Confronting the G-20 …..

A Discussion Paper for Strategic Planning by Social Movements and Allied NGO's

*The following paper is based on a document researched and written by **John Dillon**, entitled, **From Pittsburgh to Toronto (and on to Seoul and Paris): What's On The G-20 Agenda?**, published by KAIROS [Canadian Ecumenical Justice Initiatives] in Canada. In order to provide a background tool that could be used by social movements and allied NGOs for strategic discussion purposes about the G-20, the KAIROS document has been reworked and edited. This task has been carried out by **Tony Clarke** of the Polaris Institute in Canada. It is a shortened version of the original document but includes many relevant excerpts as well as some additions.*

The discussion paper that follows contains a summary of 7 key themes that need to be considered in developing strategies for 'confronting the G-20:

- *Transition from G-8 to G-20*
- *Global Crises Management*
- *G-20s Economic Crisis Agenda*
- *G-20's Financial Crisis Agenda*
- *G-20's Climate Crisis Agenda*
- *Global Trade & the G-20*
- *Alternatives for Global Governance*

Strategic Questions

As social movements and allied NGO's confronting corporate globalization, we need to come to grips with the G-20 as the new engine and political driver of global economic governance. At the G-20 summits in London and Pittsburgh, civil society groups mobilized resistance in varying degrees and forms. Yet, so far, no common and coherent strategy has emerged, particularly one that social movements and NGOs engaged in global trade issues can embrace. The following is a set of strategic questions to consider in reading this discussion paper.

1. *In a world beset by multiple crises --- economic, financial, climate and food --- we need to focus our strategic thinking on the G-20 as a target for action. What are the key structural inequities and power imbalances of the G-20? Is our common objective to delegitimize the G-20? change or influence it? or, dismantle it altogether? [see sec. 1 and 2]*

2. *Whichever strategic focus we choose, it needs to be informed by a strategic vision. What alternative[s] to the G-20 do we want to propose as the appropriate vehicle for global economic governance? [see sec. 7]. What views do we have on the proposals outlined by the Stiglitz Commission? How do we promote an alternative vision as part of our strategic action on the G-20?*

3. *Although the G-20 hasn't, as yet, put much priority on the WTO and other trade regimes, we can anticipate this will change. What links are likely to be made between the neo-liberal trade agenda and the G-20's solutions for [a] the economic crisis? [b] the financial crisis? [c] the climate crisis? [see sec. 6 plus 3,4, &5]*

4. *In developing a common strategy for the short term, we need to focus on the next two G-20 summits. How do we see the G-20 responses to the economic, financial and climate crises being played out in Seoul and Paris? How do we target the neo-liberal trade agenda as a false solution for each of these crises?*

5. *Since the G-20 has, as yet, no mechanisms for civil society participation, the only real option we have of developing 'inside' strategies is to do so in relation to the various governments involved in the G-20. Are we prepared to do a 'power analysis' of policy making in our own governments in relation to the G-20? If so, can we agree on a common frame and criteria? By doing such a power mapping, can we then identify potential inside strategies leading up to Seoul and Paris?*

6. *Given the lack of mechanisms for civil society participation in the G-20 summit process, there is a need for a strong 'outside strategy' in Seoul and Paris. What is the capacity of social movements and allied groups for mobilizing mass resistance at the G-20 summits in Seoul and Paris? What additional resources will be needed? What messages and demands should be highlighted in Seoul? In Paris?*

7. *There is also a need for a work plan and critical path leading up to both Seoul in November 2010 and to Paris in 2011. What kind of work plan can we put together of tasks to be undertaken and completed in preparation for both summits? Who can take the lead on which tasks and priorities? What are the main deadlines and target dates that need to be plotted on a calendar?*

8. *Finally, there is a need to identify what's missing from the strategies being proposed, including what needs to be done to involve allied groups from non G-20 countries who are systematically excluded, as well as consider how to build widespread support amongst social movements and allied NGOs.*

1. Transition from G-8 to G-20

By now, it should be clear that the G-8 proved to be incapable of managing the current global crisis. The compounding economic, financial and climate crisis that plagues the capitalist system today has spiraled out of control to the point where the G-8 had both a 'capacity' problem and a 'legitimacy' problem in coming up with viable solutions. In order to offset the potential collapse of the global system, the G-8 had little choice but to expand into the G-20.

Without consulting the other 173 member countries of the United Nations, the Pittsburgh Communiqué in June 2009 boldly declared the G-20 as the **premier forum** for managing the global economy. [art. 50]. At the time of the Pittsburgh summit, the transition from the G-8 to the G-20 was only in its early stages and the division of labour between the two was unclear. However, the *Financial Times* reported from the Pittsburgh summit that when the G-8 meets in Huntsville in June 2010, it will "deal primarily with international relations and foreign policy" issues including security issues such as nuclear arms reductions and the threat of terrorism. [i]

"The expansion from the G-8 to the G-20," writes Mark Weisbrot, co-director of the Center for Economic and Policy Research in Washington, "is mostly a symbolic move, since the rich countries control the institutions with actual power … The G20 is still the G7 with 13 other countries sitting in."[ii] Adds Phillip Stephens of the *Financial Times*: "[T]he rich nations … can imagine sharing power, but they assume the bargain will be struck on their terms: that the emerging nations will be absorbed – at a pace, mind you, of the west's choosing – into familiar international forums and institutions."[iii]

Moreover, by admitting so-called "emerging" nations such as China, India, Brazil and South Africa into the G20, the industrialized countries can, to some extent, fend off calls for more fundamental change through more democratic

forums like the United Nations. Although the Pittsburgh G-20 communiqué reaffirms past G8 commitments to meet the Millennium Development Goals (MDGs) and promises to provide Official Development Assistance (ODA)[iv], there is considerable doubt concerning whether these pledges will be honoured.

LastSeptember, the G-20 Summit in Pittsburgh mapped out an agenda that would carry over into the next three summits in Toronto, Seoul, and Paris. The topics include --- making private financial institutions contribute to paying the costs of the financial crisis, along with reforming parts of the International Monetary Fund and making attempts to halt illicit capital flows; phasing out subsidies for the production of fossil fuels along with financing developing countries' costs in dealing with climate adaptation and mitigation; plus promoting global trade and the completion of the Doha Round of World Trade Organization.

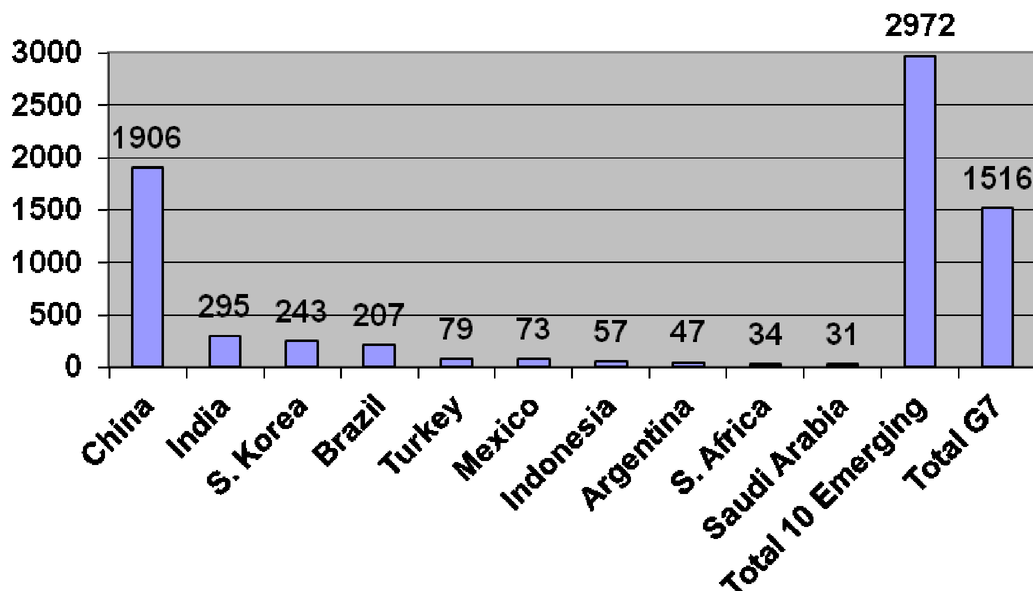
Given the fact that the G-20, as such, does not have a secretariat, the governments of the host countries have considerable influence in setting the agendas for their respective summits. At the World Economic Forum in Davos in early 2010, the political leaders of the next three host countries spoke, revealing diverse perspectives on the G-20. In regards to the Toronto summit, Prime Minister Harper emphasized the importance of the G-8 over the G-20, played down expectations of any progress being made on global finance or climate change, and trumpeted his call for action by the G-8 on maternal and child health. In contrast, President Myung-bak of South Korea promised to put "development issues on the agenda" and highlighted the need for action on climate change where his country has led by example, putting 80% of its economic stimulus package into investments to improve energy efficiency of buildings, expand mass transit, and restore forests.[v] Meanwhile, President Sarkozy of France made it clear in his keynote address in Davos that he supports a Financial Transaction Tax and called for a new Bretton Woods, implying the need to transform the IMF, World Bank, and the WTO.

In any case, lest there be any doubt, the Director General of the WTO, Pascal Lamy, has clearly stated how he sees the political role of the G-20 in relation to the WTO and global trade. In a speech on global governance in March 2010, Lamy said the worldwide "economic crisis we are going through has speeded up the transition to a new architecture of global governance characterized by what I have called a "triangle of coherence'." [vi] According to Lamy, this "triangle of coherence" involves three institutional anchors: [a] the G-20 [replacing the G-8] which is "to provide political direction and political leadership in global governance;" [b] international organizations like the WTO, IMF and World Bank which provide the rules, programs and mechanisms to implement and consolidate decisions; and [c] the G-192, or the United nations, which is the main source of legitimacy and accountability in global governance. Regardless if one agrees or not with Lamy's perception, it's clear he views the G-20 as the new political driver of the WTO.

2. Global Crisis Management

However, perhaps the real reason for the expansion of the G-8 to the G-20 has to do with foreign exchange reserves. Simply put, the 'emerging' country economies have amassed 3 trillion dollars US worth of foreign exchange reserves and some G7 leaders want to channel a substantial portion through the IMF. The graph below shows how the foreign exchange reserves of 10 emerging market countries invited to the first G20 leaders meeting held in Washington in November of 2008 were at the time twice as large as those of all the G7 countries combined.

Figure 1 G20 Foreign Exchange Reserves
Billions of US Dollar equivalent (September 2008)



(reproduced from KAIROS Policy briefing Paper No. 16 What Kind of a "New" Bretton Woods will Emerge from the Crisis?

Prior to the Washington G20 Summit, then UK Prime Minister Gordon Brown proposed that developing countries lend substantial amounts of their foreign exchange reserves to the IMF.[vii] This led to talk of a type of "grand bargain" whereby, in return for a greater voice in an overhauled financial architecture, large developing countries would make a greater contribution to the IMF.

It appears that some of the emerging countries are indeed taking up this offer. China has lent US$50 billion to the IMF and Russia and Brazil have lent US$10 billion each. Thus Brazil has been transformed from being one of the harsher critics of the IMF to a *de facto* supporter.[viii] The irony of this reversal has not been lost on President Lula da Silva who commented: "I spent 20 years of my life carrying a banner and shouting in the street, in the gates of factories, on platforms: 'Get out IMF' … And these days, I called my finance minister and told him: 'We are going to loan money to the IMF.'"[ix]

The idea that Southern country reserves should be used to finance recovery from the crisis has merit **as long as the funds are spent internally within developing countries or dispersed among other developing countries through pooled efforts such as the Bank of the South or the Chiang Mai initiative.** However, it is problematic when the funds are channeled through the IMF and lent with the usual IMF conditions attached. It is also problematic when most of these developing countries' reserves continue to be invested in Northern countries in low-yielding instruments such as US Treasury bills.

But, if the reserves of global south countries are to be used in this way, then the question of what corresponding changes in global economic power are required. Reportedly winning more influence in the World Bank and the IMF is China's top priority for participation in the G20.[x] While there have been small shifts in IMF voting rights recently, they've been occurring at a very slow pace. In April of 2008 a marginal redistribution of 5 percent of the IMF quotas was approved, but it did little to change the actual balance of decision-making power within the IMF. Reallocation of IMF votes on such a minor scale may serve to re-establish the legitimacy of the IMF but still leaves developing

countries underrepresented and largely powerless. While the effect of a five percentage point shift in quotas reduces the share of votes allocated to developed countries from 57% to 52%, the majority of votes remain in their hands. Moreover, the US will retain its veto power over major decisions which can be blocked with 15% of the votes.

3. G-20's Economic Crisis Agenda

The global economic recession that was triggered in 2008 was the main issue at the first gathering of G-20 leaders in Washington DC. For the reasons discussed in the previous section, the G-8 was not capable of containing the impending global economic downturn and, therefore, expanding the G-8 to the G-20 became necessary in order to access vital foreign exchange reserves held by the emerging powers of the global south. In the Pittsburgh, as well as the London summits that followed Washington, stimulating global economic recovery was the primary goal of the G-20.

In order to offset the prospects of a global depression, the governments of the G-20 made commitments to implementing economic stimulus packages in their London and Pittsburgh summits. Taken together, these stimulus packages amounted to several trillions of dollars US. Although this renewed form of government intervention to stimulate national economies and the global economy itself may have contributed to preventing a depression and stemming the tide of a global recession, there have been growing signs since Pittsburgh that the economic crisis has not ended and that the world may be on the verge of a second economic recession.

What economists refer to as the dreaded "double dip" could become a reality. Since Europe's bailout package for Greece, a wave of toxic debt has spread to other European nations. Some economists warn there could be a series of defaults by governments across the world, starting in the European Union. According to the IMF, Spain faces government deficits this year equivalent to 10.4 percent of its GDP. In Portugal, the ratio of government deficits to GDP is 8.8 percent while in Ireland it is as high as 12.2 percent. As well, the United Kingdom has a national deficit of close to 12 percent of its economy. And now, not far behind the UK, is the US with government deficits amounting to 11 percent of GDP. Unless there are "drastic changes" in this sovereign debt scenario, warns the Bank for International Settlements, "debt levels will explode to between three and five times the size of their economies over the next 20 to 30 years." [xi]

Largely ignored in all the commentary on the dangers posed by government deficits is the role that private financiers played in creating the European crisis. Goldman Sachs helped Greece hide the true extent of its public borrowing through the use of derivative swaps. Private financiers willingly lent to public entities without taking responsibility for the consequences. Since Greece's troubles came to light the situation has been aggravated by speculation in bond markets through the use of Credit Default Swaps.[xii][1] As European Central Bank President Jean-Claude Trichet explains "By first buying the CDS and then trying to affect market sentiment by going short on the underlying bond, investors can make large profits."[xiii]

[1] CDSs are akin to insurance policies. Buyers purchase them to protect themselves against the risk of default and are able to collect substantial payouts when defaults do occur. Sellers of CDSs collect fees for taking on the risk that a loan will not be repaid. Unlike insurance policies investors can buy these swaps without having any direct investment in the underlying debt, driving up the cost of debt service and effectively increasing the probability of a default from which they stand to gain handsomely. Buying a CDS without having a stake in the underlying debt has been compared to buying fire insurance on a neighbour's house as an invitation to arson. (see "Financial Crisis An Opportunity for a New Global Order" KAIROS Briefing Paper No. 19, November 2009)

Thus the same instruments that were at the heart of the original financial crisis associated with the US housing market, Credit Default Swaps, are being used to aggravate the sovereign debt crisis. Although the European Union is considering reforms that would limit the use of CDSs, US efforts to bring more transparency to derivative markets are more limited.[xiv] There is no consensus among G20 countries on actions such as an outright ban on the purchase of CDSs on sovereign debt or at least barring the purchase of swaps by investors who do not have an interest in the underlying debt. Instead of taming financial market speculation through strong regulatory measures or a Financial Transactions Tax [see next section], the G20 is in effect making government policies subservient to market pressures. The sudden shift away from fiscal stimulus measures toward drastic austerity measures is taking place in the name of appeasing market sentiment.

At the G-20 Summit in Pittsburgh, many governments signaled their intent to move beyond their stimulus packages once the economic recovery was underway. Indeed, a major topic on the agenda for the Toronto Summit was to have been ‘exit strategies.’ But, the ballooning of sovereign debt has moved the goal posts for the G-20. On the one hand, economists are now warning that a sudden termination of the multi-billion dollar stimulus countries have injected into their national economies could “plunge the world into another crisis.” On the other hand, the ballooning of sovereign debt loads and deficit ratios to GDP, could well trigger a wave of defaults as government balance sheets crumble. Instead of a sustained recovery, the global economy may slip into a second recession or at least a period of very low growth as governments scramble to reduce their deficits by slashing spending and raising taxes.

This is the central dilemma of the economic crisis agenda facing the G-20 in Toronto and beyond. At the same time, the Pittsburgh communiqué called for sustained action by governments to stem the tide of unemployment and to “ensure employment recovers quickly.” [see Art. 43] For the International Trade Union Confederation [ITUC], the section of the communiqué on labour issues entitled “Putting Quality Jobs at the Heart of the Recovery”, is particularly important as it calls for “recovery plans that support decent work, help preserve employment, and prioritise job growth” and refers to training and income support for the unemployed, particularly those “most at risk.” It emphasises that recovery should not be sought through attempts to drive down labour costs by removing workers’ rights. The commitment to hold a meeting of G-20 labour ministers in 2010 is seen by the ITUC as an opportunity to push for the implementation of the ILO Global Jobs Pact.

In London and in Pittsburgh [Art.#15,42], the G-20 also pledged to tackle the issue of illicit capital flows, involving trade in contraband goods, money laundering and use of tax havens. But so far it has accomplished little.In 2006 alone, it is estimated that developing countries lost between $859 billion US and $1.06 trillion US in ‘illicit capital outflows.’[xv] Tax evasion by wealthy individuals costs developing countries up to an estimated US$124 billion a year,[xvi] while tax evasion by corporations through transfer pricing and false invoicing annually cost developing countries US$160 billion in lost tax revenue.[xvii]

Similarly the G-20 promises to uphold the United Nations’ Millennium Development Goals [MDGs] and increase Official Development Assistance [ODA] have not delivered any substantial results. While the Pittsburgh communiqué reaffirms past commitments made by the G-8 to meet the MDG priorities and increases in ODA, there is considerable doubt these pledges will be honoured, especially given the current state of the global economy. A prime example is the claim made by Canada’s current government to have delivered on the promise made at the G-8 Gleneagles summit in 2005 to double aid to Africa. In fact, the goal announced by then Prime Minister, Paul Martin at Gleneagles, was to double aid to $2.8 billion in 2008-09. But, the present Harper government actually delivered only $2.1 billion in aid to Africa in 2009.

4. G-20's Financial Crisis Agenda

At the Pittsburgh summit, how to pay for the costs of the global financial crisis was a major priority for the G-20. Just prior to the meeting then German Finance Minister, Peer Steinbruk accused the banks and other private financial institutions of having gained "significant benefits" from the recent wave of government bailouts, without "pulling their weight." Accordingly, he proposed a Financial Transactions Tax (FTT), applied across all G20 countries, to ensure that all financial market participants contribute equally to the costs of government bailouts. He proposed a tax rate of 0.05% on all trades of financial products (including equities, bonds, derivatives, and foreign exchange) that could yield up to US$690 billion a year or about 1.4% of world GDP.[xviii]

Although the FTT proposal was supported not only by Germany, but by France and the United Kingdom as well, the G20 did not explicitly endorse it. Instead, the Pittsburgh communiqué instructed the IMF to prepare a report concerning "the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system." Shortly after the Pittsburgh summit, IMF Managing Director Dominique Strauss-Kahn threw cold water on the idea of any kind of an FTT. He said the IMF's mandate was not to study "the over simplistic Tobin tax" on foreign exchange transaction which he termed an "old idea" from the 1970s that would not work today.

When the G20 finance ministers met on Nov. 7, 2009 in Scotland, then British Prime Minister Gordon Brown grabbed headlines with a speech endorsing an FTT as a way of forcing private financial institutions to pay some of the costs of the crisis. However, Canadian Finance Minister James Flaherty, US Treasury Secretary Timothy Geithner and IMF chief Strauss-Kahn rejected Brown's overture. Three months later, Flaherty hosted a fireside chat among G-7 finance ministers in Iqaluit which resulted in a consensus on the need for some kind of universal tax on banking institutions. Going into the meeting Flaherty repeated his position that there should be no new taxes on the financial institutions that are responsible for the global crisis. However, the British, French and German ministers all went to Iqaluit with mandates to support an international Financial Transactions Tax. By the end of the Iqaluit meeting, even US Treasury Secretary Timothy Geithner "had come around to the idea" of some kind of a global tax.[xix]

In April 2010, the IMF presented its interim report to the G20[xx] which outlined three options:

1. **A Bank Levy ---** a tax on financial institutions' balance sheets (most probably on their liabilities or possibly on their assets) whose proceeds would most likely be used to create an insurance fund to bail them out in any future crisis rather than making taxpayers pay for bailouts.
2. **A Financial Transactions Tax ---** on a broad range of financial instruments including stocks, bonds, currencies and derivatives.
3. **A Financial Activities Tax or "FAT" ---** on bank profits and bankers' excessive remuneration packages with the proceeds going into general government revenues.

Although the IMF Report puts heavy emphasis on the first option, a bank levy, it does not dismiss the FTT "on grounds of administrative practicality," as anticipated. Instead, the IMF Report argues that the FTT "does not appear well suited to the specific purposes set out in the mandate from the G-20 leaders."[xxi] Nevertheless, all three options remain in play in the lead up to the Toronto summit where the IMF is scheduled to table its final report.

In fact, the three options are not mutually exclusive. Some combination could be implemented. Yet, all three options need to be evaluated in terms of whether or not they deter excessive risk taking which is at the core of the financial crisis. A levy on financial institutions for an insurance fund, for example, is a poor candidate for deterring risk. It might

even encourage firms to take more risks knowing that a bailout fund is available. By contrast, a tax on financial transactions would help deter excessive risk taking. By raising transaction costs, it would help curb speculation. But, to be effective, an FTT would have to be accompanied by stronger rules and regulations on financial institutions' activities, the best means to deter excessive risk taking.

What's more, the revenue potential of an FTT is significant. A study done by Stephen Schulmeister at the Vienna-based WIFO Institute estimates that a global FTT at a rate of 0.05% would yield approximately US$650 billion in annual revenues. This estimate assumes that a tax at that level would lead to a 65% decline in the volume of transactions. Civil society groups call the FTT the "Robin Hood Tax" since it would raise revenues principally from the better-off, mostly in developed countries, for spending on fighting poverty and climate change at home and abroad.

Civil society groups maintain that revenues from an FTT should not only pay for the costs incurred by governments to bail out financial institutions but also be used to indemnify Southern countries who have suffered massive losses from a crisis that is not of their making. Some NGOs advocate that half the revenues should be used for covering the cost of the bailouts and the other half dedicated to meeting the needs of developing countries for fighting poverty and the costs associated with climate change.

5. G-20's Climate Crisis Agenda

The climate crisis facing the planet has also become a priority for the G-20, despite resistance by Canada's Prime Minister who would prefer to keep it off the Toronto agenda. To date, two key issues have been on the G-20 agenda: one being the elimination of inefficient fossil fuel subsidies by governments and the other being that of financing the costs of climate mitigation and adaptation of developing countries.

In his 2006 Report on the economics of climate change, Sir Nicholas Stern revealed that worldwide subsidies to fossil fuels were then worth some US$200 billion a year versus just US$10 billion for renewable sources of energy. More recent studies estimate that global subsidies for fossil fuels are considerably higher. For example, the Global Subsidies Initiative says the figure is at least US$500 billion a year with US$400 billion of that going to end-users of fossil fuels and US$100 billion to producers.

Before the Pittsburgh summit, President Obama gave impetus to the issue when he said that phasing out subsidies to fossil fuels would reduce global greenhouse gas (GHG) emissions by 12% by 2050. The G-20 communiqué declared that "inefficient fossil fuel subsidies encourage wasteful consumption, distort markets, impede investment in clean energy sources and undermine efforts to deal with climate change." Based on studies by the OECD and IEA, the G-20 leaders predicted that eliminating fossil fuel subsidies by 2020 would reduce global greenhouse gas emissions in 2050 by 10%. They went on to make commitments to "phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption," while recognizing that this must be done in a way that prevents adverse impacts on the poorest. [Art. 29]

The G20's reliance on the OECD study is problematic in that its projection of a 10% emission reduction is for the removal of subsidies **in emerging economies and developing countries only**. The OECD study goes on to point out how removing energy subsidies from within developing countries would actually benefit industrialized countries since it "would lower the demand for, and thereby the world prices of, fossil fuels. **As a result, emissions would rise in other (mainly developed) countries, limiting the decline in world emissions**."xxii

Although the authors of the OECD report expect the increase in world emissions due to the removal of subsidies to be counterbalanced by binding emission caps in developed countries, no agreement on effective, binding caps

emerged from the December 2009 Conference of the Parties of the UNFCCC in Copenhagen. Meanwhile, Oil Change International estimates that subsidies to the fossil fuel industries in OECD countries amount to US$57 billion a year, to which should be added another US$10 billion in international subsidies to fossil fuel extraction, primarily for the benefit of Northern countries. "That's more than three times more than the U.S. and others have put up to fight climate change internationally."[xxiii]

A better option, says Oil Change International, would be to eliminate international subsidies via institutions like the World Bank, the U.S. Export-Import Bank, or the Overseas Private Investment Corporation—all of which … handed over billions last year to the fossil fuel industry, and all of which could be important sources of public funds for clean energy. So, if we don't end this practice first, we're essentially saying to the rest of the world that we'll use our public funds to support Exxon, Chevron, and Shell to build carbon intensive infrastructure in the developing world, but we'd like the developing world to remove the subsidies that make use of that infrastructure affordable to its population.

On the issue of financing of developing countries to pay for the costs of mitigating their greenhouse gas emissions and adapting to the impacts of climate change, the Trade Union Advisory Committee to the OECD predicts that $156 billion US will be required between 2010 and 2017.[xxiv] At Pittsburgh, G20 leaders failed to resolve an ongoing dispute concerning the amount of financing to come from public or private sources. Another key issue of climate financing which the G-20 leaders have not yet resolved is the role of "market-based" sources of funds such as sales or auctions of carbon dioxide emission permits under cap-and-trade systems and purchases of offsets from projects in the South deemed to be contributing to emission reductions. A background paper prepared for the Pittsburgh G20 summit had called global carbon markets a "central vehicle" for mobilizing funds to fight climate change.

While the Pittsburgh summit called on the G-20 finance ministers to report on options for climate change financing before the UNFCCC negotiations in Copenhagen last December, they were unable to reach a resolution. However, the G-20 did give the World Bank a significant role in climate financing for "the transition to a green economy through investment in sustainable clean energy generation and use, energy efficiency and climate resilience." For many civil society organizations, this mandate is contradictory since the World Bank has played a central role in supporting fossil fuel projects.

Later, the Accord initiated by President Obama in Copenhagen stated that the developed countries support the goal of mobilizing jointly $100 billion US annually by 2020 for climate financing. The most troubling feature of the new Copenhagen Green Climate Fund, however, is that it will only be accessible to those countries that agree to sign the Accord. While some developing countries, including Ethiopia, signaled their acquiescence to the Copenhagen Accord during the final UNFCCC conference assembly, others, including Venezuela, Bolivia, Nicaragua, Cuba and Sudan have spoken out boldly against it. This political manipulation of climate funds is most alarming as it constitutes a form of blackmail for the poorest countries that will face serious droughts, floods, cyclones and food shortages due to climate change in the years ahead. It also deprives them of avenues to protest the lack of transparency in which the Copenhagen Accord was forged.

6. Global Trade & the G-20

In addition to the international financial institutions, the G-20 also sees itself playing an oversight role with respect to global trade. After all, trade is a central component of the global economy. It should not be surprising, therefore, that

the G-20 would want to position itself to coordinate and, where needed, give direction to the facilitation of global trade. In short, the G-20 is well placed to become the new political driver of the World Trade Organization [WTO], as well as the International Monetary Fund and the World Bank.

Yet, so far, the G-20 has done little on the global trade front. Nearly every G7 or G8 communiqué ever issued since 1975 has stated the leaders support for completing the latest round of multilateral trade negotiations, with little evident effect. So, too, the G-20. It is remarkable, observes the ITUC, how trade was briefly dealt with in just two paragraphs in the Pittsburgh communiqué [Art.#48-49] which, in effect, amount to no more than a commitment to take no protectionist measures and to conclude the WTO's Doha Round in 2010, with no details of any new ideas on how that is to be achieved. To be sure, the G-20 communiqué did call on trade ministers to conduct a stock taking session in early 2010 to determine the state-of-play in the Doha negotiations and the WTO did issue a report [along with the OECD and UN Conference on Trade and Development] urging the G-20 to resist protectionist measures in coordinating the global economic recovery.[xxv]

Nevertheless, there can be little doubt that the G-20 will turn to the WTO and the neo-liberal trade agenda to play a key role in implementing their strategy for global economic recovery when the time comes. For the moment, the Doha Round which is designed to significantly open up markets for global trade in agricultural products, non-agricultural or industrial products, and services, has been put on the back burner until the current economic crisis has subsided. But, if and when an economic recovery abetted by government stimulus packages takes hold, then we can expect many of the G-20 countries developing and implementing their own exit strategies, albeit in a coordinated fashion. At this point, the WTO's Doha agenda of opening up markets and liberalizing trade for transnational corporations, would likely be called to play a prominent role. But, if this is done hastily, it could also backfire, particularly at a time of bourgeoning sovereign debt and the prospects of another economic recession on the horizon.

Meanwhile, the G-20 should be wary about calling on the WTO as part of its solution to the global financial crisis. After all, the WTO rules themselves have been a contributing factor. Through its Financial Service Agreement [FSA] and its General Agreement on Trade in Services [GATS], the WTO has already created an economic climate wherein governments are obliged to deregulate their financial sectors. In other words, the FSA and the GATS constrain what governments can do to regulate their banks, insurance companies and other financial services. If the WTO were to play any useful role in resolving the financial crisis, then the constraints on regulating financial services in both the GATS and the FSA would have to be rolled back. Moreover, if the global community is to adopt new public oversight concerning the financial sector of the economy, then the Doha negotiations on the further liberalization of financial services must be suspended. At a time, for example, when solutions to the financial crisis require higher capital reserves, attempts to put limits on what governments can do to impose capital reserve requirements on financial institutions, should be forbidden.

At the same time, the G-20 may also turn to the WTO and bilateral trade regimes for managing the climate crisis. But, the WTO rules could also be used to exacerbate the climate crisis. If the G-20 countries were to agree on the establishment of a cap-and-trade system wherein carbon emission permits in the North are auctioned off for purchases of carbon offsets from projects in the South, WTO trade rules and mechanisms would likely to come into play. What's more, such schemes may well be used to raise revenues for purposes other than climate mitigation and adaptation. In addition, the WTO's Trade Related Intellectual Property Rights regime [TRIPS] pose a major obstacle for developing countries securing access to new environmental technologies needed to fight climate change. And, the efforts of the petroleum industry to further liberalize energy services through new GATS rules in the WTO, could effectively undermine efforts to reduce dependence on fossil fuels and curb public investment in renewable energy options for the future.

7. Alternatives for Global Governance

Of course, there are alternatives to the G-20 and the Bretton Woods institutions as models of global economic governance. Another vision of how global economic policies might be co-ordinated is contained in the Report pf the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System , popularly known as the Stiglitz Commission, which was initially tabled in the UN in June of 2009 and reissued in September of 2009. The Commission, chaired by Nobel laureate economist Joseph Stiglitz, contains many cogent critiques of the failures of existing international institutions, especially the IMF, the World Bank and the WTO.[xxvi] The Commission also challenges the legitimacy of the G7 and G20 as unrepresentative, self-selected groups.[xxvii]

A key recommendation of the Stiglitz Commission is for the establishment of a Global Economic Coordination Council (GECC). This proposal constitutes a more democratic alternative to the self-aggrandizing declaration by the G20 leaders. The Global Economic Coordination Council would be "at a level equivalent with the General Assembly and the Security Council. Its mandate would be to assess developments and provide leadership in addressing economic issues that require global action while taking into account social and ecological factors. Based on this mandate it would promote development, seek consistency of policy goals and policies of major international organizations, and support consensus building among governments on efficient and effective solutions for global economic, social and environmental issues. ... The GECC could also promote accountability of all international economic organizations…"[xxviii]

Closely tied to the Stiglitz Commission's recommendation for the establishment of a Global Economic Coordination Council is the call for "an Intergovernmental Panel of experts tasked with the assessment and monitoring of … systemic risks in the global economy … [that] could serve as an internationally recognized source of expertise in support of better coherence and effectiveness in the global governance system, fostering dialogue between policy makers, the academic world, international organizations and recognized social movements."[xxix] It would be modeled on the "very successful example of the Intergovernmental Panel on Climate Change (IPCC)."

These two recommendations, if implemented, would shift the balance of power away from the G7 that now dominate decision-making in the International Financial Institutions and give more power to the G192, that is all United Nations members. Meanwhile, a diverse grouping of 23 countries calling itself the Global Governance Group, has called on the G-20 to recognize the UN as "the only global body with universal participation and unquestioned legitimacy." According to their proposals, the G-20 should consult with the wider UN membership before summits; include the UN Secretary General and the UN Sherpa in summits and prep meetings; and allow non-member countries to participate in discussions on specialized issues. As well, regional organizations like the Association of South East Asian Nations and the African Union be invited to participate in G20 deliberations in the way that the European Union now participates.

In addition, the Stigliz Commission has proposed a plan for establishing a new global reserve system that would provide a lasting solution to the problem of global imbalances in trade and financial flows. It recommends establishing a new global reserve system in which an international asset like Special Drawing Rights (SDRs), a reserve asset created by the IMF, would replace dependence on the US dollar. According to the Stiglitz Commission, a new global reserve system like this is needed to overcome two problems: first, the imbalance created by developing countries' excessive accumulation of foreign exchange reserves and second, the instability of the current international reserve system with its overdependence on the US dollar whose future value is likely to deteriorate given the USA's enormous international debt which now exceeds the long-term external debts of all developing countries put together.

Meanwhile, China, which wants to head off losses on its $2.5 trillion US worth of foreign exchange reserves [most of which are in US dollar-denominated instruments] has been winning support for its own campaign to establish a new international reserve system based on Special Drawing Rights rather than the US dollar.

Finally, it should be noted here that the Stiglitz Commission Report is not the only nor even necessarily the best option for an alternative model for global economic governance. Elsewhere, a number of creative proposals are being developed and/or promoted by social movements and civil society organizations seeking to build a more just, sustainable and participatory global economy. Taken together, all of these initiatives indicate there are creative and viable alternatives to the G-20 and related institutions as models for global economic governance.

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[ii] Weisbrot, Mark. "G-20 Doesn't Offer Much Reform." *The Guardian*. September 27, 2009.
[iii] Stephens, Philip. Crisis marks out a new geopolitical order. *Financial Times*. 9 October 2008.
[iv] The G20 Pittsburgh Communiqué states "We reaffirm our historic commitment to meet the Millennium Development Goals and our respective Official Development Assistance (ODA) pledges, including commitments on Aid for Trade, debt relief, and those made at Gleneagles, especially to sub-Saharan Africa, to 2010 and beyond."

[v] Stewart, Keith. "Canada should take page out of South Korea's green playbook." *The Toronto Star*. February 4, 2010.
[vi] Pascal Lamy, "Global Governance in the Steps of William Rappard," WTO News Speech, march 15, 2010.
[vii] Katrin Bennhold. "British Leader Calls for Larger I.M.F. Bailout Fund." *New York Times* October 29, 2008.
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[x] MacKinnon, Mark. "What China wants from the G20" *The Globe and Mail*. June 8, 2010.
[xi] Cited in Jason Kirby, "Say Goodbye to the Recovery," *MacLean's Magazine,* June 7, 2010, p. 47.
[xii] Schwartz, Nelson D. and Dash, Eric. "Banks Bet Greece Defaults on Debt They Helped Hide." *The New York Times*. February 25, 2010.
[xiii] Cited in "Greece Considering Legal ActionAgainst U.S. Banks for Crisis." Bloomberg. May 15, 2010.
[xiv] See Hall, Ben and Tait, Nikki. "EU urged to speed up financial regulation." *Financial Times*. June 9, 2010. and Morgenson, Gretchen. "3,000 Pages of Financial Reform, but Still Not Enough." *The New York Times*. May 28, 2010.

[xv] See Kar, Dev and Cartwright-Smith, Devon> *Illicit Financial Flows From Developing Countries: 2002-2006.* Washington: Global Financial Integrity at http://www.gfip.org/storage/gfip/executive-final version 1-5-09.pdf
[xvi] cited in Gillespie, Peter. "Private Bankers and the Shadow Economy." *E-AU COURANT* Ottawa: Canadian Council for International Cooperation 2009 at http://www.ccic.ca/aucourant/aucourant_spring_2009_3_e.html
[xvii] Cobham, Alex et al. *The morning after the night before: The impact of the financial crisis on the developing world.* London: Christian Aid. November 2008. Page 13.
[xviii] Steinbruck, Peer. "Steinbruck: G20 should tax financial trades." *Financial Times.* September 24, 2009.
[xix] Fifield, Anna. "G7 warms to idea of bank levy." *Financial Times.* February 6, 2010.
[xx] IMF Interim Report for the G-20. "A Fair and Substantial Contribution by the Financial Sector." Washington: International Monetary Fund. April 16, 2010.
[xxi] Ibid. Page 16.
[xxii] Burniaux et. al. *The Economics of Climate change Mitigation: How to Build the Necessary Action in a Cost-Effective Manner.* Paris: OECD. 2009. Page 15. emphasis added
[xxiii] See Steve Kretzmann. "Obama to propose ending fossil fuel subsidies in Pittsburgh? At http://www.grist.org/article/2009-09-16-obama-to-propose-ending-fossil-fuel-subsidies-in-pittsburgh
[xxiv] Trade Union Advisory Committee to the Organization for Economic Cooperation and Development. "The Parameters of a Financial Transaction Tax and the OECD Global Public Good Resource Gap, 2010-2020." Paris: TUAC Secretariat. February 15, 2010. Table 2 Page 6 and Table 3 Page 7.

[xxv] OECD, WTO and UNCTAD; Second Combined Report on G20 Trade and Investment Measures, March 8, 2010.
[xxvi] See Stiglitz Commission final report http://www.un.org/ga/econcrisissummit/docs/FinalReport_CoE.pdf Chapter 1 paragraphs 23 to 28 on page 16 which summarize a longer discussion in Chapter 4.
[xxvii] Ibid. Chapter 1 #18 and #19 on page 15.
[xxviii] Ibid. Chapter 4 #25 page 91.

[xxix] Stiglitz Commission Chapter 4, #22, page 90.