implications of the G-20 for a new international order are as follows: first, the position of the G-20 becomes central in the new global governance especially with regard to current and future political and economic issues. Second, the coverage of issues within the G-20 is expanding as illustrated by the latest developments, such as in the areas of food prices, environmental financing, trade and investment financing. Third, the G-20 has opened a second track of its forum to the business community. I hope that G-20 will also increase the involvement of civil society into its decision-making consultations. Therefore, there is a multi-stakeholders' collaboration between the governments, civil society and the business community. Fourth, the G-20 needs to maintain its good will and translate its commitments into real programmes. Finally, the G-20 must ensure that its strategic decisions have a positive economic impact for farmers, labourers, fishermen and marginalized people in lesser developed and developing countries.

* **Acknowledgments** I would like to thank Maxim Alkon and Martin E. Procter for their constructive suggestions and valuable brainstorming sessions with me regarding this article, as well as Journal of Global Policy and Governance anonymous reviewers for their comments. I would also like to thank my family members and colleagues for their support.

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