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The G20 summit in Antalya: who governs the world economy?

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Bonn, 13 November 2015. The heads of state and government of the G20 are set to meet in Antalya from 15 to 16 November 2015 to address a range of issues, most notably the sustainable growth agenda and global financial market reforms. While these matters may appear technical in focus, they come down to hard issues of power politics. The G20 is intended to make global cooperation more inclusive by affording selected emerging economies a seat at the table. But has it become a club for the powerful? Where is the voice of the poorer countries, which are becoming increasingly important to the world economy? Developing economies should be given a stronger voice!

Promoting global financial stability, a global public good that is integral to the future of sustainable development, is one of the G20's key objectives. The G20 summit makes us aware of just how significant a role emerging powers have in the world economy. However, countries with less economic and geopolitical influence are not sufficiently represented in the G20 and many other key forums. And this is despite the fact that the world's economies are continuing to become interconnected at a rapid rate and that the recently adopted 2030 Agenda emphatically calls for more effective global partnership.

On an overall level, there is little momentum when it comes to encouraging greater participation for developing countries in global economic governance. For instance, there has still been no progress with the reform of the International Monetary Fund (IMF). In fact, when it comes to future trade issues, there has even been some regression. WTO negotiations are stalling and the trend of mega-regional agreements being concluded between major powers and dynamic emerging economies is increasingly side-lining key developing countries.

The problem is that, despite claims to the contrary, some changes in global governance do not really increase participation opportunities for developing countries. The recently implemented reforms to the Financial Stability Board (FSB) are a prime example. The FSB is a global body composed of representatives of finance ministries, central banks and supervisory authorities from 24 member states and the EU, as well as representatives of international financial institutions, standard-setting organisations, and financial market supervisors. The emerging economies have been involved in the FSB since 2009, following a corresponding G20 decision. It serves as a platform for discussing fundamental issues relating to financial stability and for coordinating efforts to regulate international financial markets. For instance, the FSB is overseeing the regulation and monitoring of the shadow banking industry, which played a central role in the last financial and economic crisis.

A review earlier this year of the FSB's representative structure found that the following economies received more seats: Argentina, Indonesia, South Africa, Saudi Arabia and Turkey. However, this came at the expense of international institutions such as the World Bank and the IMF, who each had to give up a plenary seat.

Ultimately, the reforms served to reduce the number of seats afforded to institutions of which developing countries are regular members. This has weakened the very institutions that represent, at least to some extent, the views of developing countries. So, upon closer inspection, it becomes apparent that the FSB reforms primarily strengthen prominent emerging economies while bypassing less developed countries or even causing them to lose influence. The regional consultation groups are the only forums in which less developed nations can put their views forward.

Against the backdrop of current developments, the lack of initiatives to incorporate less developed countries into the global governance of the world economy is a real cause for concern. The Chinese powerhouse is showing worrying signs of faltering, and were China to reach crisis point, then developing countries in particular would be hard hit, as they have become heavily dependent on demand and investment from the country in the wake of the global financial crisis. What would happen? If the financial markets of developing countries were to become distorted, posing a potential risk to other country groups and financial markets, then the representatives of the relevant nations would be unable to coordinate efforts to prevent a fresh global financial crisis, as they have no seat at the table.

Looking ahead, global public goods will become increasingly important, and it will only be possible to protect and strengthen them with a new global partnership. We cannot assume that emerging economies represent the interests of developing countries, which is why the latter should be given a greater voice in key international forums and global economic governance institutions. Ensuring that their interests are promoted in important bodies by regional representatives and international institutions, or by mechanisms for cooperating with non-members in the spirit of the 2030 Agenda's new global partnership (Sustainable Development Goal 17) would be a good starting point in this regard. It remains to be seen whether and how the G20 will advocate these reforms in the future – both in Antalya and during future G20 summits.