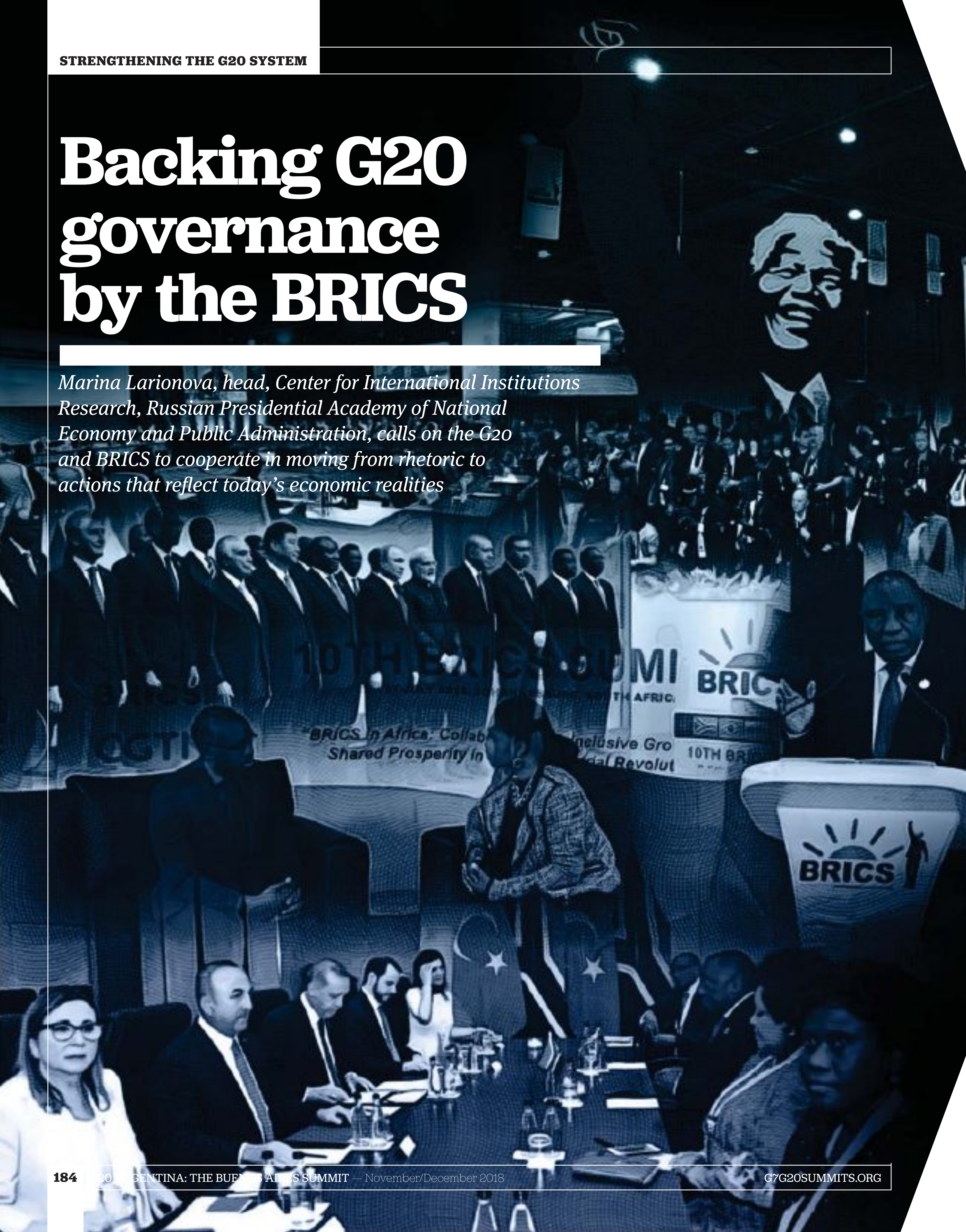
Backing G20 governance by the BRICS

Marina Larionova, head, Center for International Institutions Research, Russian Presidential Academy of National Economy and Public Administration, calls on the G20 and BRICS to cooperate in moving from rhetoric to actions that reflect today's economic realities



The G20 and the BRICS grouping of Brazil, Russia, India, China and South Africa were born into a crowded, institutional world after the 2008 global financial crisis. The G20 pledged to manage the crisis, reform international financial institutions and devise a new global consensus. Soon designated as its members' premier forum for international economic cooperation, the G20 became the 'hub of a global network', operating on the universal principles of rationality, norm-building and openness. The BRICS committed its members to cooperation, policy coordination and political dialogue and reform of international institutions to reflect changes in the world economy. Set up to tighten economic ties and promote a fair and equitable multipolar order, the BRICS has now entered its second 'golden decade' as a concert of rising powers rapidly institutionalising and gradually generating stronger political influence.

The BRICS supports the G20's role in reforming the international monetary system, curbing protectionism and improving the international environment for trade and investment. At their second summit, in 2010, the then BRIC leaders underlined: "We advocate the need for the G20 to be proactive and formulate a coherent strategy for the post-crisis period. We stand ready to make a joint contribution to this effort."

The BRICS has invariably reiterated its commitment to the shared goals of reforming the international governance architecture and acted accordingly both within the G20 and the BRICS. However, more needs to be done.

SLOW PROGRESS

The G20 has consistently pushed for reforming the quotas and governance of the International Monetary Fund (IMF), supported replenishing its resources, and endorsed new lending instruments and stronger surveillance tools. In 2009, the BRIC (before South Africa was a member) pledged to contribute $80 billion to supplement IMF resources, called for a shift of quota targets in the IMF and the World Bank to redistribute voting powers more equitably, and made a detailed proposal for reforming the two institutions. Nonetheless, progress has been slow; thus the G20's 2010 Seoul commitment to "a comprehensive review of the quota formula by January 2013 [and] … completion of the next general review of quotas by January 2014" has been postponed again – now to 2019. And although China's 2016 G20 summit supported "the ongoing examination of the broader use of the [special drawing right] … as a way to enhance resilience", there was no mention of it at the Hamburg Summit in 2017. The BRICS declarations at Xiamen in 2017 and Johannesburg in 2018 focused on intra-BRICS finance and monetary cooperation rather than reforming the international monetary system.

The G20 and BRICS should undertake bolder actions to strengthen the international monetary system in the face of increasing multipolarity and financial innovations such as distributed ledger technologies and cryptocurrencies.

NECESSARY COOPERATION

Both the G20 and BRICS have committed to curbing protectionism, pursuing comprehensive and balanced results of the Doha Development Agenda of the World Trade Organization (WTO) and maintaining the stability of the multilateral trading system. While the G20's push for a successful WTO outcome on trade facilitation could be perceived as a contribution to the Trade Facilitation Agreement, progress on the other tracks is modest. The WTO is weakened by trade tensions, the conclusion of Doha is elusive, and strengthening the WTO dispute settlement system and crisis resolution is nowhere in sight. Since 2008, G20 members have introduced 1,671 trade-restrictive measures and removed only 408. At Hamburg they pledged to continue fighting protectionism including all unfair trade practices, while recognising the role of legitimate trade defence instruments that accommodated the Trump administration's pursuit of national trade advantages. Since then, escalating trade tensions have constrained economic growth. Yet the G20 has not acted "to mitigate risks and enhance confidence" as promised by its finance ministers. At their Johannesburg Summit in 2018 BRICS leaders committed to strengthen the WTO and urged its members to address the impasse over the appellate body and develop a legal framework for multilateral trade within the WTO.

The G20 and BRICS must move from rhetoric to actions and cooperate in the WTO to implement its rules, preserve its dispute settlement mechanism, advance negotiations on e-commerce and investment facilitation, and conclude Doha.

Their pursuit of the international monetary and trade systems has produced no fundamental change. They should step up efforts to create a global governance system that reflects the new economic and technological realities, responds effectively to persistent challenges and new risks, and creates conditions for balanced and inclusive growth.

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