The G20 was set-up in 1999 to prevent a repeat of the Asian Financial Crisis which struck in 1997 and spread to other regions of the world. After nearly a decade of G20 meetings, an even bigger financial crisis erupted in 2008 at the heart of the global financial system and has since become the worst economic crisis to afflict the world since the Great Depression of the 1930s. Clearly the G20 has failed spectacularly in its core mandate. This latest financial and economic crisis has highlighted even more starkly than before the major structural imbalances in the global economy which the G20, even in its elevated status, fails to address.

This primer tries to describe the nature and workings of the G-20 to help progressive people's organizations and social movements define their attitude towards this new grouping whose views and actions affect the lives and futures of peoples especially in the impoverished and marginalized communities.

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PRIMER ON G20: GLOBAL ECONOMIC GOVERNANCE FOR WHOM?

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IBON International is the international division of IBON Foundation, Inc. As an international NGO, IBON Foundation responds to international demand to provide support in research and education to peoples' movements and grassroots empowerment and advocacy and links these to international initiatives and networks.

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Preface

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After the ruin of Lehman Brothers in September 2008 and the entire global banking system teetered on the brink of collapse, governments of the rich industrialized world quickly intervened by using public money for so-called stimulus packages, to bail out the most-favored corporations, adjust their balance sheets to show book profits, and revive the stock markets. Such packages did not generate production and employment in order to counter the crisis and stimulate demand, but merely put into the hands of troubled firms to help them stay afloat, cut costs and remain profitable. In turn, the advanced economies have incurred huge budget deficits and public debts because of such bailouts, subsidies and overpriced supply contracts that benefit favored banks and firms, and tax cuts for the wealthy.

Confronted with the twin debt-and-deficit problem, governments have resorted to austerity measures that put the burden of the crisis unto the backs of public sector employees, social services and the people in general who are obliged to pay higher taxes and service fees. And yet the public sector employees and other working people are the ones blamed for the so-called wage inflation and the soaring public deficits. Ordinary people are bearing the brunt through cutbacks in social services, higher taxes, layoff of public employees and vicious attacks on public sector unions.

This is precisely the kind of crisis that the Group of Twenty (G20) was meant to prevent when it was set up after the so-called Asian financial crisis in 1999 as a forum for finance ministers and central bankers. As the global economy descended into its worst crisis in a century in 2008, the G20 was elevated to the status of "premier forum for global economic coordination" -- meeting at the highest political level to resuscitate the global economy.

The G20 is a reflection of profound shifts in the international political and economic order. While the US remains the dominant power in the world, the contradictions in this US-led international order are becoming increasingly acute and challenges to US hegemony are growing steadily.

The Bretton Woods institutions set-up to oversee the international economic architecture according to US designs is likewise under pressure. Rising protectionism in the US and the EU, and increasing assertiveness on the part of the emerging economies backed by majority of the Third World (G77) has dragged the World Trade Organization's (WTO) Doha

Round to its 10th year of stalemate. The international monetary system is also under tremendous pressure as the dollar continues its decline and major trading economies are now gradually diversifying their reserve currencies. A few countries are even floating proposals for an alternative to the US dollar as the global reserve currency.

With the strategic decline of the G7 economies, the G20 includes other big economies such as China, India, Brazil and South Africa to reflect a multi-polar world order. While the growing economic weight and assertiveness of China and a handful of other "emerging economies" do not yet qualify them in the same league as the old imperialist powers, they provide favorable conditions for the formation of alliances and constellations of forces that can pose challenges US, EU and Japanese interests. This is also true at the regional level where countries such as India, Iran, South Africa, Brazil, Venezuela and even Cuba have much greater economic and political clout than their global standing suggests.

On the other hand, the G20 also serves to neutralize the major emerging economies and moderate the long-standing demands of developing countries for a new international economic order. Indeed, in the immediate aftermath of the financial meltdown of 2008-2009, the G20 made much of financial regulatory reform in the center of its agenda allegedly to prevent a repeat of the crisis. Yet three years down the line, no real measures have been adopted to curb financial speculation and the casino economy. Instead, the G20 has allowed financial speculation to continue, facilitated the massive bailouts of big banks and finance institutions, revitalized the IMF, transformed the private debt crisis into a sovereign debt crisis and imposed wage cuts and stiff austerity measures in order to squeeze more blood from working people to pay off the big bankers.

Over the last few Summits, the G20 has expanded its mandate to promoting balanced and inclusive growth, fighting food insecurity, promoting job creation and social protection, dealing with the climate crisis, etc. But these are only the latest rationalizations for promoting profit-seeking private sector interests in energy, natural resource and infrastructure sectors, and for pushing so-called regional integration. The G-20 seeks a return to the pre-crisis 'globalization' era when, as capitalist exploitation and plunder became more aggressive, poverty did not just endure but worsened.

In all of these, the G20 persists with peddling the illusion that promoting private investments and trade are the solutions. The G20 supports the accumulation of wealth by the powerful minority through scaling up of their operations in developing countries.

Indeed critics point out the glaring lack of democratic legitimacy in this new self-selected super-body that sets global rules on finance and economic matters. For instance the G20's "Multi-Year Action Plan for Development" (MAP) adopted at the November 2010 Seoul Summit gives a series of mandates to the IMF, WB, Basle Committee, UNDP, ILO and other global institutions, which heretofore have established mandates through their own executive bodies. Moreover, this MAP is being implemented primarily in developing countries most of which are excluded from G20 membership.

Civil society groups have severely limited access to information on the G20's agenda. They have no opportunity to examine the implications of policies formulated at the G20 let alone influence the agenda and decision-making. In contrast, business leaders regularly meet in closed session with G20 ministers and their recommendations are formally taken up in G20 Summits. This may explain why the G20's declarations including the Action Plan for Development remains committed to promoting economic growth (rather than people's well-being), assigns a primary role to the private (business) sector, is silent on environmental concerns and shuns any reference to human rights obligations.

It is our hope that through critical understanding of the issues presented in this primer, civil society leaders will continue to arouse and organize among their ranks, strengthen their campaigns on issues surrounding the G-20 development agenda, and mobilize people to assert their rights and continue their fight against the global economic system. This primer does not only attempt to promote the concept of development communication, but more importantly, it upholds the idea that people, as the primary beneficiaries, can only become the driving force of development if they are properly informed of the short-term and the long-term consequences of the G-20 development agenda. Further, we expect that this will help catalyze discussions towards common civil society demands and positions vis-à-vis the G20 agenda and encourage more civil society groups to critically engage governments and the G20 itself to promote development policies that will address the structural roots of poverty, inequity and injustice.

We acknowledge the valuable contribution and support of The World Association for Christian Communication (WACC) and our partners, Vikas Adhyayan Kendra (VAK), Institute for National and Democratic Studies (INDIES), African Forum for Alternatives and the International League of Peoples' Struggle (ILPS) - Latin America, as well as our staff whose collective efforts have made this primer possible.

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Introduction

To many people, the G-20 came into prominence at the G-20 London Summit of 2009 in the wake of the crash of 2008. The magnitude of the crisis made people describe it as the worst global economic crisis since the Great Depression. The leaders of the G-20 countries converged in London with the pledge to save the world economy from falling into the precipice.

The financial meltdowns in the US and Europe caused even such financial and industrial giants as the Lehman Brothers and General Motors to collapse. Governments were forced to rush to the rescue of the world's biggest banks to prevent a worse catastrophe.

Excessive and unfettered speculation in the financial markets was blamed for the crisis. There was a universal call for government intervention and regulation.

By 2010 government intervention by way of bailing out the biggest banks through massive infusion of public money seemed to have arrested the rush to the precipice. But the global recession has persisted. There are dire predictions of the possibility of a 1930-style slump in 2012. Worse, the cost of the bailouts has run into so many trillions of dollars in public money that now it is the turn of governments to be in the red.

As a consequence, governments all over the world are imposing austerity measures that have punished the working people the hardest. The people are angry because they are being made to pay for bailing out the bankers and bosses who were responsible for the crisis in the first place. For the lords of capital, it is back to business as usual, again enjoying high incomes and fat bonuses while the ordinary person in the street must tighten his belt even more.

The recent global crisis pushed an estimated 63 million people into poverty. And the developing countries have borne the brunt of the crisis for which they were least responsible.

The persistence of the global recession has led critics to point to the failure of the G-20 to address the real problems besetting the global economy. Given its clout in the global economy, people are expecting it to do more than put out fires. But is the G-20 up to adequately addressing not just the short-term issues such as restoring financial stability but the long-term issues related to development?

Questions of legitimacy, on the continuing application of procyclical policies in addressing crises and on the continuing bias for neoliberal policies have also been raised against the G-20.

The last G-20 summit in Cannes failed to address many important issues preoccupied as it was with solving the crisis in the Eurozone in the wake of the Greek tragedy.

This primer will try to describe the nature and workings of the G-20 to help progressive people's organizations and social movements define their attitude towards this new grouping whose views and actions can affect the entire planet including the people in the remotest parts of the globe.

What gave rise to the formation of the G-20?

In 1997, Thailand suffered a financial meltdown when it floated the baht to address its growing trade and balance of payments problems. This triggered the Asian financial crisis of 1997, which spread to Indonesia, South Korea and other Asian countries before going on to shake Russia and Latin America.

Hot money was blamed as the culprit.

Before the crisis struck, Asian countries like South Korea, Malaysia, Indonesia and Thailand were experiencing high-growth rates, prompting some economists to hail the growth spurt as the "Asian economic miracle". This so-called miracle was based on massive portfolio investments as a result of high interest rates in these countries which drove foreign investors to flock to Asia. The growth was also export-driven following International Monetary Fund (IMF) and World Bank prescriptions. These elements combined to make the economies of these countries susceptible to external factors.

Thus when the US started to raise interest rates, footloose capital shifted to that country. The value of the dollar went up. The Asian currencies that were pegged to the dollar also went up. Their exports suddenly became more expensive and uncompetitive. Their foreign debts shot up and many faced the danger of default. Western governments whose banks had big exposures in the troubled countries were forced to come to the rescue.

The 1997 crisis made governments aware that in a highly globalized world, a crisis in one region can easily spread to other regions and to the whole world. International cooperation was needed to put out the fire in one place to keep it from spreading.

When was the G-20 officially founded?

At the APEC leaders' summit held in Vancouver, Canada in November 1997, U.S. President Clinton asked Treasury Secretary Robert Rubin to organize a special meeting of finance ministers from around the world to examine the problems besetting the global economy and find solutions, with the ongoing Asian financial crisis serving as the backdrop.

The U.S. Treasury organized two meetings of what came to be known as the Group of Twenty-Two (G-22) composed of finance ministers and central bank governors from advanced and emerging economies to study the functioning of the international financial system.

The G-22 was an ad hoc group assembled to deal with a specific crisis, and its meetings ended once the Asian financial crisis was deemed resolved. The Canadian government proposed to develop a permanent forum like the G-22 that would meet regularly.

On 25 September 1999, G-7 finance ministers and central bank governors who had been meeting in Washington, D.C. announced that they were proposing to initiate a "broader dialogue on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all."

They further announced that they were inviting their "counterparts from a number of systemically important countries from regions around the world" to a meeting in Berlin in December 1999.

This announcement marked the official birth of what eventually came to be known as the Group of Twenty (the G-20). It consists of 19 countries—Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, and the United States—plus the European Union as the 20th member.

The Managing Director of the IMF and the President of the World Bank, along with the chairs of the International Monetary and Financial Committee (IMFC) and the Development Committee (DC), have also participated in G-20 meetings of finance ministers and central bank governors *ex officio* since its inception.

Selected indicators on the G20 are shown in the table below: [1]

Country	Population 2010 (Mio)[a]	GNI AbsoluteNominal 2009 (bn USD)[a]	GNI Per capita 2009 (USD)[a]	Foreign trade Turnover 2009 (bn USD)[a]		Military Expenditure 2009[bb]		Relative Poverty	
				Exports	Imports	Absolute constant Figures (2009) USDm	% of GDP	60% of median income (mid2000s)[c]	Share of Population Below National Poverty Line (2004-2010)[d]
Argentina	40.4	297.6	7580	65.6	49.1	3179	1		
Australia	22.3	900.7	43590			19799	1.9	20.3	
Brazil	195	1562.4	8090	177.3	178.2	28096	2		21.4
China	1338.3	5034.5	3650	1333.3	1113.2	114300	2.2		2.8
Germany	81.7	3377	42410	1359.7	1195.1	46848	1.4	17.2	
European Union	502.1	16294.6	34152	6008.9	5860.9			16[e]	
France	64.9	2671.2	42610	610.7	662.1	61285	2.5	14.1	
UK	62.2	2203.9	41080	601.6	653.1	57424	2.7	15.5	
India	1170.9	1372.6	1220	270.4	331.7	34816	2.8		27.5
Indonesia	239.9	520.4	2160	130.3	115.2	6009	0.9		13.3
Italy	60.5	2079.4	35130	506.4	514.8	38196	1.8	19.7	
Japan	127.4	5171.1	37520	636.1	620.8	51420	1	20.8	
Canada	34.1	1317.3	41950	383.6	406.5	20164	1.5	19	
Mexico	113.2	867.9	8680	243.6	256.2	4859	0.5	25.3	
Russia	141.7	1181.8	9290	341.6	250.9	52586	4.3		11.1
Saudi Arabia	27.4	381.2	16190	201.9	160.6	42917	11.2		
South Africa	50	276.4	5730	77.5	79.9	3735	1.3		23
South Korea	48.1[f]	836.9[g]	17315[g]	363.5[g]	323.1[g]	24270	2.9	20.8	
Turkey	72.8	696.4	9060	142.8	150	15634	2.7	24.3	18.4
USA	309.1	14011	46330	1578.4	1964.7	687105	4.7	23.9	

[c] Source: OECD Data (http://stats.oecd.org/index.aspx)
[d] Source: United Nations Data (http://data.un.org)
[e] Source: Eurostat (http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/)
[f] Source: Population in 2010, UN Data (http://data.un.org)
[g] Source: UN Data for 2009 (http://data.un.org)
a Source: World Bank Data (http://data.worldbank.org)
b Source: SIPRI (http://sipri.org)

What was the original G-20 mandate?

According to its own pronouncements, the G-20 was established to provide a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the discussions on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all.[2]

The G-20's self-appointed mandate was to help shape the international agenda, to discuss economic and financial issues in areas where consensus had not yet been achieved. Its avowed purpose was to serve as a forum for the discussion of ways to prevent and resolve international financial crises.

While its initial focus was on issues related to international financial stability, the G-20 has gone further into tackling a broad range of longer-term economic issues affecting the global economy. Among these are the issues of stable and sustainable development, the effectiveness of aid programs, regional economic integration, the development of domestic financial markets, food security, aid for trade, and knowledge sharing.

What is the influence of the changing global economic landscape on the G-20?

The inclusion of emerging economies in the G-20 underscores the changing global economic landscape in which the West is losing its all-round dominance. The growing economic power of the so-called BRICS (Brazil, Russia, India, China and South Africa) is reshaping world affairs not only in economic terms but in other aspects of world governance as well.

BRICS member nations accounted for 21 percent of global GDP in PPP terms in 2010. China has overtaken Japan to become the world's second biggest economy after the U.S. following more than three decades of growth averaging 10 percent.[3] The IMF predicts that China will overtake the US in 2016.

The BRICS countries scored the fastest rebound after the crash of 2008. India's GDP expanded 8.2 percent in the fourth quarter of 2010, Brazil's by 5 percent, Russia's by 4.5 percent and South Africa's by 3.8 percent. Growth in the U.S. was 2.8 percent while the Eurozone's was 2 percent in the same period.[4]

The BRICS possess a combined $4.3 trillion in hard cash reserves,[5] with China holding $3.2 trillion or three-quarters of it; Brazil holds over $350 billion and India over $320 billion.[6]

There is an ongoing shift of the power relations within the economic arena increasingly towards emerging economies, which are expected to account for 60 percent of global economic growth by 2014.[7]

The secret of the BRICS' success? One is certainly the fact that they have not been following the neoliberal dogmas prescribed by the Washington Consensus. They have asserted their sovereignty and taken the reins of their own economic strategy best suited to their needs and objectives. The state is heavily involved in directing the course of economic development, in building domestic industries and providing financial and market support.

Can the BRICS make a difference?

While the BRICS do not yet have the ability to radically reshape international economic policy, they do have enough clout to put up resistance against the impositions of the G7 countries.

In their April 2011 summit in the city of Sanya in China, the heads of state of the BRICS countries pledged greater cooperation among themselves. In their communiqué, the heads of state declared that under the theme "Broad Vision, Shared Prosperity," they "conducted candid and in-depth discussions and reached broad consensus on strengthening BRICS cooperation as well as on promoting coordination on international and regional issues of common interest." (Sanya Communique)

They agreed to further boost intra-bloc trade by expanding trade not just in commodities but in value-added products as well. Total trade volume among the BRICS countries reached 230 billion dollars in 2010.

Furthermore, the BRICS countries announced their decision to cease mutual trade payments in US dollars and instead use their national currencies. Their respective development banks also signed an agreement to gradually shift loan currencies from US dollars. This was meant to strengthen financial cooperation among themselves and expand the international significance of their national currencies.

Addressing other issues, they called for "comprehensive reform of the UN, including its Security Council." China and Russia said that they would endorse the aspirations of India, Brazil and South Africa for permanent membership in the UNSC.[8]

They also called for "a quick achievement of the targets for the reform of the International Monetary Fund agreed to at previous G20 Summits and reiterate that the governing structure of the international financial institutions (IFIs) should reflect the changes in the world economy, increasing the voice and representation of emerging economies and developing countries." (Sanya Communique)

Western Europe taken as a whole is a little less than 24 per cent of the global economy, compared to the BRICS' share at 21 per cent. Yet the Europeans hold 32 per cent of the votes at the IMF, while the BRICS control only 11 per cent. The ultimate aim of the BRICS countries is to end the 65-year monopoly of the US and Europe on leadership positions at the World Bank and IMF.[9]

What were the outcomes of the successive G-20 summits?

Responding to the pressure to act immediately, the G-20 Summits of heads of state or government have been held since 2008 in addition to the G-20 Meetings of Finance Ministers and Central Bank Governors, who continued to meet to prepare the leaders' summit and implement their decisions.

The first summit was held in Washington, D.C. in 2008. Since then, G-20 leaders have met twice a year in London and Pittsburgh in 2009, and Toronto and Seoul in 2010. The 2011 summit was held in Cannes, France, and henceforth to be held only once a year. Mexico will chair and host the leaders' summit in 2012.

Washington Summit of 2008

In 2008, the G-20 leaders declared that they had reached a common understanding of the root causes of the global crisis. They had agreed to take measures to address the immediate crisis and on common principles for reforming the financial markets. They also reaffirmed their commitment to free market principles.

They promised to reform the international financial architecture by strengthening transparency in the international financial markets, introducing sound regulation and reforming the Bretton Woods institutions to increase their legitimacy and effectiveness.

London Summit of April 2009

Faced with the worst financial and economic crisis since the Great Depression, the G-20 leaders were unanimous in their decision to intervene massively to save the big banks from going under. In the April 2009 summit, a fund of US$1.1 trillion was pledged to increase the resources to lend money to struggling economies, to increase trade finance, added allocation to SDR and commitments for the multilateral development banks to lend to poor countries.

However, there was disagreement even among the developed countries on how best to move forward after putting out the fire. The U.K. and the U.S. wanted a large financial stimulus while France and Germany favored stricter financial regulation and austerity measures.

Pittsburgh Summit of September 2009

One of the major announcements to come out of the Pittsburgh Summit was that the G-20 would henceforth become the paramount council for international economic cooperation in place of the G-8. The latter would continue to meet on major security issues.

The decision was made ostensibly to include important developing nations such as China, India and Brazil, which were not members of the G-8, into the realm of international economic decision-making and governance.

Toronto Summit of June 2010

The prime focus of the Toronto summit discussions was the recovery from the ongoing global recession and the European debt crisis. Summit leaders were divided over which strategies would be best for tackling these problems.

The European Union emphasized the need to cut their deficits by focusing on austerity measures. In contrast, the United States and China argued for the importance of economic stimulus spending to encourage growth.

Among the specifics proposed by the European Union were a global bank tax and a Robin Hood tax, but these plans were opposed by the United States and Canada.

Seoul Summit of November 2010

In their November 2010 meeting, G-20 leaders agreed to endorse the Seoul Development Consensus, a set of guidelines and principles purportedly intended to work together with less developed nations to improve economic growth and reduce poverty. In contrast to the older Washington Consensus, the Seoul Consensus appeared to be less overly free-market-oriented and open to a bigger role for state intervention.

Is the G-20 evolving from its original role and mandate?

The Pittsburgh summit in 2009 declared that the G-20 was replacing the G-8 as the premier forum for working out international consensus on global economic matters. Then, the G-20 Seoul summit in 2010 made a bold claim that henceforth the so-called Seoul Consensus was now going to replace the much criticized Washington Consensus.

The Seoul Development Consensus for Shared Growth is a set of principles and guidelines “to assist the G-20 nations and other global actors in working with less developed countries in order to boost their economic growth and to achieve the UN’s Millennium Development Goals.”

One might say that in contrast with the Washington Consensus, the Seoul Consensus allows a larger role for state intervention. Also, rather than seeking to impose a uniform “top down” solution, it postulates that solutions should be tailored to the requirements of individual developing nations, with the developing countries themselves taking the lead in designing packages of reforms and policies best suited to their needs.

The Seoul Development Consensus is based on six core principles and has nine “key pillars”.

Six Core Principles

The six core principles are:

1. Focus on economic growth. Economic growth is closely linked with low income countries’ (LICs) ability to achieve the Millennium Development Goals. Measures to promote inclusive,

sustainable and resilient growth should take precedence over business as usual.s

2. Global development partnership. LICs should be treated as equal partners, with national ownership for their own development. Partnerships should be transparent and accountable.

3. Global or regional systemic issues. Priority is given to regional or systemic issues where their collective action is best placed to deliver beneficial changes.

4. Private sector participation. The importance of private actors is recognized in contributing to growth and therefore policies should be business friendly.

5. Complementarity. It is necessary to avoid duplicating the efforts of other global actors, focusing the G-20 efforts on areas where they have a comparative advantage.

6. Outcome orientation. Focus will be on carrying out practical measures to address significant problems to achieve tangible results.

The Nine Key Pillars

The nine key pillars are areas believed to be most in need of attention within developing countries. These are 1) infrastructure, 2) private investment and job creation, 3) human resource development, 4) trade, 5) financial inclusion, 6) resilient growth, 7) food security, 8) domestic resource mobilization, and 9) knowledge sharing.

Does the so-called Seoul Consensus really mark a radical departure from the now widely discredited Washington Consensus?

Aside from the Seoul Consensus' focus on economic growth instead of the emphasis on the maintenance of a stable macro-economic environment that does not have a direct bearing on economic growth, and its acknowledgment of the right of countries to chart their own national development strategies instead of the one-size fits all concept of development, there is really not much difference from the old principles and policies promoted by the Washington Consensus.

The Seoul Consensus still holds sacred the primacy of the private sector and the market. Government intervention is desirable only for rescuing the big banks and private corporations that are "too big to fail." Government's main economic role is to formulate and implement policies that are "private-sector friendly."

Good infrastructure like roads and ports is certainly one of the prerequisites of economic development but it does not have a direct bearing on the development of domestic industries. Foreign corporations are often the main beneficiaries of improved roads, bridges and ports, not to mention the big profits that foreign contractors reap from these construction projects.

The G-20 is promoting so-called public-private partnerships (PPPs) in carrying out large infrastructure projects. It has appointed a panel of 17 individuals mainly from the private sector to review the infrastructure financing plans of the Multilateral Development Banks (MDBs) and make recommendations. The panel members represent mainly the interests of the big private investment and insurance firms. Serious concerns have been raised that deals might be structured in favor of multinational firms at the expense of developing country governments.

The stress on the mobilization of domestic resources is fine, as over-reliance on external aid often means being open to unwarranted external interference; but this sounds like an attempt of the developed countries to get away from their donor commitments in connection with the Millennium Development Goals. The developing countries of course at this point do not have sufficient resources to fuel any ambitious industrialization program that would be needed if they are to catch up.

The avowed commitment to ensure food security does not address the problem decisively, because developing countries must become self-reliant in food in order to ensure long-term food security. The developed countries' usual concept of food security is to produce enough supply of food products for the market. This often means the rich countries continuing their practice of providing large subsidies to their agro-industrial corporations and promoting their food aid program that can destroy the agriculture of developing countries and keep them dependent on food imports.

What's at stake in the G-20 Los Cabos Summit?

While the Greek sovereign debt crisis and the risk of a new global downturn filled the headlines, the G-20 summit held in Cannes last

November 2011 merely came out with generalities and platitudinous commitments to the possibility of future action – including on the issues of exchange rates, climate finance, commodity price volatility, development, multilateral trade negotiations, an international framework on corruption, and much more.

In order to gain more legitimacy, the Cannes Summit institutionalized social partner participation in the G-20 process through recognition of the L-20 (Labor) alongside the B-20 (Business). It also created the G-20 Task Force on Employment to focus on youth employment and called on the ILO, OECD, IMF and World Bank to report to G-20 Finance Ministers on the global employment outlook and the employment impact of the G-20 Framework.

As Mexico assumed presidency of G-20 from France, Mexican President Felipe Calderon vowed that Mexico would play a strong role, not only on issues that affect the region, but also in resolving the crisis among developed countries. At a meeting of the Pacific Alliance, he noted that his government seeks to be a spokesperson for developing countries. The Mexican President insisted on finding immediate solutions to the Greek crisis and emphasized the need to build a "wall of contention" to buffer countries such as Italy that do not have a solvency crisis but rather a credibility crisis that could get worse. He attributed the crisis to "imbalances" based on the surpluses or over-accumulation of capital in China and other countries and deficits in the United States and Europe. Mexico is likewise convinced that there must be a renewed political commitment to sustainable development and green growth. The Mexican government will press for the expansion of its work in areas like implementation of the Green Climate Fund, social programs or safety nets such as the Opportunities Program, and free trade.

Continuing the attempt at legitimization of the G-20, the Mexican Summit aims to conduct a broad outreach dialogue that will include:

- Interaction with non-member countries, the UN system and international organizations
- B-20 Summit for the private sector
- Think-20 discussion forum for think tanks
- Y-20 event targeted at young students and professionals.
- A set of structured dialogues with NGOs and civil society

The priorities identified by the Mexican Presidency of the G-20 include: (1) Economic stabilization and structural reforms as foundations for growth and employment; (2) strengthening the financial system and fostering financial inclusion to promote economic growth; (3) improving the international financial architecture in an interconnected world; (4) enhancing food security and addressing commodity price volatility; and (5) promoting sustainable development, green growth and the fight against climate change.

What do all these G-20 summits fail to address?

The G-20's official mandate is to "promote open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability. By contributing to the strengthening of the international financial architecture and providing opportunities for dialogue on national policies, international co-operation, and IFIs, the G-20 helps to support growth and development across the globe."[10]

The G-20 was set up in 1999 to prevent a repeat of the 1997 Asian financial crisis. After nearly a decade of G-20 meetings, an even bigger financial crisis erupted in 2008 at the heart of the global financial system and has since become the worst economic crisis to afflict the world since the Great Depression of the 1930s. Clearly, the G-20 has failed spectacularly in its core mandate.

This latest financial and economic crisis has highlighted even more starkly than before the major structural imbalances in the global economy which the G-20, even in its elevated status, fails to address. Yet these are precisely the problems that need to be resolved if we are to avoid another downturn and shift to a truly equitable, just and sustainable development path.

Structural Imbalances

First, there is the grave imbalance in the distribution of income between capital and labor.

The shift to neoliberal economic policies in the 1980s – liberalization of investments and trade, the privatization of public assets, deregulation of markets and cutbacks in social services and welfare spending – has boosted productivity in many countries but worsened income inequalities. There has been a secular decline in labor's share in the national income across the globe ranging from developed countries to major emerging economies of Latin America, Asia, as well as Eastern Europe, which have all shared similar neoliberal policy templates promoted by the Bretton

Woods institutions.[11] The net result is that by 2000, the richest 1% in the world owned 40% of global assets, the richest 2% owned 51%, while the poorest half of world population owned barely 1% of global wealth and experienced falling living standards, greater insecurity and vulnerability.[12]

Given that wealthy households spend a smaller proportion of their income compared to low-income households, the decline in the purchasing power of working class families has had to be offset by encouraging debt and asset inflation in order to keep consumption rising along with productivity gains.

This condition has also created another major structural imbalance in the macroeconomy – that between the real economy and high finance. With consumption ultimately limited by the decline in labor's share of income, further investment in new productive capacity (such as factories and employment) becomes increasingly less profitable on the margin. Thus a rapidly rising share of surplus capital is seeking profits not in the real economy but in financial speculation — a process sometimes referred to as the "financialization" of the economy. This is further encouraged by deregulation in the financial sector, which allowed and encouraged the proliferation of trading in securities, derivatives and other "exotic" financial products that ultimately inflated asset bubbles.

This can be seen in the rapid increase in the value of the world's financial stock. From roughly equal to world GDP in 1980, this had doubled in size by 1993, and by the end of 2005, it had risen to 316% or more than three times world GDP. Government and private debt securities account for more than half of the overall growth in the global financial assets from 2000-2004 – which indicates the role of leverage or debt in driving this process. In 2004, daily derivatives trading amounted to $5.7 trillion while the daily turnover in the foreign exchange market was $1.9 trillion. Together they add up to $7.6 trillion in daily turnover of just two types of portfolio capital flows, exceeding the annual value of global merchandise exports by $300 billion.[13]

The frenetic increase in speculative financial trading and the resulting asset inflation represent the increasing alienation of finance from production and explain much of the heightened volatility and instability in today's global economy.

One response of developing countries to heightened volatility in the globalized and deregulated financial markets is to build up reserves as a form of self-insurance against the possibility of sudden capital outflows.

This self-protection has resulted in a massive accumulation of U.S. dollar reserves – the dollar being the dominant world currency – amounting to $3.7 trillion for all developing countries in 2007.[14] These reserves are in essence a transfer of resources, at very low interest rates, from developing countries to the developed economies, especially the U.S., which issue the reserve currencies.

In effect, the debt-led growth and the resulting current account deficits in the US is being financed by the surpluses of developing countries like China and South Korea, and the oil rich Middle Eastern countries who are purchasing US government bonds.

This exacerbates the third major structural imbalance in the global economy whereby precious resources which could be used for eradicating hunger and poverty, mitigating climate change and financing sustainable development in the South are being used instead to fuel unsustainable consumption and capital accumulation in the North.

According to UN estimates, Southern countries are transferring resources to the North at an average of nearly USD 500 billion per year since 2000, reaching a peak of USD 891 billion in 2008. This means that debt interest payments, profit remittances, and investments in capital markets in developed economies more than offset financial inflows to developing countries.[15]

Finally, there is the structural imbalance in terms of democratic participation in global governance. The G-20 – the self-designated "premier forum for international economic co-operation" – excludes the rest of the G192 countries. Not a single least developed country is represented in the G-20, not to mention the voice of civil society. The IFIs, which the G-20 has directed to assume the central role of dealing with the crisis at the international level, remain as unrepresentative of the interests of poor countries as before. The G-20 has issued token proposals for reforming voting shares in the IMF. But these principally benefit middle-income and emerging market economies whose vote will rise by 5 percent at the IMF and by 3 percent at the World Bank – in order to entice these surplus economies to take a greater stake in these institutions. But low-income countries (LIC) have nothing to gain in terms of voting rights, especially Sub-Saharan Africa.

These four structural imbalances are interrelated and constitute systemic failures of the neoliberal development model which have been foregrounded by the current global financial and economic crisis.

The G-20's inadequate response

The official response to the crisis, however, virtually ignores these structural imbalances and instead focuses solely on issues of liquidity and regulatory failure.

The wealthy economies have responded with massive bailouts for their financial institutions that are considered too big to fail. This has succeeded in stabilizing the financial markets and preventing a deeper recession in the developed countries. But developing countries that have little responsibility for causing the crisis have scarce resources and limited policy space for dealing with its impacts.

The G-20 leaders committed an additional USD 1.1 trillion in emergency financing to counter the global downturn — with USD 750 billion to be channelled through the IMF. Of the USD 1.1 trillion committed, only USD 240 billion is expected to go to developing countries and USD 50 billion to low income countries which are most in need of additional resources. This is a paltry amount compared to USD 20 trillion (or some 30% of world GDP) committed by the wealthy economies to recapitalize banks, take partial or full government ownership of ailing financial institutions and provide guarantees on bank deposits and other financial assets.[16]

The G-20 also directed the IMF to issue USD 250 billion to member countries in the form of Special Drawing Rights (SDRs), the IMF's reserve asset, to boost global liquidity. But shares are allocated according to IMF contributions. Hence the largest share of the USD 250 billion allocation went to the US (USD 42.6 billion) while developing countries expected to get some USD 90 billion. Low income countries (LICs) are to get USD 18 billion and sub-Saharan Africa can only claim USD 10 billion.

Despite commitments made by donors to increase their aid at the Gleneagles G-8 and the London G-20 Summit in 2009, a number of donor countries have cut their aid from previously announced levels. France and some other EU countries have either reverted back to the minimum EU target, or extended the timeline for achieving their minimum targets. Also, since most donors link their aid levels to their gross national income, reduced growth prospects will also diminish the real value of their targeted commitments.[17]

On the other hand, the IFIs have increased their lending activity to provide additional liquidity to poor countries. But this creates potential debt crises in the near future. The debt-to-GDP ratio of 28 countries is already above what the IMF considers a sustainable threshold at more than 60 per

cent.[18] Moreover, the IFIs (especially the IMF) remain as committed as ever to imposing the same neoliberal policy prescriptions on developing countries that require their assistance. These include pro-cyclical monetary and fiscal policies that have long formed part of the staple of IMF conditionalities that worsen the adverse impacts of the downturn on developing countries. The G-20 has not only reinvigorated the IFIs' role in the global economy with a new infusion of capital, it has assigned to the unreformed IMF the role of de facto technical secretariat. This shows that the G-20, like the IFIs, remains as committed to the neoliberal economic paradigm that has brought on this crisis.

As for improving financial regulation, the G-20 appears to lack political will in curbing financial speculation and making financial institutions publicly accountable. It merely promises to come out with rules on bank capital requirements by end of 2010 for implementation by end of 2012; urges firms to reform compensation policies to discourage excessive risk-taking; calls for improved transparency in the derivatives markets; and promises to come out with prudential standards for "systematically important financial institutions" by end of 2010.

Nowhere in the official policy agenda are measures to deal with the long-running decline in the income shares and living standards of the working poor, who constitute the majority of the population both in the developed and underdeveloped countries. Support for social protection measures such as conditional cash transfers and expanded social insurance may provide some relief or cushion to the poorest households but cannot compensate for the widespread destruction of livelihoods resulting from the crisis and policies that deter jobs-led recovery or further depress the living standards of the majority population.

Indeed, the G-20's cautious pronouncements that the crisis is over and the shift from economic stimulus to "fiscal consolidation" in the world's major economies has raised fears of a double-dip recession.[19]

The standard neoliberal policy response to deal with fiscal deficits – which the G-20 and the IMF are promoting – means more cuts in public services, social security and public pensions, as well as regressive tax reforms. The upshot to this is that working families are made to pay for the costs of the global crisis several times over, through falling incomes and rising unemployment, then through reduced access to social services in order to pay for the handouts given to financial giants responsible for the crisis. The worsening of inequalities and the same structural imbalances will surely lead to new financial convulsions and deeper economic crises in the future.

Box 1. What is the D'Escoto initiative in the UN (Stiglitz commission)?

The Commission of Experts on Reforms of the International Monetary and Financial System, also known as the Stiglitz Commission, was convened by the President of the United Nations General Assembly, Miguel d'Escoto Brockmann, "to review the workings of the global financial system, including major bodies such as the World Bank and the IMF, and to suggest steps to be taken by Member States to secure a more sustainable and just global economic order".

This was in response to the outbreak of the financial crisis in 2008 that originated in the advanced developed countries, but spread quickly to become a world economic crisis that affected all countries, including the emerging economies and less developed countries.

Appointed to chair the Commission of Experts was Professor Joseph Stiglitz, 2001 Nobel Prize laureate winner in Economics, and included prominent economists and policy makers from Japan, Western Europe, Africa, Latin America, South Asia, and East Asia. The Commission submitted its report and recommendations on March 19, 2009.

In this report, the Commission observed that the rapid spread of the financial crisis from a small number of developed countries that proceeded to engulf the global economy showed the urgent need for the international trade and financial system to be profoundly reformed to meet the needs and challenges posed by new conditions of the 21st century.

The report pointed out that past economic crises have had a disproportionate adverse impact on the poor, who are least able to bear the costs, which can have consequences long after the crisis is over.

The commission said that a truly inclusive approach was needed, recognizing the importance of all countries in the reform process. This inclusive global response would require the participation of the entire international community encompassing not just the G-7 or G-8 or G-20, but the representatives of all the members of the United Nations.

The Commission said that the current crisis has exposed the flawed belief in the self-correcting and efficient workings of the market. While this has brought benefits to some, it has also enabled defects in one economic system to spread quickly around the world, bringing recessions and impoverization to developing countries.

Among the important recommendations of the commission were the following:

1. A New Global Reserve System that may be viewed as a greatly expanded SDR that would contribute to global stability, economic strength, and global equity. The dangers of a single-country reserve system have long been recognized, as the accumulation of debt undermines confidence and stability.

2. The report cited the growing international consensus in support of reform of the governance, accountability, and transparency in the Bretton Woods Institutions. The infirmities in these institutions have impaired their ability to take adequate actions to prevent and respond to crises.

Their policies have also disadvantaged developing countries and emerging market economies by imposition of pro-cyclical policies that worsened the effects of the recession and prevented recovery. Major reforms in the governance of these institutions were proposed, including those giving greater voice to developing countries and greater transparency.

3. The commission proposed the creation of a Global Economic Council to address areas of concern in the functioning of the global economic system in a comprehensive way. At a level equivalent with the General Assembly and the Security Council, such a Global Economic Council would meet annually at the Heads of State and Government level to assess developments and provide leadership in economic, social and ecological issues.

Such a Council could also promote accountability of all international economic organizations and help set the agenda for global economic and financial reforms.

All important global institutions, such as the World Bank, IMF, WTO, ILO and members of the UN Secretariat dealing with economic and social issues would provide supporting information and participate in the Council.

This Council can provide a more democratically representative alternative to the G-20. The hype given to the G-20 has had the effect of sidelining the UN and its agencies where at least even the poorest country has representation and a voice.

Box 2. What is the G-77 and NIEO?

The Group of 77 at the United Nations is a coalition of developing nations created by its members to promote their collective economic interests, develop an enhanced joint negotiating capacity in the UN, and promote South-South cooperation. There were 77 founding members, but the organization has since expanded to 131 member countries – making it the biggest intergovernmental organization of developing countries. It has retained the name G-77 because of its historical significance.

The group was launched on June 15, 1964 with the "Joint Declaration of the Seventy-Seven Countries" issued at the United Nations Conference on Trade and Development (UNCTAD).

UNCTAD was set up based on concerns of developing countries over the workings of the international market, multinational corporations, and the great disparity between developed nations and developing nations. It came to be closely associated in the 1970s and 1980s with the idea of a New International Economic Order (NIEO).

The NIEO was a comprehensive package of multilateral policy options that aimed to improve the position of developing countries in the world economy relative to the richest states. The concept was put together at the Non-Aligned Movement (NAM) Conference held in Algiers in September 1973.[20]

The leaders of the NAM subsequently requested a Special Session of the UN General Assembly to address issues associated with international trade in raw materials. It was at this Session in April 1974 that the G-77 presented and secured the adoption of the Declaration and Programme of Action for a NIEO despite lack of support from the United States and a small group of developed countries.[21]

In this declaration, the UN members proclaimed their "united determination to work urgently for the Establishment of a New International Economic Order based on equity, sovereign equality, interdependence, common interest and cooperation among all States, irrespective of their economic and social systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations."[22]

The declaration cited the independence from colonial and alien domination of a large number of peoples and nations as the greatest and most significant achievement during the last decades.

It stated that technological progress has made it possible to solve the problem of poverty and for improving the well-being of all peoples and yet the majority of countries remain mired in poverty and underdevelopment.

It observed that vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid and neo-colonialism persist and serve as the greatest obstacles to the full emancipation and progress of the developing countries.

The Declaration stressed that the political, economic and social well-being of present and future generations would depend more than ever on co-operation between all the members of the international community on the basis of sovereign equality and the removal of the great disparities that exist between them.

Some of the important principles on which the new international economic order was to be founded were stated as follows:

1. The sovereign equality of States, self-determination of all peoples, inadmissibility of the acquisition of territories by force, territorial integrity, and non-interference in the internal affairs of other States.
2. Full and effective participation on the basis of equality of all countries in the solving of world economic problems in the common interest of all countries, bearing in mind the necessity to ensure the accelerated development of all the developing countries.
3. The right of every country to adopt the economic and social system that it deems the most appropriate for its own development.
4. Full permanent sovereignty of every State over its natural resources and all economic activities. Each State is entitled to exercise effective control over them including the right to nationalization. No State may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right.
5. Regulation and supervision of the activities of transnational corporations by taking measures in the interest of the national economies of the countries where such transnational corporations operate.
6. Preferential and non-reciprocal treatment for developing countries, wherever feasible, in all fields of international economic co-operation whenever possible.
7. The strengthening, through individual and collective actions, of mutual economic, trade, financial and technical co-operation among the developing countries. (Declaration on the Establishment of a New International Economic Order, 1974)

These principles enunciated more than thirty years ago remain valid more than ever in today's world. Japan would recover from the ruins of World War II and surpass its prewar industrial levels, while South Korea and Taiwan would achieve late industrialization, by applying most of these principles in their development strategy.

But the US together with other developed countries tried everything to discredit these principles and block the implementation of policies designed to address the disparities between the developed and developing countries. These efforts culminated in US President Ronald Reagan's unilateral declaration of the death of the NIEO at the 1981 Cancun Summit on International Development Issues.

The developed countries led by the US subsequently succeeded in ramming through the neoliberal paradigm called the Washington Consensus as the framework for global economic governance. And this remains the basic framework of the G-20 today.

The G-20: Boon or Bane?

The G-20 was formed at the initiative of G-7 countries at a time when serious questions were being raised against the policies of the Bretton Woods institutions which were very much under the control of the G-7 countries and their allies. Neoliberal policies based on the Washington Consensus were being imposed on developing countries as conditionalities for access to loans and grants. These policies have resulted in the economic stagnation of many third world countries aptly described as "lost decades."

As a consequence, G-7 and G-8 meetings were being routinely hounded by protests from people's organizations and social movements decrying the ruinous policies being prescribed by the Bretton Woods institutions under G-7 control.

Sharp criticisms were also being leveled at the G-7 for being elitist and undemocratic. Many were questioning its self-appointed mandate to formulate policies behind closed doors that decide the fate of the whole of humanity.

The G-7 countries had been forced into a corner. They had to respond to the criticisms of legitimacy. And they could no longer ignore the growing economic power of the BRICS countries.

The G-7 countries needed a creature like the G-20 that would be under its control but having some legitimacy, as it included in its fold the fast-growing emerging-market countries that publicly identified themselves with the vast majority of developing countries.

The formation of the G-20 can be seen as an attempt of the G-7 countries to co-opt the emerging-market countries and employ the tactic of divide and rule against the BRICS and the developing world so that the same free market principles that have ensured their dominance but have proven so disastrous to the world economy especially to the poor countries can continue to prevail.

So far the BRICS countries have identified themselves with the developing countries. The question is, will they succumb to flattery and be co-opted by the G-7 countries?

Much hype has been generated in the western media about G-20 summit declarations on reforming the international finance architecture and the policy directions and governance of the Bretton Woods institutions and so forth. None of these promises of reforms have come to pass.

The G-20 is not a governing body that implements policies. As the G-20 initiators themselves have said, it is an informal forum that discusses economic issues to achieve consensus. It does not make decisions that are binding on members. The G-7 countries can therefore enjoy the flexibility to push for recommendations when it suits them and ignore or merely pay lip service to them when these go against their interests.

The institutions that have real economic enforcement authority are the IMF, World Bank and WTO. And these are firmly under the control of the G-7 countries. Every World Bank president has been an American and every IMF Managing Director has been a European.

The IMF and World Bank continue to enforce neoliberal conditionalities and pro-cyclical policies that aggravate the effects of the crisis on the developing countries. The WTO rules are still stacked against the developing countries and in favor of the rich countries, like the TRIPS provisions that cater to the interests of corporate patent holders such as the huge pharmaceutical companies.

The G-20 is therefore a convenient vehicle for the G-7 countries to gain legitimacy for their positions while at the same time having the flexibility that if they do not get its imprimatur, they can have their way anyway because they control the levers of power in the economic institutions that really count – the IMF, World Bank and WTO.

The G-7 countries also possess in NATO a most potent weapon for imposing their will on the entire planet. As shown in the case of Libya, the G-7 countries can still put to good use their military superiority to back up their vital economic interests when push comes to shove. They have invented new code-phrases such as "humanitarian missions" and "responsibility to protect" to disguise their naked aggression and legitimize their blatant violation of the national sovereignty of other UN member states.

The Stiglitz Commission is correct to point out that, in order to ensure the welfare of all countries in an increasingly integrated world, an inclusive approach is necessary that would require the participation of all countries in reforming the mode of global economic governance transcending such groupings as the G-7, G-8 and the G-20.

The proper forum to tackle both the short-term issues of responding to crises and long-term issues related to economic development strategies as stressed by the G-77 and China must be situated within the United

Nations System – provided deep-going reforms (not the cosmetic reforms proposed by the G-7 countries) are also instituted to rectify the democratic deficiencies in the governing organs of this world body.

Conclusion

The G-20 Summit in Cannes failed to significantly address many urgent issues such as food security/sovereignty, climate change, and the financial transactions tax (FTT) to curb speculation and raise funds for development, among others. It was preoccupied with the crisis in the Eurozone.

But the main preoccupation of the US and EU seems to be to prevent defaults by further enforcing austerity measures at the expense of the people such as pressing down wages, firing public sector employees, cutting back on social benefits, and reducing spending on social services that can only aggravate the economic and financial crisis.

After a slight rebound, the world economy has once again entered a period of great uncertainty. Economic growth in the US remains weak. Europe is not yet out of the woods. All signs point to a general slowdown in the G-7 countries with the latest forecast of GDP growth of only 0.5% for 2011.

Compounding the problem is the great constraints on the ability of governments to undertake pump-priming measures to stimulate expansion because of sovereign debt problems both in the US and the Europe. The prospects of a double-dip recession, continued high unemployment, and stagnant growth in the developed countries pose bigger problems for the developing countries worse than what they experienced in 2008.

The slowdown in the developed countries will surely have a severe impact on the developing countries whose economies rely heavily on exports to the developed countries' markets, which will surely adversely affect their ability to sustain their economic growth. Thus, China has taken steps to turn its attention more and more to developing its domestic market.

The peoples of the third world cannot pin their hopes on such groupings as the G-20 that are heavily dominated by the G-7 countries. They must assert their sovereignty in charting their own course in industrial development, in crafting their own investment and trade policies, and in regulating capital flows according to their particular needs and objectives.

The economies of all countries must serve the needs of the people and not be geared merely towards generating corporate profits. In the capitalist countries, jobs must be created, incomes increased, and consumption revived rather than pouring bailouts to the big banks and industrial corporations. Production must be restored for the purpose of generating sustainable livelihoods, expanding poor people's incomes, and meeting people's needs while operating within the carrying capacity of the planet.

The most urgent task for the countries of the third world remains the development of national economies that takes into account the dialectical relation and balanced development of both industry and agriculture. At the same time, the basic demand for social and economic justice must be met. Land reform is necessary to address the problem of the most numerous class in the majority of the developing countries for better living standards. People's food sovereignty must be achieved.

Domestic policies should redirect the economy towards creating decent jobs for all, ensuring universal access to essential services, and reducing inequalities along gender, ethnic, and geographic lines. This means greater reliance on public employment and public expenditures on labor-intensive services like education, health, water, housing, public infrastructure, and green investments. This also entails expansion of public ownership or public control over critical sectors that cannot be left to the market such as finance, (alternative) energy, mass transportation and others, along with redistributive measures such as agrarian reform. These measures require greater domestic resource mobilization through progressive tax reforms, controls on capital flows, plugging tax leakages and illicit financial flows, reallocating military budgets, and so on.

The only really meaningful reforms of the global financial system are those that support the industrial development of backward economies, that cancel the iniquitous and burdensome debts, and that promote fair trade to help the industrial development of third world countries.

The proposed international FTT, by some estimates, can raise an amount ranging from under $10 billion to $1 trillion annually depending on the rates and coverage of the tax.[1] This can then be used for financing domestic social investments, development in the South, as well as global public goods, including the MDGs and climate change mitigation and adaptation measures. At the same time, the FTT is intended to discourage speculative financial trading and reduce financial volatility. This is related to calls for the establishment of an International Tax Organization (ITO) to coordinate efforts to fight tax evasion and tax havens, and to study a global formula to levy taxes on multinational enterprises.

There is also a proposal to expand the scope and use of SDRs as a global reserve currency.[2] The intention is to eliminate the distortions imposed by the reliance on the US dollar as a global reserve currency, minimize imbalances between surplus and deficit countries, meet urgent liquidity needs of developing countries in times of crises, and provide additional resources to low income countries for financing development.

There are also calls for a two-year moratorium on all external debt service payments of developing countries, which would easily free up additional resources in the amount of US$30.5 billion annually for 64 of the world's most indebted countries, and which would represent an effective way to release extra funds for critical social investment, while ensuring that no additional debt would be incurred. This is accompanied by renewed calls for debt cancellation and the establishment of a fair and transparent mechanism for sovereign debt arbitration. This mechanism shall facilitate the orderly, predictable and rapid restructuring of unsustainable sovereign debt; balancing the interests of creditor and debtor nations; and linking repayment conditions to economic, social and cultural rights, as well as environmental conditions.[3]

These proposed reforms go hand-in-hand with calls for changes in multilateral institutions including the IFIs – both in terms of orientation and governance. These institutions must pursue policies that promote broader public interests of people and the planet instead of profits. At the same time, global governance structures must become more inclusive and more representative of, and accountable to, the needs, interests and views of all countries, not just the wealthy and powerful states.

All these can serve as various components of a comprehensive agenda that addresses the immediate impacts of the global crisis, responds to the urgent needs of the people, and serves as first steps towards more far-reaching changes that fundamentally reshape the global economy, its governance and its institutions.

Any development agenda worth its name must take into account these fundamental issues. Otherwise, humanity will forever be subjected to never-

ending crises and the persistence of global poverty afflicting the vast majority of the world's peoples – not to mention the destruction of the planet's biosphere due to environmental degradation resulting from the unbridled exploitation of the earth's resources in the pursuit of corporate profits.

We reiterate the principles, put forward by the developing countries in their quest for a new international economic order to address the great global inequalities, that remain as follows:

> The sovereign equality of States, the right to self-determination of all peoples, inadmissibility of the acquisition of territories by force, territorial integrity, and non-interference in the internal affairs of other States.
>
> Full and effective participation of all countries, on the basis of equality, in the solving of world economic problems in their common interest – bearing in mind the necessity to ensure the accelerated development of all the developing countries.
>
> The right of every country to adopt the economic and social system that it deems most appropriate for its own development.
>
> Full permanent sovereignty of every State over its natural resources and all economic activities. Each State is entitled to exercise effective control over these resources and activities, including the right to nationalization. No State may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right.
>
> Regulation and supervision of the activities of transnational corporations by taking measures in the interest of the national economies of the countries where such transnational corporations operate.
>
> Preferential and non-reciprocal treatment for developing countries, wherever feasible, in all fields of international economic co-operation whenever possible.
>
> The strengthening, through individual and collective actions, of mutual economic, trade, financial, and technical co-operation among the developing countries.

These principles have served the BRICS countries well in their successful drive to break out from the morass of underdevelopment. These should serve the other developing countries as well in their quest to achieve prosperity in a new international economic order where they will have their own place of dignity in the community of nations.

The next G-20 summit in Mexico in June 2012 should once again be hounded with mass actions and counter-fora by people's organizations and social movements. Some of the immediate and long-term demands that civil society organizations can continue raising are the following:

Immediate demands:

1. Bail out the people not the banks!
2. Debt write-offs not bank pay-offs!
3. No to austerity measures that punish the 99%!
4. Make jobs not wars!
5. No to speculation and casino capitalism!
6. Stop speculation on food!

Long-term demands:

1. Equitable and sustainable development
2. System change not climate change
3. Food security through food sovereignty
4. People over profits
5. Food is a human right
6. Full sovereignty over natural resources not imperialist wars of plunder!

Endnotes

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