**ASIA AND THE G-20**

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The invitation by the Group of 7 countries (G7) to 12 more countries from various regions of the world and the EU and transform themselves into a Group of 20 countries (G20) is indeed a welcome step. The economic power relations have changed considerably in the past decade or so and it was therefore natural that the global governance architecture should begin to reflect this new reality. The efforts of the G20 in tackling the 2008/9 global crisis did indeed reinforce the efficacy of this initiative.

The question, going forward, is to examine whether G20 could become an effective coordinating mechanism for maintaining stable conditions in the global economy to promote sustainable and equitable growth for improving the living standards of the majority of the 7 million inhabitants while holding inflation under control and generating gainful employment opportunities. The other objectives the G20 would have to set for its’ self would be how to reduce global imbalances, keep the markets open for trade, and reform the international financial system. There seems to be a broad consensus on this agenda setting but the anxiety is whether it possesses the tools, leadership, culture and the authority for conflict resolution and enforcement of its decisions.

The first challenge is to demonstrate that it is not in fact the mechanism to perpetuate the ascendency of the G7 countries by co-opting other countries that have developed economic muscles and have become critical for the well being of the advanced countries. Is it G7 plus 13 or is it indeed a homogenized G20?

Second, there is at present a disconnect between the key international institutions which are the tools for implementation of G20 decisions and the structure and the mandate of these institutions. For example, the IMFC is the policy setting body for the IMF and has a system of representation from all its 180 members. What happens if a decision taken by the G20 is perceived to be against the interests of all or few of the 160 members represented at IMFC but having no voice at G20.

Third, there are serious doubts about the quality of present leadership of the G20.The internal divisiveness among the two political parties in the US and the tension between the Northern European countries led by Germany and the peripheral countries within the EU have made it difficult for either President Obama or Chancellor Merkel to assert any moral authority in exercising the leadership role. Japan has had too many Prime Ministers in last few years and the developing countries are new kids on the block observing what is going on.

Fourth, the culture of the G7 was derived primarily by the western values of direct, decisive and result orientation while the Asian countries believe in slow, painstaking, patient dialogue and consensus building. How can the Indonesians and the Saudis feel comfortable in the inherited legacy of the G7?. Will the G20 be able to substantially engage and reach group wide decisions on time and with broad based support?

Finally, how is the authority for conflict resolution and decision enforcement derived? The UN, WTO, Bretton Woods institutions have negotiated and established agreements, protocols, practices and rules for governing these institutions. G20 is an informal talk shop where the participants are able to articulate their respective viewpoints. Suppose China does not think it should appreciate its currency the way the US wants it to do or the US does not think that it should discontinue QE because developing countries are facing undesirable capital inflows. How will these differences be reconciled when the IMF has been unable to do so despite the authority it enjoys?

These challenges will hopefully be taken up in all earnestness in the future deliberations of the Group and solutions found. The thesis of this paper is that in doing so Asia as an emerging powerhouse of the global economy has to play a more proactive role within the G20 Forum. China has already overtaken Japan as the second largest economy in the world and is likely to take over the top spot by 2020. India is moving rapidly up the ladder and would soon become the third largest economy in the world. IMF estimates that the propellant of the otherwise lackluster world economic growth would be emerging Asia. Europe, US and Japan face serious risk of double dip recession. Public finances of Asian countries are in good shape, debt ratios are low, banking systems are healthier, corporate balance sheets are less stressed, huge foreign exchange reserves act as an insurance against unexpected shocks. Wages and incomes are rising and unemployment rates are no where alarming. Regional trade is all time high and the dependence on the US and EU for exports has declined. China ships only 35% of its exports to the US and EU.

The above strengths of the Asian economies clearly shows as to why they should be in the driver or at least copilot’s seat. The existing arrangements of Asian plus 6 and SAARC countries should be used to consult other member countries in the region and their voice can thus be ventilated through the six Asian countries represented on G20.