

The G20 versus the UN: Rival Development Forums?

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The G20 is more in tune with contemporary development paradigms than the United Nations. However, there remains an essential balancing role for the UN development system.

Many early analyses and prescriptions for economic growth were based on assumptions of “equifinality”—despite widely varying initial conditions, all countries would end up at the same development destination of self-sustaining growth. Developing countries found it convenient to place the primary blame for their underdevelopment on colonialism and looked therefore to technical assistance, financial transfers, and concessional terms of trade from the West as the panacea for their economic ills. Yet the most successful region in virtually all development indicators turned out to be East Asia, which departed from the “model” and demonstrated the reality of “multifinality”—despite initial conditions similar to those in South Asia and sub-Saharan Africa, the East Asian countries are closer today in most economic and human development indicators to the industrialized West than the still under-developed others, and with growth rates that will get closer over time.¹ In 2012 East Asia’s “dragons” (Hong Kong, Japan, Singapore, South Korea, Taiwan) had a GDP/c of \$36,819.² The key to their success was state capacity and ownership of policy.

Simplifying somewhat, the G8 (Canada, France, Germany, Italy, Japan, Russia, United Kingdom, and United States) and the international financial institutions (IFIs) are broadly representative of the first group that pushed the neoliberal agenda. The G77 formed the majority second group that dominated the UN approach to development for many years. The new G20 is depicted in Table 1³ and has the opportunity to promote a productive cross-fertilization by offering best-practice on the most successful models to have worked.

This propagation of best-practice in development by the G20 is itself a challenge to the UN development system.

The G20 also represents a challenge to the UN development system for other reasons. First, in economic weight, it includes all the world’s systemically significant countries, which was the primary criterion for membership (the world’s top twenty by GDP). Second, it comprises the world’s richest and poorest big economies and is thus more inclusive of the diversity of development perspectives—including human development—and interests at the high table than any alternative. Third, the G20 includes the countries with about half the world’s people living below the \$1.25 a day definition of absolute poverty. Fourth, it includes both donors and recipients. Fifth, it includes nearly all the most populous countries. Sixth, it includes almost all the world’s regional heavyweights. Finally, the combination of the first, fifth and sixth attributes (GDP, population, and regional weight) means that the G20 includes all countries with geopolitical clout.

Representing two-thirds of the world’s total population, the G20 accounts for 80–90 percent of the world’s gross product, trade, and economic growth and, importantly, most of the world’s poor. Broadly representative of the global diversity of power, wealth, poverty, and values, the G20 augments the formal forums of organized multilateralism with an informal institutional setting for the key players to engage each other directly and personally minus the UN’s bureaucratic baggage and the IFI’s political baggage. In short, it is a better place to do business.

A DISSIPATING WASHINGTON CONSENSUS

The concept of aggregate economic growth dominated policy and scholarly debate in the initial years. With the

FUNDS supports and helps accelerate change in the UN development system to increase effective responses to global development challenges—especially after 2015, the target date for the Millennium Development Goals. Recognizing the many frustrations that have accompanied UN reform efforts, FUNDS envisages a multi-year process designed to help build consensus around necessary changes. Financial support currently comes from the governments of Norway, Sweden, and Switzerland.

end of the Cold War, the neoclassical consensus returned to the idea that all economies can achieve growth and development with free markets and open trade and investment policies. However, the rapid growth of global markets has not seen the parallel development of social and economic institutions to ensure balanced, inclusive, and sustainable growth.

Historically, the major developed economies used interventionist policies—tariffs, capital controls, protection of infant industries—when ascending the ladder to prosperity, and then decided to kick away the ladder, rewrote the rules of international trade and commerce to forbid the remaining poor countries from following in their paths, and used international institutions like the World Bank, International Monetary Fund (IMF), and World Trade Organization as global enforcers of the tough new rules.⁴ Many disillusioned “clients” believe that the IMF has been captured to serve the global financial and banking interests ahead of the needs of development and growth.

The global financial crisis starting in 2008 destroyed the intellectual foundations of the international economic order—commonly known as the “Washington consensus” because the World Bank, the IMF, and the U.S. Treasury are based in that city—which called for continual deregulation and privatization as the key to growth and prosperity. The government was held to be the problem and not part of the solution. Instead, the markets would allocate resources most efficiently and the rising tide of globalization accompanying the always-retreating state in an ever-flattening world would lift all boats.

The crisis confirmed that while governments are fallible, markets too are imperfect and both need each other’s tough discipline to curb and correct excesses; that greed is not always good and can drive short-term profiteering for individuals while imposing significant long-term pain for the collective; and that globalization has losers as well as winners, a dark side that threatens as well as the bright lights that beckon.⁵

THE UNITED NATIONS: MISSING IN ACTION

Development policies must not only promote economic growth but also, simultaneously, combat inequalities (income, ethnicity, gender, regional) on the explicitly political dimensions of public policy, both domestic (national governments) and international (development agencies and donor governments). Development policies have to be crafted that are consciously pro-poor, prioritizing employment over austerity, and focusing on job-creating schemes like large-scale public works; expanding access to education, [re]training, finance and credit; and addressing infrastructure bottlenecks.

The UN’s primary purpose, spelled out in the Charter, is the maintenance of international peace and security. With decolonization, the size and nature of UN membership changed dramatically. The urgent priority for the newer countries was to jump-start national integration, state-building, and economic growth that had been fractured, stunted and distorted under colonial rule. The shorthand description for this, to be achieved with the help of an actively interventionist state, was “development,” which became the UN’s second great normative agenda.

The organization is expected to provide leadership in the development dialogue and be at the center of efforts to promote more equitable economic relations and spread the benefits of globalization. To its credit, the organization never signed on to the mainstream US consensus and even by the turn of the century parts of the UN system, most notably the UN University’s World Institute for Development Economics Research in Helsinki and the UN Research Institute for Social Development in Geneva were centers of “constructive dissent.” Poverty reduction, job creation, and inter-group and international equity remained core UN concerns. The UN system has recognized the distinctive weaknesses, vulnerabilities, and challenges of least developed countries, for example. Nevertheless, that there still are 48 countries so classified speaks volumes about the broken paradigms and unfulfilled promise of UN-promoted development.

As the UN Intellectual History Project has shown, ideas have been an important product of the UN.⁶ Where has it been recently on the contested terrain of great ideas in the global discourse on economic and social issues, as it was in earlier decades until colliding head-on with Reaganism and Thatcherism at the 1981 Cancún Summit? Given the weight of accumulated vested interests sabotaging efforts at serious reform of the increasingly sclerotic international organization, the fall from grace of the Washington Consensus has not produced new UN models and prescriptions. One major exception was “human development” which has had its own limitations in the translation from concept to operational strategies.

Mostly the UN system paid too much attention to “problem child” member states that showed persistent failures of development and insufficient heed to learning best practices from the successful poster-child cases of development.

Another notable exception is the UN Millennium Development Goals which represent a global consensus on development policies and targets. They are a quintessentially UN achievement, setting aside disagreements on contested concepts in favor of reaching agreement on shared goals and milestones. Their many real successes notwithstanding, the MDGs also represent

another quintessential UN shortcoming because there are no compliance mechanisms.

In the emerging global economic order, for the first time in history, countries from the global South are likely to be at the forefront of the multipolar economic system. They will be the main drivers of international economic growth and provide the chief stimulus and ballast to the global economy. Even Africa has been a major success story over the past decade. That reality is not reflected in the ossified decision-making and policy-setting UN structures and so they are bypassing the UN system.

China, Brazil, and India offer development lessons as strong proponents of purposive state intervention to guide market development and national corporate growth, rather than relying solely on market-led growth. They have promoted the principles of increased state intervention for market regulation, greater balance between the real economy and the virtual economy, and between reliance on the national versus international markets. In the last three decades, China has produced the biggest rise in incomes for the biggest number of people in history. These lessons are obvious and front and center in the G20; they are largely missing from the UN development system. The latter is still dominated at senior levels in the more influential posts by Westerners (think UNDP's Administrator), and China often finds itself isolated or sometimes in Russian company. But its weight is more fully felt in the G20 and the wider developing world where development successes (as defined by them) are prioritized rather more than human rights shortcomings.

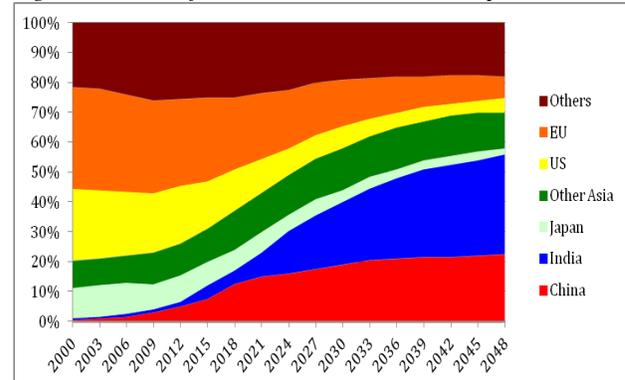
EAST ASIA AS THE DEVELOPMENT SUCCESS STORY

Asia's success has been through a uniquely successful combination of globalization, growth, and prosperity over the last thirty years. Projections also show that the burst in the growth of the world's middle class—the cohort that will add consuming power and therefore anchor and drive global economic growth⁷—will be in Asia-Pacific, rising from 28 percent of world total in 2009 to 53 percent in 2020 and a massive 67 percent in 2030.⁸ In the same period, as demand from the middle class grows by 167 percent, more than four-fifths of that growth will come from Asia.⁹

The “Asian Century” (mid-twentieth to mid-twenty-first) has essentially been the East Asian Century. East Asian experience shows that one of the most important requirements for development is state capacity: the creation of government with legislative and executive powers that can be exercised effectively to allocate resources and values authoritatively, and of structures (civil service, judiciary, police, army) supported by an ideology that legitimates the role of neutral state authority in maintaining social order through prescribed procedures

and the rule of law. The state has to play an active role in building the legal and institutional infrastructure of a market economy as well as a social democracy, so that public power is exercised for the public good to ensure public safety, educate and train citizens and the workforce, enforce contracts, protect property rights, safeguard labor rights, promote human rights, conserve the environment, look after public health, and protect national security.

Figure 1: Shares of Global Middle Class Consumption: 2000-48



THE G20 SEOUL CONSENSUS

The November 2010 meeting in Seoul was the first G20 leaders' summit held in an Asian and non-G8 country. South Korea wants to promote itself as a bridge between the industrialized and developing worlds. South Africa and Indonesia can play similar bridging roles between the G20 and Africa and Southeast Asia, respectively. The non-G8 members succeeded in putting on the G20 agenda the issues of economic development, infrastructure for growth, development aid, and financial safety nets in a way that had been absent from UN circles.

The Seoul Development Consensus is based on South Korea's successful transition from a poor developing to a high-income developed country, with an emphasis on growth-led development through physical infrastructure, employable skills, and access to finance and investment. As well as sidelining the Washington Consensus, it moved the development debate in rich countries beyond merely the design and level of aid packages, to focus instead on structurally important pillars of development like education and skills, infrastructure, domestic mobilization of resources, private sector-led growth, social inclusion, and food security.

This does not render the UN development system irrelevant, but it changes the focus. In order to defuse criticisms that the G20 is a self-selected exclusive club, its governance model should be to consult and cultivate, not command and control. If the G20 and the UN are perceived and function as zero-sum alternatives, both will lose legitimacy and effectiveness. The loosely structured

and informal multilateral G20 has a comparative advantage in gathering the most important countries in a business-like atmosphere. The UN-centered formal multilateral organizations are a necessary complement. The G20 and the UN development system should support and strengthen each other in delivering common goals.

Alternatively, the UN system could confound doubters

and skeptics, reform structures and procedures, realign itself to today's world problems and challenges as well as economic weight and geopolitical clout and not the imagined world of 1945, become tougher in compliance with respect both to pledges of assistance and performance benchmarks, and so render the G20 and other alternative forums as irrelevant and obsolete. But don't hold your breath.

Graph 1: The G20 Vital Statistics: 2012

	Population		GDP		GDP/capita		HDI
	(mn)	Rank	(PPP \$ bn)	Rank	(PPP \$)	Rank	Rank
Argentina	41	32	747	22	11 572	51	45
Australia	23	52	961	18	42 354	13	2
Brazil	196	5	2 366	7	12 038	75	85
Canada	35	35	1 446	14	41 506	12	11
China	1 354	1	12 383	2	9 146	91	101
France	64	19	2 253	9	35 519	24	20
Germany	82	16	3 194	5	39 058	17	5
India	1 258	2	4 711	3	3 851	129	136
Indonesia	245	4	1 212	15	4 957	122	121
Italy	61	23	1 834	8	30 116	24	25
Japan	126	10	4 617	4	36 179	25	10
Mexico	116	11	1 758	-	15 300	-	61
Russia	143	9	2 512	6	17 697	46	55
Saudi Arabia	29	43	741	-	25 722	-	57
South Africa	51	-	579	-	11 302	-	121
South Korea	49	25	1 622	12	32 431	25	12
Turkey	74	17	1 125	15	15 028	52	90
U.K.	63	22	2 316	8	36 727	-	26
U.S.	316	3	15 653	1	49 802	6	3

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NOTES

1. These figures and the policy brief draw on Ramesh Thakur, "From the Millennium to Global Development Goals," in *The Millennium Development Goals and Beyond: Global Development after 2015*, ed. Rorden Wilkinson and David Hulme (London: Routledge, 2012), 54–83; and Andrew F. Cooper and Ramesh Thakur, "The BRICS in the New Global Economic Geography," in *International Organizations and Global Governance*, ed. Thomas G. Weiss and Rorden Wilkinson (London: Routledge, 2013, forthcoming).
2. The 24 countries of "East Asia and the Pacific" include China but exclude all the high-growth "dragons."
3. Traditionally the 20th member of G20 Finance was the European Union. With G20 leaders the heads of the UN, IMF and World Bank also attend summits. Based on UNDP, *Human Development Report 2013: The Rise of the South:*

Human Progress in a Diverse World (New York: UNDP, 2013).

4. Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (London: Anthem Press, 2002).
5. Jorge Heine and Ramesh Thakur, eds., *The Dark Side of Globalization* (Tokyo: UN University Press, 2011).
6. Richard Jolly, Louis Emmerij, and Thomas G. Weiss, *UN Ideas That Changed the World* (Bloomington: Indiana University Press, 2009). For the author's contribution to the UN Intellectual History Project, see Thomas G. Weiss and Ramesh Thakur, *Global Governance and the UN: An Unfinished Journey* (Bloomington: Indiana University Press, 2010).
7. Source: Homi Kharas, "The Emerging Middle Class in Developing Countries," Working Paper No 285 (Paris: OECD Development Centre, 2010), 29; available at <http://www.oecd.org/dataoecd/12/52/44457738.pdf>
8. UNDP, *Human Development Report 2013*, 14.
9. Kharas, "The Emerging Middle Class in Developing Countries," 28.

