



KOREA'S ECONOMY

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THE SEOUL G-20

THE G-20: ACHIEVEMENTS AND CHALLENGES

By SaKong Il

Just as the world economy was about to be thrown into another Great Depression in late 2008, leaders of the Group of 20 (G-20) and emerging economies gathered for the first time to save the global economy from the worst recession since the Great Depression. After that they met four times before they met again in Seoul in November 2010. The G-20 during that time took the lead successfully in the global community's effort to avert another Great Depression. It proved to be a functioning crisis management committee.

Nonetheless, there were many skeptics of the G-20 who predicted that, after the global economy recovered, the sense of urgency shared by the G-20 leaders would dissipate, and, consequently, the G-20 would stumble. Therefore, the Seoul summit scheduled for 11–12 November 2010 was a litmus test, so to speak, for the G-20's ability to position itself as a global steering committee by showing the world that it could still deliver even after the crisis. In view of this, the Korean presidency worked diligently in close collaboration with the rest of the G-20 member countries.

What were the major achievements in Seoul? In short, with the G-20 leaders' resolve to save the G-20 process in this deeply interconnected world, all member countries in the end gave as much as they could for delivering on previous commitments. Notably, the largest quota adjustment in the IMF's 66-year history was accomplished in favor of emerging and developing economies. Also, the G-20 leaders in Seoul were able to endorse the Basel III. It is worth noting that it took nearly 10 years to complete the relatively simpler Basel II while it took only 18 months to complete Basel III. Regarding the macroeconomic policy coordination for rebalancing the global economy, the G-20 leaders agreed on the timeline of developing a set of indicative guidelines to assess member countries' imbalances.

Along with this, the G-20 leaders adopted the Seoul Development Consensus for Shared Growth with a multiyear action plan to assist the development of mostly non-G-20 developing and emerging countries. It is critical for the legitimacy and credibility of the G-20 as the premier forum for international economic cooperation to pay due attention to the concerns and policy priorities of those non-G-20 countries.

A business summit as a process was also added to the G-20 summit process in Seoul. In fact, the French presidency is organizing the business summit as an integral part of the G-20 process this year, and Mexico is expected to do the same as the 2012 presidency.

With these achievements so far, the G-20 should be able to continuously deliver to solidify its foundation as the global economic steering committee, albeit informal. Obviously, the G-20's legitimacy and credibility can be further enhanced through its own operational effectiveness. Therefore, one of the G-20's immediate critical challenges is strengthening its own governance system. It is time for the G-20 to consider various options, ranging from a better-structured and formalized system of the current troika to the establishment of a permanent secretariat as described in the joint nonpaper circulated by Korea and the United Kingdom before the Seoul summit. Also, central to the G-20 governance system is to set up a modus operandi for collaboration with other multilateral institutions, including the Bretton Woods institutions and the Financial Stability Board.

The G-20 and the global community need to work together toward the success of the G-20 as a global steering committee. The global community has few options except to rely on the collective leadership of the G-20 in this nonpolar or G-zero world.

SaKong Il is Chairman, Presidential Committee for the G-20 Summit, Korea International Trade Association, Republic of Korea.

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