

## 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 2/3<sup>rd</sup> of the world population.*

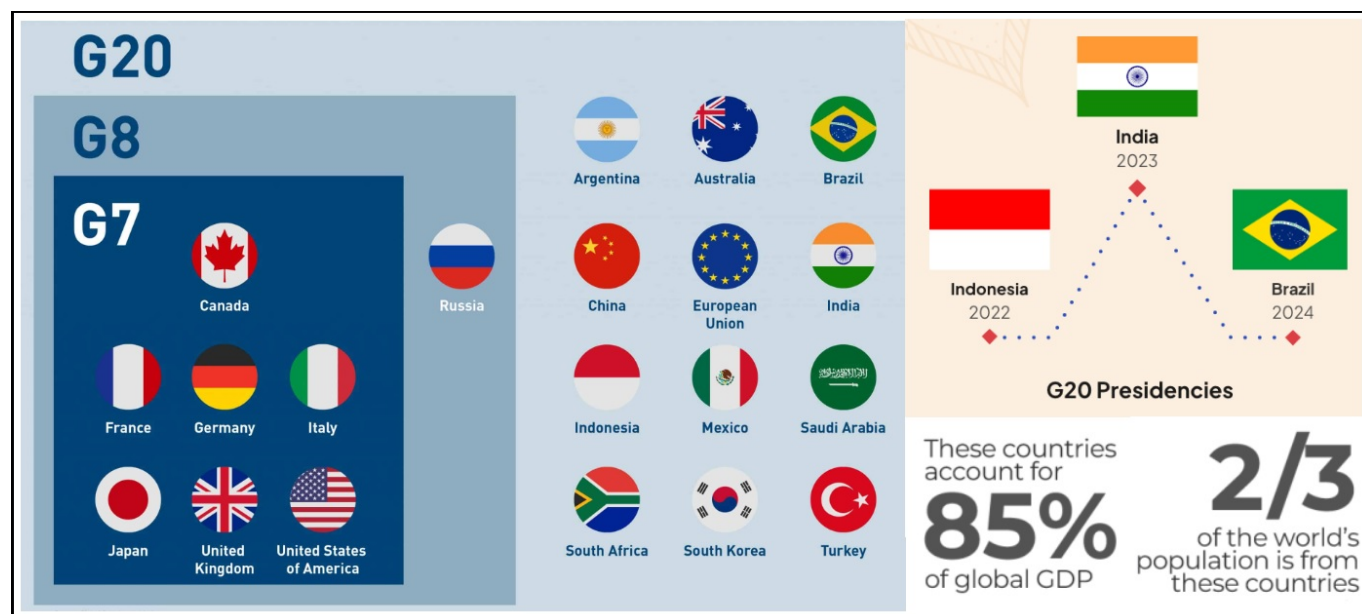
- It is an international forum that brings together the world's leading industrialised and emerging economies.
- **Launch-** The G20 was established in *1999 after the Asian financial crisis* as a regular forum for Finance Ministers and Central Bank Governors.
- **Aim-** To study, review, and promote 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 18<sup>th</sup> 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](#)

