

The 'New' Elite Club

THE GROUP OF 20 (G20) SUMMIT in Pittsburgh in September marked some progress in tackling the global economic crisis and re-regulating the financial sector of developed countries.

However, it did not tackle key issues of immediate concern to the developing countries, such as providing more liquid funds to help them cope with a reversal of capital flows, or to help countries from falling into a foreign debt crisis caused by the financial downturn.

Some progress on reforming the governance of the international financial institutions was made, by giving a figure of at least 5%, as the shift from developed to developing countries in the quota (denoting equity share) in the IMF and 3% of the voting rights in the World Bank, when the reforms of decision-making power in these two organisations is completed.

That reform process will still go on for several years and 5% or 3% is too little to re-balance the quotas of equity and votes, if the rights of different categories of developing countries (the bigger countries like India, China and Brazil, as well as others like African, Asean and other middle-income countries) are to be enhanced.

Perhaps, the most important decision of the summit was to designate the G20 to be "the premier forum for our international economic cooperation".

This is a code for phasing in the G20 as the informal governing body for the global economy, which may thus gradually replace the G8 which is the club of the rich and powerful developed countries.

This move is bound to be controversial and going to be challenged.

On one hand, it will be hailed as spreading international governance more evenly between developed and developing countries because the G20 includes developing countries such as China, India, Brazil, South Africa, Mexico, South Korea and Indonesia.

Thus, the power of the developed countries is diluted, and the talk is that European countries as a whole have been over-represented and now some of them may have to give way to bigger developing countries.

However, an even bigger issue is that most developing countries are not in the G20 and they have not accepted the G20 as the "premier" body that will decide on global economic issues in their absence.

Many developing countries have argued that the G20 is a grouping whose membership was decided on by the big developed countries like the United States and the United Kingdom, who between them hosted the three G20 summits since last November. □□□