It is a pleasure to be on this panel today to discuss the G20’s future. This is a topic to which I feel close: I have been involved in G20 meetings of Finance Ministers and Central Bank Governors since this forum first met in Berlin in 1999. I also had the honour to serve as the German Chancellor’s Sherpa in the Leaders’ Summit in Cannes in 2011.

The elevation of the G20 as the premier forum for international economic cooperation in the Pittsburgh Leaders’ Summit was a welcome development in its own right. It reflects the recognition of the growing importance of emerging economies and the need to foster a continued informal dialogue between them and advanced economies.

The G20’s earlier achievements, especially at the Washington (2008), London and Pittsburgh (both 2009) to the Seoul (2010) Summits, were quite impressive, both as regards the content and the time frame in which they were accomplished. They included inter alia a coordinated policy response to the cyclical downturn, the launch of the IMF’s governance reform and an increase of IMF resources, as well as political impetus to a broad financial reform agenda. Questions about the G20’s legitimacy were raised at times by countries not represented. But the group’s effectiveness in pushing ahead reforms provided the necessary backing in “leading by example” and what one could call the “output legitimacy” of the G20.

More recently, however, the G20 seems to have lost its earlier momentum. The case for acting in unison has diminished now that the most acute phase of the global financial crisis is behind us. What we observe is a quite common phenomenon, however. While informal formats gain importance in times of crisis, there is a clear tendency to revert back to the “input legitimacy” of the more formal formats and gatherings of pre-crisis times.

It is interesting to note that the IMF World Economic Outlook this time speaks about increasing heterogeneity¹ in countries’ economic performance whereas only six months ago the talk was of a 3-speed recovery and three years ago we had a one-speed economic cycle in the global economy. Against the background of this changed global environment some of the intrinsic features of the G20 come again to the fore: the G20 is composed of countries with different economic structures, different political systems and different short-term interests.

Such diversity makes it obviously harder to reach consensus, harder for instance than at the level of the G7 which is a similar forum, whose death was also declared prematurely.

The G20 remains important for policy dialogue with a view to reaching a common understanding on economic challenges shaping the outlook. Such a common understanding is a key condition for being ready to act in a globally cooperative manner when the need arises. Therefore, the main question now is how to further improve the G20’s effectiveness as an informal forum for economic policy dialogue.

¹ The IMF points to the fact that “growth dynamics further diverge” at the global level and states that, in particular, “the advanced economies have recently gained some speed, while the emerging market economies have slowed [and that] the emerging market economies, however, continue to account for the bulk of global growth. Within each group, there are still broad differences in growth and position in the cycle” (see WEO, October 2013, Chapter 1).
Let me throw out, for discussion among the panellists, three ideas:

First, it is essential to return to a more focused agenda. The G20 should concentrate on topics where it can bring genuine value added compared to the activities of the formal institutions which, at the global level, deal with economic policy matters. Since the core of the G20 remains the Finance Ministers and Central Bank Governors’ meetings, the G20 is not ideally placed to deal with e.g. food security or labour issues. Thus, the number of work streams and working groups should be reduced.

But the group is well placed to discuss global economic and financial challenges, such as financial regulatory reform, tax issues, macroeconomic policies and global financing.

What we need is an effective division of labour between the G20 and the international organisations, with the latter providing technical/analytical input to the informal setting of the G20, but also receiving political signals on key orientations for an effective functioning of the international organisations in the global economy, e.g. that the IMF should refine its surveillance of the global economy; what the priorities and timetables of the FSB should be in terms of global financial regulation; what route the OECD should take on tax evasion or tax transparency.

My second idea – which I have mentioned on earlier occasions – is the creation of a permanent secretariat for the G20.

This would help to stay focused and avoid proliferation of new topics, which each new G20 Presidency introduces, often with limited results. It would also foster continuity on technical topics, especially on work streams which span over several years, such as financial regulation. These advantages would of course need to be weighed against the risks of increasing bureaucracy and less ownership by the countries participating in the G20, including the Presidencies. But, learning from the experiences of other secretariats to international bodies or forums, I believe it should be possible to strike the right balance and reach agreement on a small, dedicated G20 office.

A third idea I would like to advance is that the G20 should strive towards concrete and measurable objectives for policy action. Achieving this goal would not only be helpful in order to reduce the scope for multiple interpretations and hence strengthen the consensus building, but it would also enhance the credibility of the G20 as well as its legitimacy via the channel of stronger output legitimacy to which I referred earlier. To give one obvious recent example, a more ambitious agreement at the St Petersburg’s Summit on how fiscal strategies of G20, notably advanced economies, should evolve in a post-Toronto world (which has no more deficit targets post-2013 and hence no guideposts for medium-term public debt consolidation paths) would have been particularly welcomed.

I am aware that some of these suggestions might be difficult to implement quickly. But a discussion about their feasibility cannot come too soon.