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The G-20 and International Economic Cooperation: Background and Implications for Congress

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Summary

The Group of Twenty (G-20) is a forum for advancing international cooperation and coordination among 20 major advanced and emerging-market economies. The G-20 includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States, as well as the European Union (EU). G-20 countries account for about 85% of global economic output, 75% of global exports, and two-thirds of the world's population.

Originally established in 1999, the G-20 rose to prominence during the global financial crisis of 2008-2009 and is now the premier forum for international economic cooperation. Since the crisis, the G-20 leaders typically meet annually (at "summits"). Meetings among lower-level officials, including finance ministers and central bank governors, are scheduled throughout the year. G-20 meetings primarily focus on international economic and financial issues, although related topics are also discussed, including development, food security, and the environment, among others.

Congress exercises oversight over the Administration's participation in the G-20, including the policy commitments that the Administration is making in the G-20 and the policies it is encouraging other G-20 countries to pursue. Additionally, legislative action may be required to implement certain commitments made by the Administration in the G-20 process.

The G-20 in 2018

Argentina is chairing the G-20 in 2018 and hosting the annual summit on October 4-5 in Buenos Aires. Argentina's theme for the year is "building consensus for fair and sustainable development." To advance this agenda, Argentina is proposing a focus on three key issues: (1) the future of work; (2) infrastructure for development; and (3) food security. In addition, Argentina will seek to build on previous G-20 work on empowering women, fighting corruption, strengthening financial governance, building a strong and sustainable financial system, improving the fairness of the global tax system, cooperating on trade and investment, taking responsibility on climate action, and transitioning toward cleaner, more flexible, and more transparent energy systems.

There are questions about how discussions will proceed at the summit. The 2017 G-20 summit was contentious, with the United States increasingly isolated on trade and climate change issues. It is not clear that divisions on these issues have resolved over the past year. The G-7 summit hosted by Canada was also divisive, with President Trump withdrawing his initial support for the communiqué. Trade divisions have also arisen in G-20 discussions among finance ministers and central bank governors earlier this year. Meanwhile, Argentina is embroiled in its own financial crisis, with the government struggling to regain investor confidence following rapid depreciation of its currency and IMF program in June 2018.

U.S. Leadership and Effectiveness of the G-20

The G-20 meeting and outcomes are contributing to ongoing debate about the U.S. leadership in the world under the Trump Administration. Some commentators are concerned that U.S. isolation at international summits reflects a growing trend of abdication of U.S. leadership and abandonment of U.S. allies. Others are more optimistic, arguing that differences between the United States and other countries were overblown and that President Trump is pursuing foreign policies consistent with his campaign pledges.

The summit also raises questions about the G-20's usefulness. Some argue it is a vital forum for a diverse set of countries to discuss their differences. Others wonder whether the G-20, which

initially brought together leaders to coordinate the response to the global financial crisis of 2008-2009, has become less consequential over time.

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Introduction

The Group of Twenty, or G-20, is a forum for advancing international economic cooperation and coordination among 20 major advanced and emerging-market economies.[1] Originally established in 1999, the G-20 rose to prominence during the global financial crisis of 2008-2009. It is now considered to be the premier forum for international economic cooperation, a position in effect held for decades following World War II by a smaller group of advanced economies (the Group of 7, or G-7).[2] G-20 countries account for about 85% of global economic output, 75% of world exports, and two-thirds of the world's population.[3]

The G-20 leaders meet annually, and meetings among lower-level officials are held throughout the year. The G-20's focus is generally on financial and economic issues and policies, although in recent years, the G-20 has also increasingly become a forum for discussing pressing foreign policy issues. The 2017 G-20 summit was unusually contentious, with the United States at odds with other G-20 countries on trade and climate change. Argentina is chairing the G-20 in 2018 and hosting the annual summit on October 4-5 in Buenos Aires. Argentina's theme is "building consensus for fair and sustainable development."

Congress exercises oversight over the Administration's participation in the G-20, including the policy commitments that the Administration is making in the G-20 and the policies it is encouraging other G-20 countries to pursue. Additionally, legislative action may be required to implement certain commitments made by the Administration in the G-20 process.

This report analyzes why countries coordinate economic policies and the historical origins of the G-20; how the G-20 operates; major highlights from previous G-20 summits, plus an overview of the agenda for the next G-20 summit; and debates about the U.S. role in the G-20 and its effectiveness as a forum for economic cooperation and coordination.

The Rise of the G-20 as the Premier Forum for International Economic Cooperation

Motivations for Economic Cooperation

Since World War II, governments have created and used formal international institutions and more informal forums to discuss and coordinate economic policies. As economic integration has increased over the past 30 years, however, international economic policy coordination has become even more active and significant. Globalization may bring economic benefits, but it also means that a country's economy can be affected by the economic policy decisions of other governments. These effects may not always be positive. For example, if one country devalues its currency or restricts imports in an attempt to reverse a trade deficit, another country's exports may decline. Instead of countries unilaterally implementing these "beggar-thy-neighbor" policies, some say they may be better off coordinating to refrain from such negative outcomes. Another

[1] The G-20 includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, and the United States, as well as the European Union (EU).

[2] The G-7 includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

[3] World Bank, *World Development Indicators*, accessed September 2018 GDP and population data are for 2017; export data are from 2016.

reason countries may want to coordinate policies is that some economic policies, like fiscal stimulus, are more effective in open economies when countries implement them together.

Governments use a mix of formal international institutions and international economic forums to coordinate economic policies. Formal institutions, such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the World Bank, and the World Trade Organization (WTO), are typically formed by an official international agreement and have a permanent office with staff performing ongoing tasks.[4] Governments have also relied on more informal forums for economic discussions, such as the G-7, the G-20, and the Paris Club.[5] These economic forums do not have formal rules or a permanent staff.

1970s-1990s: Advanced Economies Dominate Financial Discussions

Prior to the global financial crisis of 2008-2009, international economic discussions at the top leadership level primarily took place among a small group of developed industrialized economies. Beginning in the mid-1970s, leaders from a group of five developed countries—France, Germany, Japan, the United Kingdom, and the United States—began to meet annually to discuss international economic challenges, including the oil shocks and the collapse of the Bretton Woods system of fixed exchange rates. This group, called the Group of Five, or G-5, was broadened to include Canada and Italy, and the Group of Seven, or G-7, formally superseded the G-5 in the mid-1980s. In 1998, Russia also joined, creating the G-8.[6] Russia did not usually participate in discussions on international economic policy, which continued to occur mainly at the G-7 level. Meetings among finance ministers and central bank governors typically preceded the summit meetings. Macroeconomic policies discussed in the G-7 context included exchange rates, balance of payments, globalization, trade, and economic relations with developing countries. Over time, the G-7's, and subsequently the G-8's, focus on macroeconomic policy coordination expanded to include a variety of other global and transnational issues, such as the environment, crime, drugs, AIDS, and terrorism.

1990s-2008: Emerging Economies Gain Greater Influence

Although emerging economies became more active in the international economy, particularly in financial markets, starting in the early 1990s, this was not reflected in the international financial architecture until the Asian financial crisis in 1997-1998. The Asian financial crisis demonstrated that problems in the financial markets of emerging-market countries can have serious spillover effects on financial markets in developed countries, making emerging markets too important to exclude from discussions on economic and financial issues. The G-20 was established in late 1999 as a permanent international economic forum for encouraging coordination between advanced and emerging economies. However, the G-20 was a secondary forum to the G-7 and G-

[4] For more information about formal international institutions, see, for example, CRS Report R42019, *The International Monetary Fund*, by Martin A. Weiss, and CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by Ian F. Fergusson.

[5] The Paris Club is an informal group of developed countries. It negotiates financial services such as debt restructuring and debt relief to indebted developing countries. For more information, see CRS Report RS21482, *The Paris Club and International Debt Relief*, by Martin A. Weiss.

[6] While the EU is not an official member of the G-7 or G-8, the EU has participated in meetings since 1977. The EU is represented by the president of the European Commission and the president of the European Council. The EU does not hold leadership positions within the G-8 or host summits.

8; the G-20 convened finance ministers and central bank governors, while the G-8 also convened meetings among leaders, in addition to finance ministers.

Emerging markets were also granted more sway in international economic discussions when the G-8 partly opened its door to them in 2005.[7] The United Kingdom's Prime Minister Tony Blair invited five emerging economies—China, Brazil, India, Mexico, and South Africa—to participate in G-8 discussions but not as full participants (the "G-8 +5"). The presence of emerging-market countries gave them some input in the meetings but they were clearly not treated as full G-8 members. Brazil's finance minister is reported to have complained that developing nations were invited to G-8 meetings "only to take part in the coffee breaks."[8]

2008-Present: Emerging Economies Get a Seat at the Table

It is only with the outbreak of the global financial crisis in fall 2008 that emerging markets have been invited as full participants to international economic discussions at the highest (leader) level. There are different explanations for why the shift from the G-7 to the G-20 occurred. Some emphasize recognition by the leaders of developed countries that emerging markets have become sizable players in the international economy and are simply "too important to bar from the room."[9]

Others suggest that the transition from the G-7 to the G-20 was driven by the negotiating strategies of European and U.S. leaders. It is reported that France's president, Nicolas Sarkozy, and Britain's prime minister, Gordon Brown, pushed for a G-20 summit, rather than a G-8 summit, to discuss the economic crisis in order to dilute perceived U.S. dominance over the forum, as well as to "show up America and strut their stuff on the international stage."[10] Likewise, it is reported that President George W. Bush also preferred a G-20 summit in order to balance the strong European presence in the G-8 meetings.[11] Some attribute the G-20's staying power to the political difficulties of reverting back to the G-7 after having convened the G-20 leaders.

[7] Emerging markets had been sporadically invited to a few G-8 summit dinners and events as early as 1989, but their participation was very minor compared to 2005 onward. See Peter I. Hajnal, *The G8 System and the G20* (Ashgate, 2007), pp. 47-49.

[8] Jonathan Wheatley, "G20 Calls for Expanded Role to Combat Economic Turmoil," *Financial Times*, November 10, 2009.

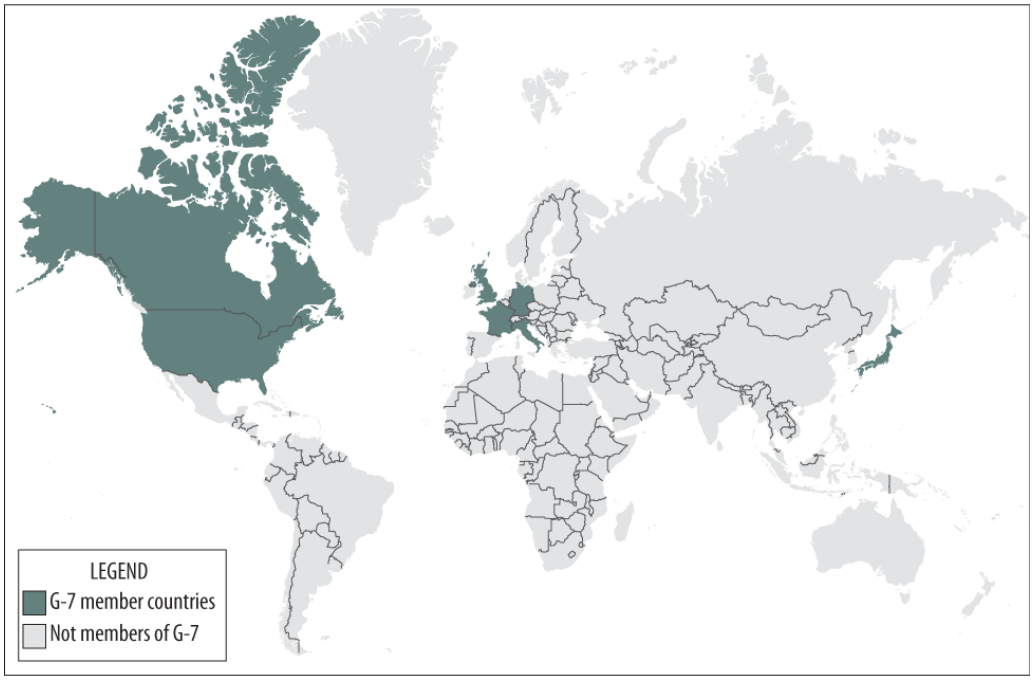
[9] "After the Fall," *The Economist*, November 15, 2009.

[10] "Not a Bad Weekend's Work," *The Economist*, November 16, 2008.

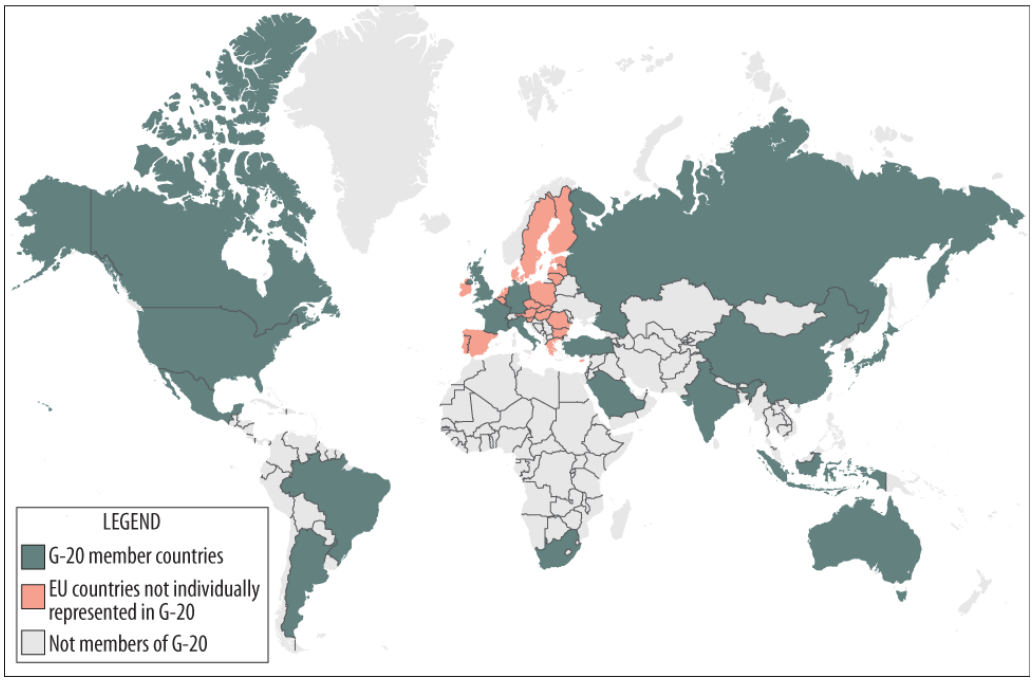
[11] Ibid.

Figure 1. Expansion of the G-7 to the G-20

G-7 Members



G-20 Members



Source: G-20 website, http://www.g20.org.

Notes: The European Union (EU) is a member of the G-20. Pink (for color copies) or medium gray (for black-and-white copies) indicate members of the European Union (EU) that are not individually represented in the G-20.

How the G-20 Operates

Frequency of Meetings

The G-20 meetings among heads of state, or "summits," are the focal points of the G-20 discussions. Starting in 2011, the G-20 leaders began convening annually, although various lower-level officials meet frequently before the summits to begin negotiations and after the summits to discuss the logistical and technical details of implementing the agreements announced at the summits. Specifically, the G-20 finance ministers and central bank governors meet several times a year, and other ministers may also be called to meet at the request of the G-20 leaders. In addition, there are meetings among the leaders' personal representatives, known as "sherpas."[12]

Overall, the G-20 process has led to the creation of a complex set of interactions among many different levels of G-20 government officials. Some argue that the high frequency of interactions is conducive to forming open communication channels, while others argue that the G-20 process has created undue administrative burden on the national agencies tasked with implanting and managing their countries' participation in the G-20 process.

U.S. Representation

Within the U.S. government, the Department of the Treasury is the lead agency in coordinating U.S. participation in the G-20 process. However, the G-20 works on a variety of issues, and the Department of the Treasury works closely with other U.S. agencies in the G-20 process, including the Federal Reserve, the State Department, the U.S. Agency for International Development, and the Department of Energy. The White House, particularly through the National Security Council and the U.S. Trade Representative, is also heavily involved in the G-20 planning process. The U.S. sherpa is the Deputy National Security Advisor for International Economic Affairs, a position recently held by Everett Eissenstat.[13]

Location of Meetings and Attendees

Unlike formal international institutions, such as the United Nations and the World Bank, the G-20 does not have a permanent headquarters or staff. Instead, each year, a G-20 member country serves as the chair of the G-20. The chair hosts many of the meetings, and is able to shape the year's focus or agenda. The chair also establishes a temporary office that is responsible for the group's secretarial, clerical, and administrative affairs, known as the temporary "secretariat." The secretariat also coordinates the G-20's various meetings for the duration of its term as chair and typically posts details of the G-20's meetings and work program on the G-20's website.[14]

The chair rotates among members and is selected from a different region each year. **Table 1** lists the G-20 chairs since 1999, as well as the countries scheduled to chair the G-20 through 2020. The United States has never officially chaired the G-20, although the United States did host G-20 summits in 2008 and 2009 during the height of the global financial crisis.

[12] The term "sherpa" is a play on words. Typically, sherpas refer to local people, typically men, in Nepal who are employed as guides for mountaineering expeditions in the Himalayas. Recall that meetings held among leaders are called "summits," which also refers to the highest point of a mountain.

[13] William Mauldin, "Key Trade Adviser Leaves Trump Administration," *Wall Street Journal*, June 26, 2018.

[14] http://www.g20.org.

Table 1. Chairs of the G-20

Year	Country	Year	Country
1999-2001	Canada	2011	France
2002	India	2012	Mexico
2003	Mexico	2013	Russia
2004	Germany	2014	Australia
2005	China	2015	Turkey
2006	Australia	2016	China
2007	South Africa	2017	Germany
2008	Brazil	2018	Argentina
2009	United Kingdom	2019	Japan
2010	South Korea	2020	Saudi Arabia

Source: G-20 website, http://www.g20.org.

In addition to the G-20 members, some countries attended the G-20 summits at the invitation of the country chairing the G-20. In 2010, the G-20 formalized the participation of five non-G-20 members at the leaders' summit, of which at least two would be African countries.[15] Several regional organizations and international organizations also attend G-20 summits. For example, official participants typically have included representatives from the European Commission; the European Council; the International Labour Organization (ILO); the International Monetary Fund (IMF); the Organisation for Economic Co-operation and Development (OECD); the United Nations (U.N.); the World Bank; and the World Trade Organization (WTO).

Agreements

All agreements, comments, recommendations, and policy reforms reached by the G-20 finance ministers, central bankers, and leaders are done so by consensus. There is no formal voting system as in some formal international economic institutions, like the IMF. Participation in the G-20 meetings is restricted to members and invited participants and is not open to the public. After each meeting, however, the G-20 publishes online the agreements reached among members, typically as communiqués or declarations.[16] The G-20 does not have a way to enforce implementation of the agreements reached by the G-20 at the national level beyond moral suasion; the G-20 has no formal enforcement mechanism and the commitments are nonbinding. This contrasts with the World Trade Organization (WTO), for example, which does have formal enforcement mechanisms in place.

G-20 Summits

The G-20 summits are the key meetings where major G-20 policy commitments are typically announced. The types of commitments or agreements reached at the G-20 summits have evolved as global economic conditions have changed, from the pressing height of the global financial crisis, to signs of recovery amid high unemployment in some advanced economies, to concerns about the Eurozone crisis. In addition, as the pressing nature of the global financial crisis has

[15] G-20, "Invitees and International Organizations," http://www.g20.org/docs/about/international_guests.html.

[16] The G-20 communiqués are posted online at http://www.g20.org/pub_communiques.aspx.

abated, the scope of issues covered by the G-20 has expanded to other issues, such as development and the environment. **Table A-1** presents information about major highlights from the summits held to date.

G-20 policy announcements and commitments are nonbinding, and the record of implementing these commitments is wide ranging. Examples of major G-20 initiatives include coordination of fiscal policies during the global financial crisis, a tripling of IMF resources, and strengthening the Financial Stability Board (FSB) to coordinate and monitor international progress on regulatory reforms, among others. However, progress on other G-20 commitments has been much slower, such as correcting global imbalances, concluding the WTO Doha Round of multilateral trade negotiations, and eliminating fossil fuel subsidies. Tracking progress on G-20 commitments can be complicated, as subsequent summits may extend the timelines for completing policy reforms, reiterate previous commitments, or drop discussion of prior policy pledges.

Previous G-20 summits have typically attracted protesters from a broad mix of movements, including environmentalists, trade unions, socialist organizations, faith-based groups, antiwar camps, and anarchists.[17] At the 2009 summit in Pittsburgh, for example, thousands of protestors gathered in the streets, holding signs with slogans such as "We Say No To Corporate Greed" and "G20=Death By Capitalism."[18] Likewise, the 2017 summit in Hamburg attracted thousands of protestors. Protests turned violent, with more than 100 police officers injured and 45 protestors jailed.[19] Not all G-20 summits are marked by large-scale demonstrations. For example, the 2014 summit in Australia and the 2016 summit in China were relatively quiet, which may be related to the distance required to travel to Australia and the tight control on protests in China.[20]

The 2017 Summit in Hamburg, Germany

Since the G-20 leaders started meeting in 2008, the G-20 leaders have met 12 times, 10 of which were attended by then-President Barack Obama. The 2017 summit, hosted by Germany in Hamburg on July 7-8, was the first attended by President Donald Trump. In the lead-up to the summit, speculation focused on potential discord between President Trump and other G-20 leaders. President Trump, who campaigned on an "America First" platform and has signaled a reorientation of U.S. foreign policy, has clashed with other G-20 countries over key policy issues, particularly trade and climate change. In January 2017, President Trump withdrew from the Trans-Pacific Partnership (TPP), a free trade agreement between the United States and 11 Asia-Pacific countries.[21] In June, he announced his intent to withdraw the United States from the Paris Agreement, an international agreement outlining goals and a structure for international cooperation to address climate change and its impacts over decades to come, a decision rebuked by France, Italy, and Germany in an unusual joint statement.[22]

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[17] Carl Prine, "An Overview of Protests Expected in Pittsburgh for G-20," *Pittsburgh Tribune-Review*, September 20, 2009.

[18] Michelle Nichols, "Protesters, Police Clash After G20 in Pittsburgh," *Reuters*, September 25, 2009.

[19] Amanda Erickson, "Here's How Hamburg's Crazy G-20 Protests Compare with Years Past," *Washington Post*, July 7, 2017.

[20] Ibid.

[21] For more on TPP, see CRS In Focus IF10000, *TPP: Overview and Current Status*, by Brock R. Williams and Ian F. Fergusson; and CRS Report R44489, *The Trans-Pacific Partnership (TPP): Key Provisions and Issues for Congress*, coordinated by Ian F. Fergusson and Brock R. Williams.

[22] For more on the Paris Agreement, see CRS Report R44609, *Climate Change: Frequently Asked Questions About the 2015 Paris Agreement*, by Jane A. Leggett and Richard K. Lattanzio and CRS In Focus IF10668, *Potential Implications of U.S. Withdrawal from the Paris Agreement on Climate Change*, by Jane A. Leggett. Joshua Roberts,

Commitments to combat climate change and support free trade are traditionally core outcomes of G-20 summits. Given changes in U.S. policy under the Trump Administration, analysts speculated for the first time whether leaders would be able to reach consensus on a communiqué.[23] Negotiations among the countries were reportedly heated, and some analysts argue that the United States was more isolated at this G-20 summit than any other.[24]

Key Negotiations and Agreements

Although agreed unanimously, the communiqué reflects the split between the United States and other G-20 countries, most notably on climate change.[25] The communiqué notes the U.S. decision to withdraw from the Paris Agreement and the United States' commitment to an approach that "lowers emissions while supporting economic growth and improving energy security needs." In contrast, leaders of the other G-20 members state that the Paris Agreement is "irreversible." It is unusual for a stark division among G-20 members to be reflected in a G-20 communiqué. Reportedly, the United States undertook efforts to persuade some countries, including Australia, Poland, Saudi Arabia, and Turkey, to move to the U.S. position on climate change, but such efforts were unsuccessful.[26]

On trade, discussions reflected key divisions between the United States and other G-20 countries, particularly in Europe. Reportedly, during the 2017 negotiations, several European leaders, including UK Prime Minister Theresa May and French President Emmanuel Macron, offered forceful defenses of free trade.[27] German Chancellor Angela Merkel noted that, "the fact that negotiations on trade were extraordinarily difficult is due to the specific positions that the United States has taken."[28] Ultimately, the communiqué reaffirms a commitment to keep markets open, which Merkel considered a win.[29] The commitment went further than in March, when the G-20 finance ministers dropped their typical pledge to keep global trade free and open at the insistence of the Trump Administration.[30]

However, the communiqué also notes "the importance of reciprocal and mutually advantageous trade and investment frameworks" and a commitment to combat "all unfair trade practices and recognize the role of legitimate trade defense instruments in this regard." This language reflects trade priorities articulated by the Trump Administration, which has emphasized a need for both "reciprocal" trade relationships and countering "unfair" trade practices. In comparison, in 2016, leaders committed unequivocally to oppose protectionism in "all forms," and committed to a "standstill and rollback" of protectionist measures until the end of 2018, pledges dropped from

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"France, Italy, Germany Defend Paris Accord, Say Cannot Be Renegotiated," *Reuters*, June 1, 2017.

[23] Lawrence Summers, "Donald Trump's Alarming G20 Performance," *Financial Times*, July 9, 2017.

[24] Steve Erlanger and Julie Hirschfeld Davis, "Once Dominant, the United States Finds Itself Isolated at G-20," *New York Times*, July 7, 2017.

[25] G-20 Leaders' Declaration: Shaping an Interconnected World, July 2017, https://www.g20.org/gipfeldokumente/G20-leaders-declaration.pdf.

[26] Steven Erlanger, "Feeling That Trump Will 'Say Anything,' Europe Is Less Restrained, Too," *New York Times*, July 9, 2017.

[27] Anushka Asthana, "'Face Like Thunder': How the Mood Turned Sour at Trump's First G20," *The Guardian*, July 9, 2017.

[28] Paul Carrel and Noah Barkin, "U.S. Isolated on Climate at Summit of World Leaders," Reuters, July 8, 2017.

[29] J. Weston Phippen, "Merkel's Impossible Role at the G20 Summit," *The Atlantic*, July 8, 2017.

[30] Balazs Koranyi and Gernot Heller, "G20 Financial Leaders Acquiese to U.S., Drop Free Trade Pledge," Reuters, March 18, 2017.

the 2017 communiqué.[31] Some analysts view the 2017 communiqué as a further rejection of free trade.[32]

Not all issues discussed at the G-20 meeting were as contentious, and several other agreements were reached. These include, among others, calling on the Global Forum on Steel Excess Capacity, created at the 2016 G-20 summit, to rapidly develop concrete policy solutions to reduce steel excess capacity; welcoming the launch of the Women Entrepreneurs Financing Initiative (We-Fi), a new World Bank Trust Fund, to which the United States has pledged $50 million amid broader foreign aid cuts; and launching a G-20 Africa Partnership to foster growth and development. The communiqué also reiterated pledges from previous summits, such as enhancing cooperation on the refugee crisis and bolstering the resiliency of the global financial system, with varying levels of consequence and specificity.

The G-20 meeting and outcomes are contributing to ongoing debate about the U.S. leadership in the world under the Trump Administration.[33] Some commentators are concerned that the United States was isolated at the G-20, reflecting a growing trend of abdication of U.S. leadership and abandonment of U.S. allies.[34] Others are more optimistic, arguing that differences between the United States and other countries were overblown and that President Trump is pursuing foreign policies consistent with his campaign pledges. Trump Administration officials argued that the summit helped strengthen alliances around the world and demonstrated a resurgence of American leadership to bolster common interests, affirm shared values, confront mutual threats, and achieve renewed prosperity.[35]

The 2018 Summit in Buenos Aires, Argentina

Argentina is chairing the G-20 in 2018 and hosting the annual summit on October 4-5 in Buenos Aires. Argentina's theme is "building consensus for fair and sustainable development."[36] To advance this agenda, Argentina is proposing a focus on three key issues: (1) the future of work; (2) infrastructure for development; and (3) food security. In addition, Argentina will seek to build on previous G-20 work on empowering women, fighting corruption, strengthening financial governance, building a strong and sustainable financial system, improving the fairness of the global tax system, cooperating on trade and investment, taking responsibility on climate action, and transitioning toward cleaner, more flexible, and more transparent energy systems.

There are questions about how discussions will proceed at the summit. The 2017 G-20 summit was contentious, with the United States increasingly isolated on trade and climate change issues. It is not clear that divisions on these issues have resolved over the past year. The G-7 summit hosted by Canada was also divisive, with President Trump taking the unprecedented step of withdrawing his initial support for the G-7 communiqué.[37] Trade divisions have also arisen in G-

[31] G20 Leaders' Communique, Hangzhou Summit, September 2016, http://www.g20chn.org/English/Dynamic/201609/t20160906_3396.html.

[32] Michael Crowley, "Trump's Nationalists Triumphant After Europe Trip," Politico, July 8, 2017.

[33] For more on debates over U.S. leadership, see CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by Ronald O'Rourke and Michael Moodie.

[34] Daniel Drezner, "As It Turns Out America First Does Equal America Alone," Washington Post, July 10, 2017.

[35] Gary D. Cohn and H.R. McMaster, "The Trump Vision for America Abroad," *New York Times*, July 13, 2017.

[36] "Overview of Argentina's G-20 Presidency 2018: Building Consensus for Fair and Sustainable Development," Buenos Aires, Argentina, December 1, 2017, https://g20.argentina.gob.ar/en/overview-argentinas-g20-presidency-2018.

[37] For more on the G-7 summit, see CRS Insight IN10919, *The G-7 Summit in Charlevoix, Canada: Changing U.S.*

20 discussions among finance ministers and central bank governors in July 2018, amid escalating tariffs among many G-20 countries.[38] Meanwhile, Argentina is embroiled in its own financial crisis, with the government struggling to regain investor confidence following rapid depreciation of its currency and IMF program in June 2018, raising questions about the extent to which the Argentine government will be able to focus its energies on the G-20 process.[39]

Debating the G-20's Effectiveness

The summit also raises questions about the G-20's usefulness. Some argue it is a vital forum for a diverse set of countries to discuss their differences. Others wonder whether the G-20, which initially brought together leaders to coordinate the response to the global financial crisis of 2008-2009, has become less consequential over time. Three broad scenarios for the future of the G-20 have been discussed. Specifically, the G-20 as a coordinating forum will be (1) effective; (2) ineffective; or (3) effective in some instances but not others. These possible scenarios are discussed in greater detail below.

Scenario 1: Effective

Some believe that the G-20 will be an effective forum for international economic cooperation moving forward. The G-20 will be able to play this role, it is argued, for three reasons. First, the G-20 includes all the major economic players at the table, but at the same time is small enough to facilitate concrete negotiations. Second, the involvement of national heads of state in the negotiations could serve to facilitate commitments in major policy areas. Third, as the issues discussed by the G-20 leaders expand, the G-20 may be able to facilitate cooperation by enabling trade-offs among major concerns, such as climate change and trade, that are not possible in issue-specific forums and institutions.

G-20 optimists typically point to the G-20's successes at the height of the financial crisis, when the G-20 played a unique, strong, and central role in steering the recovery efforts. The G-20 was the source of major decisions regarding fiscal stimulus, regulatory reform, tripling the IMF's lending capacity, and other response efforts. The G-20 also tasked other international organizations, such as the Bank for International Settlements (BIS), the IMF, the World Bank, and the Financial Stability Board (FSB), with facilitating, monitoring, or implementing various aspects of the response to the crisis. Finally, G-20 proponents argue that, even if agreement on policies is not always reached, it is a critical forum for discussing major policy initiatives across major countries and encouraging greater cooperation.

Scenario 2: Ineffective

Others are skeptical that the G-20 will be an effective forum for international cooperation moving forward for at least four reasons. First, the G-20 includes a diverse set of countries with different political and economic philosophies. As economic recovery becomes more secure, it is argued that this heterogeneous group with divergent interests will have trouble reaching agreements on

Leadership in Global Forums, by Rebecca M. Nelson.

[38] Benedict Mander and Chris Giles, "G-20 Finance Ministers Expose Schism in Global Trade," *Financial Times,* July 2018. For more on steel and aluminum tariffs, see CRS Report R45249*, Section 232 Investigations: Overview and Issues for Congress,* coordinated by Rachel F. Fefer and Vivian C. Jones.

[39] For more on the economic situation in Argentina see, for example, Economist Intelligence Unit, "Argentina: Country Report," September 10, 2018.

global economic issues. Some argue that the G-20 has failed to provide adequate leadership in responding to the Eurozone crisis or in helping forge a conclusion to the Doha negotiations.

Second, some believe the G-20 does not include the right mix of countries. It is argued that Europeans are overrepresented at the G-20 (with Germany, France, Italy, the United Kingdom, and the European Union accounting for 5 of the 20 slots), while some important emerging-market countries are excluded. Poland, Thailand, Egypt, and Pakistan have been cited as examples (see **Appendix B**).[40] By concentrating European interests while excluding important emerging markets from the negotiating table, it will be difficult, it is argued, to achieve cooperation on economic issues of global scope.

Third, some experts believe that the G-20 will be ineffective because it has no enforcement mechanism beyond "naming and shaming" and with little follow-up will not be able to enforce its commitments. As evidence that the G-20 is an ineffective steering body in the international economy, G-20 skeptics point to the portions of recent G-20 declarations that merely reiterate commitments made by countries in other venues and institutions or at previous G-20 summits. Likewise, some of the declarations identify areas that merit further attention or study, without including concrete policy commitments.

Fourth, some argue that the G-20's effectiveness since the crisis has diminished because the issues covered by the G-20 have broadened, but there is now little follow-through from one summit to the next. For example, a major deliverable from the Toronto summit in June 2010 was targets for fiscal consolidation among advanced economies. However, these targets received little attention in the subsequent G-20 summit in Seoul in November 2010, where the focus shifted to development, among other issues. Likewise, France's focus for the November 2011 summit was on reform of the international monetary system, but it is not clear how much attention was focused on that issue at subsequent summits.

Scenario 3: Effective in Some Instances, but Not Others

A third scenario represents a middle ground between the previous two, namely, that the G-20 will be effective in some instances but not others. It is argued the G-20 could be an effective body in times of economic crisis, when countries view cooperation as critical, but less effective when the economy is strong and the need for cooperation feels less pressing. Proponents of this view point to the strong commitments achieved during the height of the crisis compared to what many view as the weaker outcomes of subsequent summits, when financial markets were more stable.

Another variant is that the G-20 will prove effective in facilitating cooperation over some issue areas but not others. For example, the G-20 could be effective in coordinating monetary policy across the G-20 countries, by providing a formal structure for finance ministers, central bankers, and leaders to gather and discuss monetary policy issues. In most countries, central banks exercise largely autonomous control over monetary policy issues and would have the authority to implement decisions reached in G-20 discussions. Likewise, the G-20 may be effective at tasking other international organizations, such as the IMF and the FSB, with various functions to perform or reports to write. By contrast, it is argued that the G-20 could find coordination of other policies more difficult. One example may be fiscal policies, because although finance ministers and national leaders undoubtedly can influence fiscal policies at the national level, control over fiscal policies in many countries ultimately lies with national legislatures. It is not clear to what extent national legislatures will feel bound in their policymaking process by decisions reached at the G-20 and thus how effective G-20 coordination on these issues will be.

[40] "G20 Gains Stature But is Overambitious," *Oxford Analytica*, September 28, 2009.

Appendix A. G-20 Summits: Context and Major Highlights

Table A-1. G-20 Summits: Context and Major Highlights

	Date	Location	Major Highlights (Selected)
1.	November 2008	Washington, DC, United States	• Focused on immediate management of the global financial crisis. • Pledges to coordinate financial regulatory reform; focus on expansionary macroeconomic policies, both fiscal and monetary, to support aggregate demand; and refrain from protectionist trade policies.
2.	April 2009	London, UK	• Focus continued to be on immediate management of the financial crisis, reiterating many of the commitments from the 2008 summit in Washington, DC, regarding crisis management. • Pledges to increase funding for the IMF and the MDBs by $1.1 trillion, including a tripling of the IMF's lending capacity; commitments to coordinate fiscal stimulus; create the Financial Stability Board (FSB) to coordinate and monitor progress on regulatory reforms.
3.	September 2009	Pittsburgh, United States	• Summit occurred as the financial crisis was bottoming out, although unemployment was generally still rising in some advanced economies. • Announcement that, henceforth, the G-20 would be the "premier" forum for international economic cooperation. • Announced the creation of a new framework for addressing global imbalances and promoting growth, the "G-20 Framework for Strong, Sustainable, and Balanced Growth." • Pledges to increase the voting power of emerging economies at the international financial institutions, in addition to reiterating pledges made at previous summits, as well as specific development and environmental goals.
4.	June 2010	Toronto, Canada	• Summit was held against a backdrop of growing uncertainty about the Eurozone, and was viewed as a foundational summit for more ambitious announcements at the South Korean summit later in 2010. • Summit broadly addressed five areas: growth; correcting global imbalances; financial sector reform; international financial institutions and development; and fighting protectionism while promoting trade and investment. • Advanced economies announced targets for fiscal consolidation.

	Date	Location	Major Highlights (Selected)
5.	November 2010	Seoul, South Korea	• First summit hosted by a country that is not a member of the G-7. • Announced a "Seoul Development Consensus," which emphasized, among other things, that governments can play a positive role in development and the importance of infrastructure in development. • Endorsed tougher capital standards for banks, discussed global safety nets and the need for further studies on capital controls, and called for a doubling of IMF quotas (the core source of financing for IMF loans).
6.	November 2011	Cannes, France	• Summit was held during heightened concerns about Eurozone debt crisis, and persisting concerns about high unemployment in some advanced economies. • Discussions focused on reforming the international monetary system; fostering employment; food price volatility; functioning of energy markets; the environment; development; and anticorruption.
7.	June 2012	Los Cabos, Mexico	• First summit hosted by a Latin American country. • Attention was focused on the ongoing Eurozone crisis, and European efforts and policies to respond to the crisis, and the need for job creation worldwide. A "Los Cabos Growth and Jobs Action Plan" was announced. • Discussions also focused on trade; the international financial architecture; food security and commodity price volatility; development; "green" growth; and anticorruption measures.
8.	September 2013	St. Petersburg, Russia	• The summit declaration focused on economic issues: growth, jobs, investment, multilateral trade, tax avoidance, international financial architecture, financial regulation, development, climate change, and corruption. • News reports indicate that discussions among G-20 leaders focused on potential international responses to chemical weapons attacks against civilians in Syria. The focus on Syria led some analysts to call for the creation of a formal foreign policy track in the G-20, to run parallel to the finance track in the G-20.

	Date	Location	Major Highlights (Selected)
9.	November 2014	Brisbane, Australia	• The agenda focused on global economic growth, including the goal of boosting collective G-20 GDP growth by 2.1% over the next five years. Infrastructure investment was emphasized as a way to boost growth, including the creation of a Global Infrastructure Hub, as a way to provide a network between governments, the private sector, development banks, and other international organizations to improve the functioning and financing of infrastructure markets. • The summit also addressed climate change, trade, female participation in the workforce, anticorruption efforts, and IMF reforms. • Russia's participation in the 2014 summit was one of the most controversial issues in the lead-up to the summit. Several G-20 members, including the United States, the European Union, Australia, Canada, and Japan, have imposed economic sanctions on Russian individuals and entities in response to the situation in Ukraine. The G-7 leaders also began convening without Russia for the first time since the late 1990s. Ultimately, Russian President Vladimir Putin attended the summit but left early.
10.	November 2015	Antalya, Turkey	• The agenda focused on strengthening the economic recovery and lifting potential growth prospects, enhancing resilience of the financial system, economic development, food security, energy, and climate change. • Discussions at the summit also focused on current events, including the terrorist attacks in Paris, counterterrorism efforts, and the refugee crisis.
11.	July 2016	Hangzhou, China	• First G-20 summit hosted by China. China focused the 2016 agenda on the "four I's": an innovative, invigorated, interconnected, and inclusive world economy. • Key agenda items included economic growth (including maintaining the momentum of the global economic recovery and lifting mid- to long-term growth potential), effective and efficient global economic and financial governance, robust international trade and investment, and inclusive and interconnected development
12.	September 2017	Hamburg, Germany	• First G-20 summit attended by President Trump, who campaigned on an "America First" platform and signaled a reorientation of U.S. foreign policy. • While the United States has traditionally played a leadership role at the G-20, press coverage of the 2017 summit emphasized that the United States found itself isolated on trade and climate change, leading some skeptics to refer to this summit as the "G19+1." • Agreements were also reached on excess steel capacity, a new World Bank trust fund focused on women entrepreneurship, and a G-20 African Partnership to foster growth and development. The communiqué also reiterated pledges from previous summits, such as enhancing cooperation on the refugee crisis and bolstering the resiliency of the global financial system, with varying levels of consequence and specificity.

Source: G-20 website, http://www.g20.org; CRS analysis.

Notes: For summit documents (leader statements and declarations), see http://www.g20.org/English/aboutg20/PastSummits/201511/t20151127_1610.html.

Appendix B. World's Largest Countries and Entities

Table B-1. World's Largest Countries and Entities

(Forecasted 2018 GDP in current prices, in billions of U.S. dollars)

Rank	G-20 Member	Non G-20 Member	GDP		Rank	G-20 Member	Non G-20 Member	GDP
1.	United States		20,413		19.	Turkey		910
2.	European Union		19,670		20.	Saudi Arabia		748
3	China		14,093		21.		Switzerland	742
4.	Japan		5,167		22.	Argentina		926
5.	Germany		4,212		23.		Poland	614
6.	United Kingdom		2,936		24.		Taiwan	613
7.	France		2,925		25.		Sweden	601
8.	India		2,848		26.		Belgium	562
9.	Italy		2,182		27.		Thailand	484
10.	Brazil		2,139		28.		Austria	478
11.	Canada		1,799		29.		Norway	443
12.	Russia		1,720		30.		Iran	419
13.	South Korea		1,693		31.		United Arab Emirates	412
14.		Spain	1,506		32.		Nigeria	409
15.	Australia		1,500		33.		Ireland	385
16.	Mexico		1,213		34.		Israel	374
17.	Indonesia		1,075		35.	South Africa		371
18.		Netherlands	945		36.		Denmark	370

Source: International Monetary Fund (IMF), *World Economic Outlook*, April 2018.

Notes: The European Union (EU) includes 28 countries. Ranking is for illustrative purposes only. Using a different measure of economic size, such as GDP adjusted for differences in prices levels across countries (GDP adjusted for purchasing power parity), could produce a different ranking.

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