

# The New G20: An Insider's Views

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Some Comments by  
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# Outline of My Comments

- ◆ **Despite the short track record of the “New G20”, the paper attempts to assess the performance of the process as comprehensively as possible and to identify the remaining challenges**
  
- ◆ **Nevertheless, given the tentative nature of the assessment, I would rather**
  1. **Talk about some of my observations on the “New G20” as an insider**
  
  2. **And provide some suggestions based on my observations**

# 1. The New G20: Good News and Bad News?

- ◆ **The “New G20” after the Washington Summit has good news and bad news**
- ◆ **The good news: Gaining enough political traction to become the “premier forum of economic cooperation”**
- ◆ **The bad news: Exposed to the risk of over-politicization of economic affairs**
  - **Specifically, to the extent that Leaders themselves are subject to the electoral cycle, the G20 is prone to short-termism and over-ambitious attempts at agenda setting**

## 2-1. The G20 or the G2?

### ◆ An episode at the G20 ministerial meeting in Paris last February

- A very unusual situation in communiqué drafting (14½ hours)
- The drafting came to a deadlock because of dispute in using “current account”: Problem of cosmetic nature without substance
- Why don't we delete “0” from the G20?

### ◆ The G2 could be:

1. US vs Europe (e.g.: at Toronto Summit on Fiscal consolidation)
2. US vs China (e.g.: at Seoul Summit on Global rebalancing)
3. China vs the rest of the G20 (e.g.: in Paris on Indicative guidelines)
4. Advanced economies vs Emerging economies (e.g.: at IMS WG on Capital management guidelines)

## 2-2. The G20 or the G2?

- ◆ **Notwithstanding these polarized ructions, things have been moving forward through dramatic last-minute compromises**
- ◆ **Among others, this appears to reflect:**
  1. **Wide gaps in perceptions and economic situations that easily become polarized into two extremes**
  2. **But since all members recognize the necessity of the G20 at the moment, they regard deadlines as “hard” rather than “soft”**
- ◆ **At the same time, this evidently reveals a sign of its fragility**

# 3-1. “Long March” to More Convergence

## ◆ Bear in mind that the members are heterogeneous

- Diversity of the members could be a valuable asset in the long run
- But, in the short- and medium-run, it could function as an obstacle to the progress of the G20

## ◆ This heterogeneity includes:

1. Different stages of development in both the real and financial sectors of the economy together with a cyclical factor, namely two-speed recovery
2. Different bureaucratic capacities and administrative capabilities
3. Wide data gaps from country to country and even the existence of digital divide

## 3-2. “Long March” to More Convergence

- ◆ **Given this heterogeneity of the G20 members, the process is inevitably very time-consuming and often results in confusing messages**
  
- ◆ **A typical process includes:**
  1. **Enhancing mutual understanding of the issue concerned**
  2. **Narrowing the gaps in perceptions as well as concepts and building consensus on the issue**
  3. **Negotiating and compromising shared objectives and policy actions**
  4. **Announcing action plans through the communiqué**
  5. **Implementing policy actions at the national level**

## 3-3. “Long March” to More Convergence

### ◆ A case in point: the Framework and MAP exercise

- The exercise looks a bit confusing, as the authors pointed out

### ◆ This mainly reflects:

#### 1. Limited capacities of members and FWG, despite emphasis on member ownership of the exercise

- For example, given the five-year time horizon of the exercise, economic forecasting is not available for some members due mainly to their lack of suitable analytic skills

#### 2. Given wider data gaps, need to rely on IMF data mining to fill these gaps

#### 3. Different understandings of policy making, including philosophical aspects

### ◆ Keep in mind that like the “New G20”, the exercise is an evolving process



## 4. Occasional “Homeruns” or Series of “Hits”?

- ◆ **Two options in making scores: pursuing either occasional “homeruns” or series of “hits”**
  
- ◆ **Merits of occasional “homeruns” include:**
  1. **Capacity to handle crucial issues in a global economic context**
  2. **Strengthening continuity in the G20 process**
  3. **Effectiveness in gaining new momentum**
  
- ◆ **Merits of series of “hits” include:**
  1. **Lower risk of stalemate and hence easier to deliver tangible outcomes**
  2. **Effectiveness in maintaining moderate momentum**

## 5. Half Full or Half Empty?

◆ In the “New G20”, expectations management has become more important in its communication strategy

- In a high expectation climate, even reasonable progress could easily disappoint the public and the media
- Furthermore, in a digital era, people tend to become less patient

◆ In the area of expectations management,

1. The worst case scenario is to give an impression of “much talk, but no action”
2. The best case scenario is to give an impression of “much talk and many actions”

# 6-1. The show must go on

◆ Although the performance of the “New G20” is crucial to its survival, it is premature to evaluate its performance at this point of time

- Have a difficulty to agree with the assessment of the “New G20” performance by “UoT compliance scores”
- In particular, the assessment is far from understandable in relation to financial regulation reforms because:
  - ① The crisis epicenter and the most affected countries are in urgent need of reforms
  - ② The centerpiece of the reforms (i.e., Basel 3) is yet to be implemented (2019) and even the “Dodd-Frank” Act needs to have detailed regulations before it takes effect
  - ③ The members are at different stages of financial system development

## 6-2. The show must go on

- ◆ In discussing the future of the “New G20”, it is important to recognize that it is one thing to identify the shortcomings of the G20, quite another to find an alternative that is clearly better
- ◆ At the moment, however, no better alternative is in sight
- ◆ Truth: We can do better by acting together rather than by acting independently
- ◆ Reality: If the opportunities are huge, so are the challenges

## 6-3. The show must go on

### ◆ Going forward, in order to keep the show on the road:

1. Utmost important for all the members to recognize that the credibility and the very survival of the G20 depend critically on their compliance
  - The immediate real test of the G20's credibility is whether we can make significant progress on the Framework and MAP exercise
    - ✓ The Framework and MAP exercise: the New G20's first attempt to address forward-looking coordination of the global economy after the crisis
  - At the same time, although our ultimate goal is not to make the G20 process as a "straitjacket", we need to make the process more binding in a measured manner

## 6-4. The show must go on

### **2. Urgent need for strong support for capacity building for emerging economies**

- **Although capacity building for EEs is underway in various areas, it is urgent to strengthen the efforts and to speed up the process**

### **3. Need to develop better expectations management and an effective communication strategy**

### **4. Need for “formal” institutional building of the G20**

- **Worthwhile considering a small permanent secretariat and Steering Group (SG) at this stage, as suggested by the authors**
- **The mandate of the secretariat: developing strategies of the G20, including coordinating agendas and communication, in consultation with the SG**

## 6-5. The show must go on

### 5. Have to deliberate more seriously how to make the best use of the “New G20” in implementing domestic economic reforms

- In implementing politically unpopular economic reforms, Leaders may wish to find good excuses: A strong case for “blame somebody else” tactics
- “Blame the G20” tactics: Commitment at the G20 might provide a good excuse
- In fact, “Blame the IMF” tactics worked remarkably well in Korea when implementing politically unpopular reform agendas after the Asian crisis in the late 1990s

***Thank You !!!***

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