Second G-20 Summit: Evaluation and Prospects

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The second Group of Twenty (G-20) summit, held in London on April 2, 2009, closed the gap among and dispelled concerns on the part of member states—made manifest prior to the summit—by examining the status of the implementation of the agreements hammered out at the first G-20 summit in Washington, DC on November 15, 2008 and charting a more concrete plan of action.

The second G-20 summit is largely positive in the sense that it led to "historic decisions"; however, it can also be assessed as a "deferred success," considering that the success of the summit agreements will ultimately hinge on how member states deal with efficient follow-up measures.

As the chair of the G-20 in 2010, Korea demonstrated its capacity as the next chair country by effectively functioning as a mediator fine-tuning the differing positions of advanced and developing countries and by skillfully taking the initiative in striking a balance among a diverse range of agenda items. In addition, the London summit proved to be an important venue for expanding Korea's capabilities on the economic diplomacy front.

The G-20 participants adopted a 29-point "Leaders' Statement" as well as three annexed declarations. The main points of these documents can be summarized as: 1) restoring growth and jobs; 2) strengthening financial supervision and regulation; 3) strengthening our global financial institutions; 4) resisting protectionism and promoting global trade and investment; and 5) ensuring fair and sustainable recovery for all.

The foremost criterion for evaluating the success of the second summit would be whether the summit outcome can contribute to overcoming the ongoing global financial crisis. The summit is significant because, first of all, it built a "psychological stabilizing fin" that is crucial for coping with the economic crisis sweeping the globe.

Secondly, the London summit served as a forum for member states to surmount their various differences of opinion across the gamut of issues on the agenda and thrash out a single set of agreements. Countries that had offered incongruous diagnoses for the global financial crisis—namely the United States, which hoped for increased public spending, and European countries, for example France and Germany, which called for preventing the spread and recurrence of the economic crisis by strengthening supervision and regulation—found a satisfactory common ground at the summit. What made that possible was Washington's conciliatory attitude, cooperation among European nations, and China's strategic approach.

The third criterion in evaluating the success of the London summit is whether G-20 summits, which began as finance ministers' meetings, can continue to maintain their *raison d'être* in the future. The London summit participants agreed to hold the third summit sometime in 2009; the G-20 has thus succeeded in establishing continuity.

Moreover, unlike the G-7/G-8, which has realistically focused on "dialogue" among the participating leaders, the G-20 places a priority on actual "policy decisions," leading to rosy prospects that the G-20's role will grow in the future. Hence, the latest summit, in the course of seeking a mechanism for global governance, is assessed to have provided momentum for international expectations for the G-20's legitimacy to spread wider.

One crucial task the London summit failed to perform, however, is to map out a concrete plan for solving the problem that stands at the heart of the persisting financial crisis—toxic assets estimated to worth US$2.2 trillion. Hence, it is difficult to ascertain whether the five-trillion-dollar global economic stimulus package agreed upon by the G-20 member states in London is appropriate in the first place.

The prospects of a continued downturn that would be a cross between a U-type and a L-type recession give rise to the possibility that each country may competitively adopt protectionist policies as a means of self-preservation. In particular, the inherent danger of intensified economic nationalism (neo-nationalism) is that inter-state conflicts can spill over from the economic field to the political and foreign affairs realms.

A question that was skirted at the second G-20 summit but one that will likely be raised with greater force throughout the G-20 process—bilateral and multilateral discussions on the international anchor currencies—signals a near-end of an era in which the US dollar was recognized as the key currency stemming from Cold-War political and security needs and large US trade deficits were tolerated thanks to Washington's seigniorage. Concomitantly, economic multipolarization is expected to lend further impetus to political multipolarization.

By reaching a consensus on holding the next summit by the end of 2009, G-20 member states laid the groundwork for institutionalizing the forum; however, *the date and location of the third summit* have yet to be officially confirmed. If the G-20 is to be established as a system-management mechanism solid enough to replace the G-7/G-8, the group as a whole should make a transition from its ad hoc status and introduce firm operational principles. Hence, it remains highly uncertain whether the G-20 summit process can interchange with the G-7/G-8 smoothly and positively. **IFANS 2009 ©**

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