# Third G-20 Summit: International Political Economic Achievements and Prospects

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The third Group of Twenty (G-20) summit held in Pittsburgh on September 24-25, 2009 can be called a "transformational success" for several reasons. First, it went beyond the short-term goal of overcoming the immediate crisis and focused on global economic operations from a more mid- to long-term perspective. Second, whereas previous G-20 forums were centered on economic policy cooperation aimed primarily at economic revitalization, the latest meeting addressed a slightly more comprehensive scope of economic issues, to include climate change policy. Third, the 20 participating leaders agreed to institutionalize the G-20 and turn it into a premier forum.

In November 2010, Korea will be the first non-G-8 country to host the first real G-20 summit after it was decided at the Pittsburgh meeting to hold G-20 summit talks annually. Korea has thus seized the opportunity to make a signification contribution to the international community's efforts to restructure the global economic order. Not only that, it can now lay critical the groundwork for building a "Global Korea."

Korea's bid for the 2010 G-20 summit appears to have succeeded due to a combination of two factors: as part of the management troika and chair country of the G-20 finance ministers' meeting in 2010, Korea has continuously played an active role in charting agendas and presenting alternative plans, and the international community has viewed Korea's ability to quickly stabilize the economy in a positive light.

### *International Political Economic Achievements of Pittsburgh Summit*

First, the Pittsburgh summit gave more concrete shape to the measures agreed upon at the second London summit to overcome the global financial crisis and prevent further recurrences. The summit, for example, 1) called for raising capital standards starting in 2012; 2) endorsed implementing a compensation system of strengthened regulation, as prescribed by the

Financial Stability Board (FSB); 3) reaffirmed the "standstill" agreement of prohibiting new barriers to trade and investment; and 4) reiterated G-20 member states' commitment to concluding the Doha Development Agenda (DDA) negotiations.

While the leaders of the G-20 member states agreed that global economic recovery was incomplete and thus an exit strategy was premature, they concurred that the G-20 should work within the framework of the G-20 finance ministers' meetings, in cooperation with the International Monetary Fund (IMF) and the FSB, so that it can implement an exit strategy in a timely manner, in line with the recovery trend.

Second, the 20 leaders agreed to launch a "framework" for "strong, sustainable and balanced global growth" and continue to work toward reform in international economic organizations, such as the IMF or the World Bank, which will play a bigger role in assisting mutual assessment, monitoring policy implementation, and raising financial resources for further development in developing countries. As a result, they paved the way for the framework to function as a comprehensive mechanism for reducing trade imbalances and stimulating global economic growth as a whole.

Third, by designating the G-20 as a "premier forum" for international economic cooperation, the 20 leaders recognized the G-20 as a mechanism of "global governance" which will oversee the global economic order in the 21st century and, moreover, agreed to further institutionalize the G-20 by holding annual G-20 summits. This will have major implications for change not only in the economic sector but also on the political scene.

### *Tasks and Prospects*

First, the success of the G-20's steps to overcome the ongoing global financial crisis and forestall further recurrences hinges on how quickly each member state acts to implement these agreements domestically. In short, it is contingent upon whether G-20 countries are capable of overcoming the "international-domestic disconnect."

Second, the consensus on launching a framework for sustainable, balanced growth is significant, because it will enable the international community to reduce trade imbalances (rebalancing), which have been pointed out as one of the structural problems behind financial and economic crises. However, trade rebalancing has limits of its own, because the political sensitivity of the issue in the United States and China may well undermine the sense of need for bilateral cooperation on the global stage, and the international political significance of trade imbalance *per se* is too deep. Hence, it would be difficult to hope for improvement over the short term.

Third, while the G-20 may well be designated as a premier forum for international economic cooperation and thus replace the G-7 or the G-8 over the medium to long term, the G-20 would have to undergo the difficult process of establishing its own position and proving its usefulness. Not only that, G-7/G-8 member states may still strongly desire to retain their leading status. For these reasons, it appears unlikely that the G-7/G-8 system, which has overseen the global economic order for the past 30 years or so, would fully transfer its functions to the G-20 in the near future. Hence, realistically, it seems highly possible that the G-20 and the G-8 will coexist by forming a complementary mechanism for resolving economic issues in the broad sense of the term, or pursue international cooperation by devising a specialized structure where one takes on the economy and the other addresses security issues.



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