

COUNCIL *on* FOREIGN RELATIONS

[Home](#) > [By Publication Type](#) > [Backgrounders](#) > [Twenty Agendas At G-20, Part II](#)

Backgrounder

Twenty Agendas at G-20, Part II

Author: Jamal Afridi

September 23, 2009

Heads of state and government from the Group of Twenty (G-20) advanced economies meet in the U.S. city of Pittsburgh on Sept. 24-25 to discuss continuing efforts at coordinating action to combat the global economic crisis. The meeting builds on summits held in Washington in November 2008 and London in April 2009 in which leaders discussed stimulus measures and new rules for the international financial system to confront the deepest global recession since World War II. Amid signs of recovery in some regions, G-20 leaders in Pittsburgh are expected to consider winding down some stimulus measures. They will also likely discuss ways of increasing capital requirements for banks to help avoid collapses that battered the finance industry in the past year. The following is an outline of the policy issues that will command the most attention for each of the G-20 members.

1. [Argentina](#)
2. [Australia](#)
3. [Brazil](#)
4. [Britain](#)
5. [Canada](#)
6. [China](#)
7. [European Union](#)
8. [France](#)
9. [Germany](#)
10. [India](#)
11. [Indonesia](#)
12. [Italy](#)
13. [Japan](#)
14. [Mexico](#)
15. [Russia](#)
16. [Saudi Arabia](#)
17. [South Africa](#)
18. [South Korea](#)
19. [Turkey](#)
20. [United States](#)

Argentina

While each of the twenty members of the G-20 technically has equal power, experts say Argentina, which represents one of the smallest economies involved, will have more limited influence than most. Argentina will seek to improve its sour relationship with the International Monetary Fund (IMF) and push for relaxing IMF conditionality on loans. In September, Argentina agreed in principle to open its books to the fund. Buenos Aires has sought a return to foreign debt markets since its massive debt default in 2002, and an IMF review would allow access to international money markets. CFR's Shannon O'Neil says Mexico and Argentina "want greater funding for the Inter-American development bank, which needs fresh capital." Argentina will work to foster increased participation of developing countries in international financial organizations.

Australia

Australia is expected to call for a "robust framework" on global regulation and oversight in Pittsburgh, but has warned that too much focus on the issue of banker bonuses at the summit could stall economic recovery. At the preliminary G-20 meeting of ministers in London, Australian Finance Minister Wayne Swan said "refinements in pay structure and greater transparency" needed to be pursued (*FT*), but that "the G-20 has much further to go." Australia believes it is too early to begin exit strategies from economic stimulus policy. Swan announced in early September that stimulus would not be curbed until the Australian growth "is secured" (AAP) at the normal quarterly rate of three percent--a rate Australia has not reached since the March quarter of 2008. Australia hopes to return to that rate by producing a "sustained return of demand, and particularly private demand," but the Australian treasury has estimated that economic growth will not return to an above-trend level until 2011 (AAP).

Brazil

Brazil represents the largest Latin American economy and the second-largest emerging market economy present at the G-20 summit. President Luiz Inacio Lula da Silva will utilize the global financial crisis to make a strong case for expanding the roles of developing countries within international financial institutions and for encouraging the resumption of global trade negotiations, according to CFR's Julia E. Sweig. Brazil "has acknowledged increased confidence in the markets," says Sweig, noting that the country "pledged a \$10 billion contribution to the IMF and plans to sign the agreement in Pittsburgh." Lula, who will be calling for greater international regulation (Reuters) of the financial sector and for significant reform in procedures of the IMF and World Bank, said in July that developing countries "need to demand the things we agreed [in April, 2009] that the International Monetary Fund would do and that the World Bank would do, and I think this meeting is extremely important."

Britain

Prime Minister Gordon Brown, host of the April 2009 G-20 summit and a former finance minister himself, has proposed coordination by the G-20 on monetary and fiscal policy with a shift away from a global reliance on debtor nations such as the United States. At a pre-summit meeting of EU heads in Brussels in September, Brown said, "the Pittsburgh summit should agree a historic global compact for long-term stability and jobs." Brown also said just ahead of the summit that ongoing stimulus is crucial to the global financial recovery, signaling a move away from suggestions that he was planning to cut spending in an attempt to boost Britain's economy. Brown has co-signed a letter with French President Nicolas Sarkozy and German Chancellor Angela Merkel calling for the G-20 to adopt binding rules on variable pay for major banks. He is also expected to join his counterparts in calling for tougher actions aimed at eliminating tax havens.

Canada

Canada has indicated that its agenda at the G-20 summit will revolve around economic recovery efforts and clean energy policies. Canadian Prime Minister Stephen Harper is expected to voice his opposition to U.S. protectionism and express his concern over the "buy American" provisions in the U.S. economic stimulus package. Jim Flaherty, Canada's minister of finance, stressed the need for all G-20 members to fulfill their commitments to incentivize their respective economies and regulate their financial institutions. Speaking to reporters before the G-20 meeting, Flaherty insisted that "the most important area is stimulus spending by members of the G20; we all agreed that we would take steps to create substantial stimuli in our respective economies."

China

In advance of the G-20 summit, China expressed the desire for an increased role in the IMF and the World Bank to better reflect the country's growing economic strength. In particular, Beijing is expected to push for a restructuring of IMF voting rights and governance powers, with an equal distribution of rights among developed and developing countries. Speaking ahead of the G-20 summit, Assistant Finance Minister Zhu Guangyao said that voting rights "should gradually achieve a balance of 50 percent to 50 percent" (Reuters) between developed and developing countries. China will likely address the recent trade tensions between the United States and China, which rose in the aftermath of Washington's decision to place tariffs on Chinese tire imports. China's vice foreign minister He Yafei urged G-20 leaders (WSJ) to "reaffirm their commitment to impose no new protectionist measures," and continue to be mindful of "common interests."

European Union

After reporting an expected four percent economic contraction by the end of 2009 (AFP) among member states, the European Union is seeking solutions related to job creation, energy efficiency, support for low income nations, and IMF governance. EU ministers are also expected to push for international financial regulation through supervision of markets and caps on bonuses in the financial sector. The bonus issue is emerging as a particularly sensitive one between the EU states and Washington. EU leaders in early September called on the G20 to establish binding rules on bonuses but specifics were to be worked out at the summit.

France

President Nicolas Sarkozy, with Angela Merkel's support, has been a leading voice on toughening financial regulation. Speaking to reporters with Britain's Gordon Brown, Sarkozy called for "concrete, precise decisions" (Bloomberg) to be taken at the summit. Sarkozy and Finance Minister Christine Lagarde are pushing G-20 leaders to come to a consensus on bankers' compensation, and Sarkozy's chief of staff warned that the French president may walk out (UPI) of the G-20 meeting if leaders fail to reach a global agreement on curbing bank bonuses, mirroring a similar threat made over the regulation of tax havens in April.

Germany

In the lead-up to the G-20, Chancellor Angela Merkel has pushed for greater international implementation of financial regulatory measures agreed to at the London summit in April. Analysts were surprised when Germany showed unexpected growth (BBC) in June, escaping the ill effects of a yearlong recession. Merkel, who is seeking re-election on September 27, has agreed on a common position with France that largely seeks to limit bankers' remunerations. The chancellor has been outspoken about the damaging effects of large banks (WSJ) and the cross-border linkage, believing that "no bank must be allowed to get

so big that it can get into a situation where it could blackmail governments." Merkel will also push G-20 nations to make assurances that banks have sufficient capital cushions to protect against potential losses, and that strategies for winding down economic stimulus packages cover interest rate policies.

India

India is expected to reiterate its demand for a larger role in the international financial system, including increased IMF voting rights. Along with Russia, Brazil, and China, India proposes a seven percent shift in IMF quotas in favor of developing countries. Swaminathan Aiyar, a prominent Indian financial writer and a fellow at the CATO Institute, says India will "generally agree" with new financial rules on higher capital adequacy. However, Aiyar says, New Delhi "may point out that capital adequacy [regulation on how banks must hand their capital] was not a problem in India, China and most other Asian countries during the crisis, so a one-size-fits-all approach may not be so wise." Given its reliance on exports, Aiyar says, New Delhi will also reiterate the importance of avoiding protectionism and will call on developed countries to rule against tariffs on imports from countries that do not accept legally binding emission reduction targets, known as "green protectionism."

Indonesia

While Indonesia is in a strong fiscal position, according to Finance Minister Sri Mulyani Indrawati, the nation is also cautious about the future international economic outlook (Dow Jones). Mulyani has urged G-20 ministers to adopt a "coordinated approach" for an exit strategy from financial stimulus policies, fearing that any premature action could prolong the recession. Mulyani also hopes to discuss the formation of a new, sustainable global economic model that "will not lead to excessively risky behavior." Indonesian officials aim to address climate change inside such a model, hoping to come to an international consensus on the funding of climate change technologies. Indonesia has criticized plans from developed nations regarding CO2 emissions cuts, claiming that rich nations are pushing the financial burden of climate change mitigation (Reuters) on the developing world. "Many developing countries are concerned that the global issue of climate change will constrain their ability to industrialize without creating additional costs," Mulyani noted at the meeting of financial ministers in London.

Italy

Italy currently chairs both the G8 industrialized nations and the Financial Stability Forum, an international body that focuses on coordinating regulation of financial markets. With a largely service-based economy, Italy has weathered the global financial crisis relatively well; however an assessment by the Organization for Economic Cooperation and Development (OECD) found that limited exposure of banks to toxic assets did not protect Italy from the recession. Gianmarco Ottaviano, a professor of economics at Bocconi University Milan, says Italy's main focus at the summit, as raised by Finance Minister Giulio Tremonti at a meeting of G-20 finance ministers, concerns the global governance of the G-20. In Italy's opinion, says Ottaviano, the G-20 is the "natural place for global political decisions with the [International Monetary Fund] as its executive arm." Italy will likely join G-20 counterparts in pushing for action aimed at eliminating tax havens.

Japan

Japan's recent change of government, says CFR's Sheila Smith, raises new questions about the future trajectory of decision-making on foreign policy goals broadly, "but also about the specific issue of Japan's role in the G-20 process." The previous government of Prime Minister Taro Aso passed a supplementary budget of about \$152 billion in stimulus spending in May, and the new Finance Minister Hirohisa Fujii announced in September that as much as \$55 billion of the stimulus may be redeployed (Bloomberg). The

Democratic Party of Japan, the new ruling party, has promised the public that it will offer subsidies to families raising children, end the gasoline tax, and reduce tolls on public highways to put more money in the pockets of Japan's consumers and lower the country's record unemployment rate. Unclear, experts say, is the tack that the new Japanese government will take on international efforts to reform global financial management practices. Smith notes that "there is some indication that this new government takes a more critical stance towards the U.S. role in leading the global economy, but it is unclear going into Pittsburgh whether or not this will translate into a less supportive policy position vis-a-vis Washington's proposals."

Mexico

Experts say Mexico envisions the G-20 as a mechanism to bridge the economic gap between industrialized and developing countries. CFR's [O'Neil](#) says heightened concern over climate change in Mexico will likely dictate its agenda during the summit. According to O'Neil, Mexico "will likely propose innovative policies such as the creation of a green fund that all countries would contribute to for investment in clean technologies." As a major trading partner with the United States, Mexico will urge other G-20 leaders to pressure Washington not to adopt protectionist measures, such as using "Buy American" clauses and banning Mexican trucks from U.S. highways. Mexico views such measures as violations of the [North American Free Trade Agreement \(NAFTA\)](#).

Russia

While the Russian economy grew 7.4 percent between April and June, it contracted 10.9 percent between 2008 and 2009, prompting Russian officials to [warn against too much optimism \(Reuters\)](#) and the removal of stimulus policies they say are still needed to return the market to sustained growth. Nonetheless, Russian President Dmitry Medvedev has advocated research into post-crisis development and exit strategies. Russian Economy Minister Elvira Nabiullina has also called for the creation of a new Russian economic model, one that limits "weak points" of the economic crisis and "dependence on oil exports and foreign capital markets." At the G-20 summit, Russia will push for [IMF and World Bank restructuring \(Newsday\)](#) on behalf of the Brazil, Russia, India, and China quartet (BRIC). The BRIC argues that reform of these bodies is needed to ensure global stability and equity, and has proposed quota increases for the representation of developing nations in both the IMF and World Bank.

Saudi Arabia

The world's leading oil exporter will start asserting itself--gently but increasingly--at the G-20 summit, says [Jean-François Seznec](#), an Arab-Persian Gulf expert and visiting professor at Georgetown University. "Saudi Arabia will also look favorably on G-20 policies that would curb the hedge funds and other large financial institutions seen to be in part the cause of the enormous volatility of oil prices," says Seznec. Saudi Arabia plans "to continue the measures and the stimulus packages [agreed to in April]" [according to finance minister Ibrahim Al-Assaf \(TradeArabia\)](#). Regarding the debate on members' voting power, Saudi Arabia [supports emerging nations' \(Reuters\)](#) demand for better representation in the financial institutions, but not at "the expense of other emerging and developing countries," says Al-Assaf. "It should come from the share of developed countries that are overrepresented."

South Africa

South Africa, the G-20 summit's only delegate from Africa, is one of only two G-20 members that underwent a change of leadership since the April summit. CFR's [John Campbell](#) says South African President Jacob Zuma, who was elected on a populist platform, aimed at countering rising unemployment and a shrinking economy, will broadly seek additional funding from the IMF, World Bank, and regional

development banks. At the conclusion of a September India-Brazil-South Africa (IBSA) ministerial, the three countries' foreign ministers reiterated IBSA members' roles as representatives for the underdeveloped Global South in the G-20 and as advocates for the reform of the international financial system. Zuma has made the successful conclusion of the Doha round of global trade talks "a priority," adds Campbell, "and that may also be a preoccupation of the South African delegation at Pittsburgh."

South Korea

President Lee Myung-bak , along with Australian Prime Minister Kevin Rudd, called on (FT) G-20 leaders to address challenges impeding further market stabilization. Lee and Rudd urged G-20 leaders to follow through on existing commitments, manage the "transition from crisis to recovery," and move "towards more balanced global growth." Disputes within the South Korean government over a possible rise in interest rates has led to a debate on when to implement an exit strategy from the current expansionary policies taken to protect the economy. Finance Minister Yoon Jeung-hyun expressed his belief (Reuters) that "implementing an exit strategy alone and too early will weigh down the Korean economy." In an interview with Dow Jones, Yoon said he'd like to see international cooperation on creating global safety nets to lessen the burden that emerging economies face in preparing for external shocks.

Turkey

With Turkey's unemployment rate around 13 percent, some experts predict the country's leaders may use the summit to ask for economic support from their better-off counterparts, as they did at the April G-20 summit. Finance Minister Mehmet Simsek has called for assistance from the IMF in the past, but the IMF has yet to set a deadline (Reuters) in its loan accord talks with Ankara. Turkey is again expected to push for the establishment of anti-protectionist measures and international standards on coordinating further fiscal stimulus measures. More broadly, says Turkey expert Henri J. Barkey, Turkey will use the G-20 "to push for its international political agenda." Barkey says Ankara is in "an all out process of establishing itself as a global power" and views the G-20 as a place to advance its role in international politics and economics.

United States

Washington has indicated it will introduce a plan, titled "Framework for Sustainable and Balanced Growth," that calls for major changes in the economic policies of the United States, China, and EU states. The framework is not public yet but the *Wall Street Journal* reports that it will "involve measures such as the U.S. saving more and cutting its budget deficit, China relying on exports, and Europe making structural changes to boost business investment." Ahead of the summit, U.S. President Barack Obama also emphasized (Reuters) "the need to remain vigilant to avoid premature withdrawal of stimulus." CFR's Benn Steil says that the Obama administration is focused on getting banks to increase capital cushions by the end of 2010, but is "concerned about disadvantaging U.S. banks internationally - just as in the 1980s [when U.S. capital requirements were higher than those in other major countries]." Steil expects the United States to "push hard on Europe and Japan to match its moves." In an interview with the Financial Times, U.S. Treasury Secretary Timothy Geithner said the "most important thing we have to do internationally is a new capital accord." The United States has also been pushing to lower the number of seats on the IMF board and to shift five percentage points (WSJ) of ownership from traditional industrialized countries to developing countries such as China, India, and Brazil. On climate change, the United States is expected to press leaders to eliminate subsidies for fossil fuels and electricity.

With reporting from Michal Lewin-Epstein and Rhonda Shafei

Weigh in on this issue by emailing CFR.org.

Copyright 2009 by the Council on Foreign Relations. All Rights Reserved.