

Formation of G20

Why in news?

G20 Heads of State and Government Summit is to be held in New Delhi.

What is G20?

The G20 countries together account for 85% of the global GDP, over 75% of global trade, and about 2/3rd of the world population.

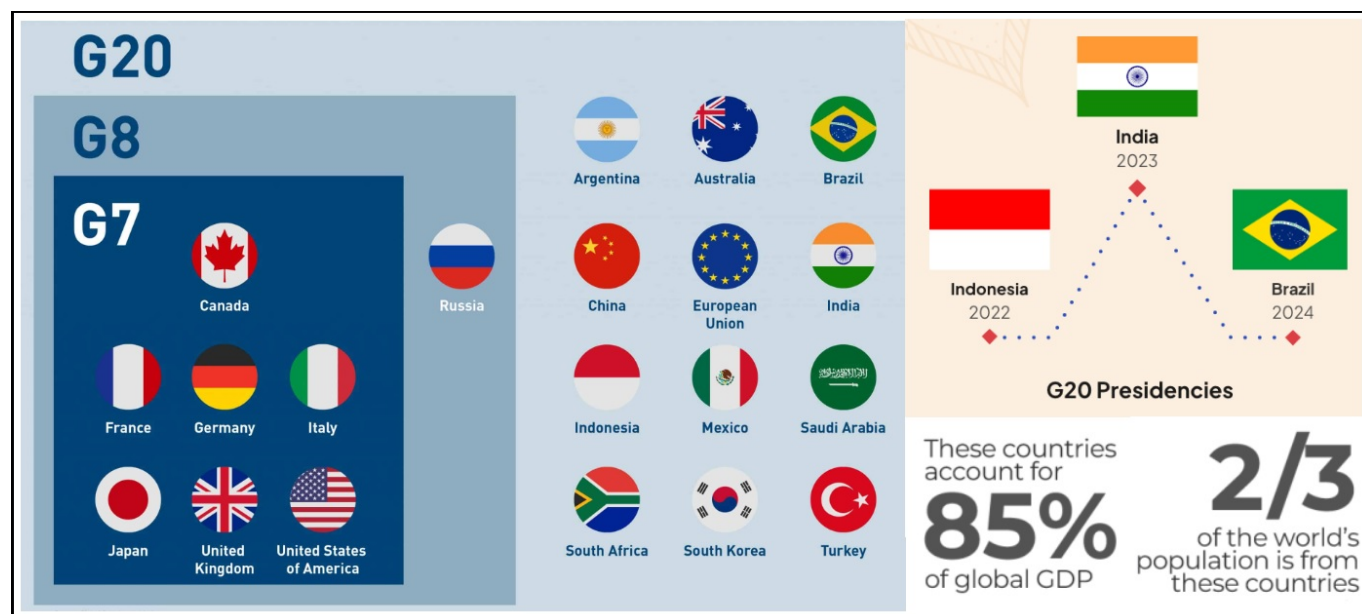
- It is an international forum that brings together the world's leading industrialised and emerging economies.
- **Launch-** The G20 was established in *1999 after the Asian financial crisis* as a regular forum for Finance Ministers and Central Bank Governors.
- **Aim-** To study, review, and promote high level discussion of policy issues pertaining to the promotion of international financial stability
- **Member-** It comprises of *19 countries* (Canada, France, Germany, Italy, Japan, UK, US, Russia, Australia, Canada, Saudi Arabia, India, South Africa, Turkey, Argentina, Brazil, Mexico, China and Indonesia) and *European Union*.

| G20  | |
|---|-------------------|
| Founded in | 1999 |
| India's membership | India is a member |
| Chair | India (2023) |

- **Division-**The members are divided into 5 groups, consisting of a maximum of four states for choosing the President.
 - Group 1: Australia, Canada, United States, Saudi Arabia.
 - Group 2: India, Russia, South Africa, Turkey.
 - Group 3: Argentina, Brazil, Mexico.
 - Group 4: France, Germany, Italy, United Kingdom.
 - Group 5: China, Indonesia, Japan, South Korea.
- The group **does not have permanent secretariat**.
- Every year, the host country chooses other guests.
- **Presidency-** The President is chosen by a rotation system amongst the member countries.
- The Presidency is responsible for bringing together the G20 agenda, organising its

workings and hosting summits.

- India holds the Presidency of the G20 from 1 December 2022 to 30 November 2023.
- **Troika**- It comprises of the past, present, and future presidents.
- Troika 2023 includes Indonesia, India, and Brazil.
- **Permanent guest**- **Spain** always participates in the G20 summits.



How did G20 evolve?

- **G7 group**- It was set up in 1975, aftermath the twin exchange rate and oil crises of the early 1970s.
- Finance Ministers and Central Bank Governors of the G7 meet annually to discuss important economic issues and challenges.
- **Asian financial crisis**- In 1997, the Asian financial crisis ripped through some of the fastest-growing economies in East Asia.
- It soon spread to Latin America, another hub of rapidly developing Global South nations.
- **G22 group**- It was set up in 1998 as a G20's earliest iteration due to Asian financial crisis. It was initially conceived as a one-time crisis-response meeting.
- **G33 group**- In early 1999, two more meetings were convened including 33 members (G33) to discuss reforms of the global economy and the international financial system.
- **Ad-hoc nature of the groups**- The dissatisfaction with the ad hoc nature of the G22 and G33 processes, led to the eventual formation of the G20 in late 1999.
- **G20 group communique**- It was issued by finance ministers of the G8 (Russia was added in 1997 and removed in 2014) on 1999.
- **Informal dialogue**- It proposes to establish a new mechanism for informal dialogue among systemically significant economies in Berlin.
- **Creation of G20 leaders' summit**- In 2008, the world saw perhaps the greatest economic crisis to hit since the Great Depression (1929-39).
- France, which held the EU presidency at the time, backed by the UK, argued for an emergency summit meeting to address the crisis.
- **First summit**- The 'Summit on Financial Markets and the World Economy' was convened in *Washington DC in 2008*.

- Annual summits have been held ever since.

How does the G20 function?

- **Working channels-** There are 2 working channels of G20.
 - **Finance Track** - It covers meetings between finance ministers and central bank presidents.
 - **Sherpa Track** - It covers non-financial issues, such as political commitment, the fight against corruption, development, gender equality, trade and energy. (Sherpas are personal emissaries of the Leaders.)
- **Affinity group-** Civil societies participate in the G20 through affinity groups to enrich submit.
- **Summit-** The G20 heads of government or heads of state have annually met at summits.
- The group also hosts separate meetings of finance ministers and central bank governors.
- **Global Governance Group (3G)-** It was formed by *Singapore*, an informal grouping of 28 non-G20 countries.
- It includes several microstates and many third world countries to collectively channel their views into the G20 process.

G20 India Presidency

- Theme- '*One Earth One Family One Future*'.
- It means '*Vasudhaiva Kutumbakam*' (the whole earth is a family) written in Devanagari script.

• **The theme is drawn from the ancient Sanskrit text of the *Maha Upanishad*.**

- The theme affirms the value of all life - human, animal, plant, and microorganisms and their interconnectedness on the planet Earth and in the wider universe.

What is the need for G20?

- **New geopolitical order-** The emergence of the G20 in the international order arose from a combination of chance and necessity.
- It is partly the product of improvisation, which is a logical consequence of the socioeconomic evolution of the world.
- **Voice of Global South-** Communism became a thing of the past in 1990s and vibrant economies emerged in the Global South.
- There was a need for reform in world institutions that had hitherto been dominated by nations from the Global North.
- **Lack of world institutions-** UN and the International Monetary Fund (IMF) had not managed to overcome the North-South divide in their mode of deliberation.
- **Initial response-** From the standpoint of the world order, for large countries that were both rich and poor, such as China, India and Brazil, the North-South divide was no longer as clear. Hence, G20 offered an initial response to the need for reform.
- **Recognition of G7-** It emerged in the context of a growing recognition among Global

North nations that emerging economies in the Global South were not adequately represented in global economic discussion and governance.

The 18th G20 Summit in New Delhi will be a culmination of all the G20 processes and meetings held throughout the year. A G20 Leaders' Declaration will be adopted at the conclusion of the G20 Summit.

References

1. [Indian Express- How was G20 created](#)
2. [G20- About G20 theme](#)

