

New body takes on economic leadership

By Edward Luce in Pittsburgh

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Less than a year after George W. Bush cobbled together a meeting of the leading economies to deal with the global meltdown, the G20 was on Friday turned into the world's principal economic gathering.

The White House said the group's leaders had "reached a historic agreement to put the G20 at the centre of their efforts to work together to build a durable recovery."

To nobody's surprise, the decision relegated the G8 to a secondary role – a club of the rich and decreasingly powerful.

But observers argued that leaders' claims about the implications of the decision might be overdone.

While the G8 was often seen as too unwieldy to take effective decisions, the G20 could prove even more cumbersome. Friday's communiqué from Pittsburgh was nevertheless more substantive than some had expected.

"Dramatic changes in the world economy have not always been reflected in the global architecture for economic co-operation," said the White House.

"This all started to change today [with the] . . . historic agreement to put the G20 at the centre of efforts to work together to build a durable recovery."

Gordon Brown, the UK prime minister, went further, describing the new body as offering "more chance of delivering results than anything since the second world war".

At a symbolic level, the move is very important since it brings the system of economic co-operation up to date with changes to the global economy that have been apparent for more than a decade – notably the rapid shift of economic gravity from west to east. The new club has six Asian members – China, Japan, India, South Korea, Indonesia and Australia. The G8 had just one, Japan.

But the fact that the new body includes members as diverse as Argentina, Turkey and the presidency of the EU – in addition to observer status for Spain, the Netherlands, the UN and so on – suggests that its real work will be done by smaller sub-committees.

In a world of proliferating G-groups, the one to watch is that nicknamed "G2" between the US and China.

Many in Pittsburgh have remarked upon the size and sophistication of China's delegation compared with any other participant barring the US.

"If you want to find out what the world is going to do then take the US position and take China's position and draw a line somewhere in the middle," said David Rothkopf a former senior official in the Clinton administration.

"As regards the G20, it would have been more efficient to kick Canada and Italy out of the G8 and invite China and India to replace them.

"But intergovernmental co-operation always adds, it never subtracts."

The shift may also prove unsettling to the world's formal multilateral institutions.

In an interview with the Financial Times on Friday, Ban Ki-Moon, UN secretary-general, said he was in Pittsburgh to remind G20 leaders that 85 per cent of the world's countries were not represented at the meeting.

The G20 accounts for 85 per cent of global income.

"There is still only one universal body for intergovernmental co-operation and that is the UN General Assembly," he said.

"I have urged leaders at the G20 to see the UN as its vital partner at all levels." One such area, he said, was in climate change negotiations, which remains within the UN framework but where the G20 has taken a growing interest.

Mr Ban yesterday asked world leaders to supply \$250bn (€170bn, £154bn) a year to help the world's poorest countries adopt new technologies to help cope with global warming – a number that the rich countries are unlikely to come anywhere close to reaching.

As for the G8, observers were keen to point out that it would retain discussion on global security.

Since China is not a member of the G8, that decision may have limited utility.

To further confuse matters, Stephen Harper, Canada's prime minister, who will host next year's G8 summit, said on Friday he would invite the G20 ministers to a meeting around the G8 summit in Canada. South Korea will host the actual G20 summit.

"They will be distinctive summits," said Mr Harper.

To put it another way, one will be important. The other will not.

G20 timeline

Sept 1999 The G20, consisting of 19 countries plus the European Union with representatives of the International Monetary Fund and the World Bank, is created at a meeting of G7 finance ministers in response to the Asian financial crisis of 1997-99

Dec 1999 First meeting of G20 finance ministers held in Berlin. From this point, G20 finance ministers meet annually

Nov 2007 Meeting in Cape Town where finance ministers agree that central banks should pump liquidity into markets in response to the start of the global financial crisis

Nov 2008 US President George W. Bush calls the first G20 summit of heads of state in Washington to co-ordinate the global response to the crisis

April 2009 G20 summit in London pledges \$500bn to refinance the IMF

Sept 2009 Leaders in Pittsburgh agree to expand the role of the G20, putting it at the centre of international economic policymaking