Articles

The 2008 Financial Crisis and the Consolidation of the G20

La crisis financiera de 2008 y la consolidación del G20

Pamela Benítez Cedillo
Center for International Research
pbenitez@sre.gob.mx

Miguel Ángel Valverde Loya
Director of Center for International Research
mvalverde@sre.gob.mx

Daniela Jocelyn Tovar Hernández
Center for International Research
dtovar@sre.gob.mx

Abstract
The 2008 international financial crisis changed the structure of the G20. The summit held that same year was elevated from a meeting of ministers and central bank governors to leaders' level, with the participation of heads of state and government. The crisis had revealed just how economically interdependent the world had become, resulting in greater equality within the Group, due to its recognition of the growing importance of emerging economies. The G20 gradually evolved into the world's leading economic forum, which, while lacking an administrative structure, aims to coordinate the strategies of developed and non-developed countries, and revitalize multilateral cooperation mechanisms through informal debate.

Resumen
La crisis financiera internacional de 2008 cambió la estructura del G20. La Cumbre de ese mismo año pasó de encuentros entre ministros y gobernadores de bancos centrales, a reuniones entre mandatarios, elevando las reuniones a un nivel de líderes de gobierno. La mayor interdependencia económica evidenciada por la crisis llevó a una mayor equidad al interior del grupo, aumentando el peso de las economías emergentes. Gradualmente se ha consolidado como el principal foro económico mundial, administrativamente no estructurado, que a través de la concertación informal responde a la necesidad de coordinar estrategias entre países desarrollados y no desarrollados, y de renovar los mecanismos de cooperación multilateral.

Keywords
The Group of Twenty, G20, G20 summits, 2008 international financial crisis, emerging economies, multilateral forums, multilateral cooperation

Palabras clave
Grupo de los Veinte, G20, Cumbres del G20, crisis financiera internacional 2008, economías emergentes, foros multilaterales, cooperación multilateral

The 2008 Financial Crisis and the Consolidation of the G20

Pamela Benítez Cedillo, Miguel Ángel Valverde Loya and Daniela Jocelyn Tovar Hernández

On the 20th of October, 2008, the president of the U.N. General Assembly, Miguel d'Escoto, announced the setting up of a panel to investigate the complexities of the global economic crisis that apparently had its roots in the U.S. subprime mortgage crisis of 2007. Come the second half of the year, a downturn in GDP, layoffs and lower investment and consumption rates pointed to the beginning of a recession.

In October 2008, U.S. President George W. Bush convened the first meeting of leaders of the Group of Twenty (G20) in Washington D.C. This elevation of the summit to leadership level for the first time since it was created in 1999 was intended as a cooperation strategy to address the crisis under the guidance of ministers and heads of state.

The goal was to decide on a global response by G20 members and draw up an agenda for macroeconomic cooperation to maintain international stability, re-establish growth and contain the crisis, so as to save the world's more fragile economies from taking a more severe hit.[1] The first leaders' summit was to mark the beginning of the Group's consolidation, with closer, more representative cooperation between emerging and more advanced

[1] Lourdes Aranda Bezaury, *Participación mexicana en el G20*, Mexico, Matías Romero Institute-Ministry of Foreign Affairs (Cuadernos del G20, 1), 2011, p. 12.

economies being proposed, thus positioning the G20 as the informal discussion forum that was to mould global economic governance.[2]

Prior to the financial crisis of 2008, the structure and inner workings of the G20 were dominated mainly by the Group of Eight (G8). In the words of Mexican Ambassador Lourdes Aranda Bezaury, the first female sherpa to the G20 (and the only one between 2008 and 2011), "the limited membership of the G8 did not allow for the involvement of key emerging economic powers in the crafting of a global solution".[3]

Europe was overrepresented and U.S. interests were vested in Bretton Woods institutions, given the latter's role as a primary investor. This set the stage for the polarisation of debate between the G8 and emerging economies, but the first international financial crisis of the twenty-first century was to transform the G20 into a forum for global economic cooperation in which emerging economies had greater decision-making power, especially the BRIC subgroup (Brazil, Russia, India and China), setting new trends in international relations. The G20 filled an "institutional void" by "mobilising collective action to avert the possibility of a collapse of the world economy".[4]

In the period immediately prior to the 2008 crisis, emerging and developing economies accounted for over eighty percent of global growth and warded off unemployment in advanced economies. However, it would not be long before fledgling markets began to report lower growth rates and inverted capital flows, evidencing the fact that the global economic system required continuous cooperation between emerging and advanced economies.[5]

[2] Marcelo Saguier, "La gobernanza económica global en el G20: perspectivas para la agenda del trabajo," in *Perfiles Latinoamericanos*, vol. 19, no. 38, July-December, 2011, pp. 205-225, at *https://www.scielo.org.mx/pdf/perlat/v19n38/v19n38a8.pdf* (date of access: January 16, 2023).

[3] L. Aranda Bezaury, *op. cit.*, p. 10.

[4] *Idem*.

[5] See Christine Lagarde, "The Role of Emerging Markets in a New Global Partnership for Growth," in International Monetary Fund, February 4, 2016, at *https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp020416* (date of access: February 7, 2023).

In this paper, it is posited that the consolidation of the G20 took place in the 2008-2011 period, as a result of the restructuring of the global economic system, which, unlike the international financial architecture (IFA) managed by the G8, required ongoing coordination between emerging and developing countries to address the challenges of an increasingly interconnected and financially globalised world, in which multilateralism was deemed a viable and sustainable solution. Mexico's contribution to this process of consolidation will also be discussed.

Anatomy of a financial crisis

The years prior to the crisis were characterised by high global growth and low or stable inflation. In this period, productivity increased on a par with the gradual integration of emerging markets into the world economy. The years from 2003 to 2007 were ones of financial prosperity accompanied by a boom in commodities and higher remittances in Latin America—factors that were later to become external channels for the spread of the crisis to the region.[6]

In the United States, in the runup to the crisis, it was a lack of oversight of the financial system, based on the alleged self-regulatory nature of markets, compounded by the Federal Reserve's flexible monetary policy, that contributed to the housing bubble that would eventually affect the payment capacity of financial institutions, companies and households.

The housing boom in the United States lasted for five years until 2005 and took hold in other economies, where property prices doubled or even tripled. This was followed by a drop in house sales and an increase in past-due subprime mortgages. However, because these mortgages had been repackaged into securities held by national and international investors, when the subprime mortgage crisis broke, it affected the financial market and the situation escalated into a full-blown financial crisis. In July

[6] See José Antonio Ocampo, "Impactos de la crisis financiera mundial sobre América Latina", in *Revista CEPAL*, no. 97, April 2009, pp. 9-32, at *https://repositorio.cepal.org/bitstream/handle/11362/11269/097009032_es.pdf* (date of access: February 8, 2023).

2007, the New York Stock Exchange was the first stock market to suffer the consequences.

In other words, the international financial crisis began as a market crisis—in which the ratings and prices of toxic financial assets nosedived—and snowballed into a liquidity crisis. The situation had originated with a credit crunch sparked by a drop in house prices and an increase in the default rate on subprime mortgages in the United States.[7] Given that the incentives behind the granting of these loans were the commissions paid to brokers, thorough risk analyses were not performed, pushing the stakes up even higher. The subprime mortgage crisis that finally broke out in the third quarter of 2007 marked the first phase of the international financial crisis.

Clearly, the economic growth model based on credit expansion—characterised by low, long-term interest rates that prompted investors to look for higher returns in stocks, real estate, basic products and high-risk financial instruments—was untenable. The savings glut in Asia and regions with oil surpluses served to finance high consumption rates in the United States and other industrialised countries, creating imbalances in the international financial system, and as the payment capacity of U.S. and European financial institutions began to wane in 2008, so did trust in these institutions, to the extent that the legitimacy and continued existence of the inter-banking system was called into question.[8]

Eventually, these imbalances grew so pronounced that they spread to every region of the world on the wings of financial globalisation, affecting both high-income and developing countries.

The main external channel through which the crisis spread was trade, with decreased volumes having a huge impact on nations whose export structures centred on manufacturing and services, especially countries in Central America and the Caribbean, Mexico included. Exchange markets in Mexico experienced substantial volatility, with the concomitant

---

7 See “Causas y evolución de la crisis financier,” in BBVA, July 2, 2018, at *https://www.bbva.com/es/causas-evolucion-la-crisis-financiera/* (date of access: January 31, 2023).

8 See the U.N. Conference on the World Financial and Economic Crisis and its Impact on Development, “Anatomy of the Crisis. From the Report of the Secretary-General on the Economic and Financial Crisis and its Impact on Development,” May 2009, at *https://www.un.org/en/ga/econcrisissummit/docs/Anatomy_26May_EN.pdf* (date of access: 8 February 8, 2023).

negative impact on futures markets, to the point where it became one of the countries with the greatest exchange instability in Latin America.[9]

The crisis led to a loss of reserves, high financing costs and stock market crashes in the region, where major exporters of mining and energy inputs were affected mainly by unfavourable exchange terms. All over the world, large investment banks had declared bankruptcy, leading to multimillion bailout packages, the nationalisation of companies and a drop in interest rates.

In the final text of the outcome document adopted at the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, it was reported that external financing for developing countries had dried up, that donor countries were providing less assistance due to a reduction in their income, and that global trade flows and the prices of basic products had fallen.[10]

Meanwhile, dissatisfaction with the state of statistical information about the economy and society led to the creation of the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) in February 2008. The 12 recommendations laid out in the CMEPSP report were all based on the premise that a shift of approach was needed, from production to well-being, and that the statistical system focused on economic output should be replaced with more pluralistic, multidimensional ways of measuring the well-being of the population in a context of sustainability. Consequently, it was proposed that the system incorporate information that reflected individual experiences and the relationship between different aspects of life.[11]

The CMEPSP and the U.N. Conference on the World Financial and Economic Crisis concurred that the global economic crisis of 2008 was an opportunity to shore up multilateralism and come up with negotiated solutions.

---

9 See J.A. Ocampo, *op. cit.*, pp. 23-24.

10 A/RES/63/303, July 13, 2009.

11 See Joseph E. Stiglitz, Amartya Sen and Jean-Paul Fitoussi, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, s. p. i., 2009, at *https://ec.europa.eu/eurostat/documents/8131721/8131772/Stiglitz-Sen-Fitoussi-Commission-report.pdf* (date of access: February 10, 2023).

The G20 and the global recession

As the influence of G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) dwindled, the G20 emerged in 1999 as an alternative to the Group of 22 created in 1998 and the Group of 33 that existed in 1999, with a view to creating a discussion forum that was compact, but that represented both advanced economies and systemically important emerging ones.

From the outset, the G20 working agenda had focused on strategies to prevent and address international financial crises, and establish the group as a new mechanism for informal dialogue. Yet its initial purpose was to manage, with the guidance of the finance ministers and central bank governors of its member countries, the IFA, which had just been restructured due to the financial instability and cycle of crises experienced by Bretton Woods institutions.[12] At the same time, an effort was made to broaden debate on economic and financial policy matters, and to promote cooperation in the interests of economic stability and sustainability. So, although it was not actually a decision-making body, the G20 had a hand in structuring the international agenda and participated in economic and financial debates.

In the area of trade, emerging markets gradually gained more clout via the General Agreement on Tariffs and Trade (GATT) and later the World Trade Organization (WTO), with their contribution to global GDP increasing from 40 to 62% between 1991 and 2006. In this period, trade by G20 member countries that did not belong to the G7 increased from 11 to 19%, and their participation in global financial reserves rose from fourteen to forty-three percent, in a bid to protect themselves against future crises.[13]

As the influence of G7 member countries declined, so the importance of emerging markets, their commercial activities, and their participation

[12] See Marlén Sánchez Gutiérrez, *El G-20 y la reforma de la arquitectura financiera internacional: mitos y realidades*, Buenos Aires, Centro de Investigaciones de Economía Internacional (CIEI)-CLACSO, 2014, at *http://biblioteca.clacso.edu.ar/Cuba/ciei-uh/20140314050503/NAFI.pdf* (date of access: February 20, 2023).

[13] See G20 Research Group, "The Group of Twenty: A History," at *http://www.g20.utoronto.ca/docs/g20history.pdf* (date of access: February 15, 2023).

in international reserves and cross-border capital flows increased, establishing several emerging economies, China included, as the main receptors of foreign direct investment.

The freeing-up of domestic capital markets and capital accounts would create complex interdependencies in the international structure, leaving all economies more vulnerable to cross-border financial shocks and rekindling the need for international economic and financial cooperation, while the oversight and regulatory systems of emerging markets would pose future challenges to financial security, as seen in the 1997 crisis in Thailand, which spread rapidly across the region and was then exported to other emerging economies.[14]

Growing interdependence within IFA gave rise to initiatives like the Asia-Pacific Economic Cooperation (APEC) forum in 1989, the IMF's New Arrangements to Borrow (NAB), which provided loans for emerging economies, and the G22 and G33 summits. What these shared was a view of international cooperation that went beyond that of partnerships with industrialised countries to include emerging nations.

Eventually, the G20 emerged as a smaller, but more representative group that sought to legitimise the structure of international governance. Although the Group's initial concerns included measures to strengthen and liberalise the banking and financial system, social policies and assistance for more fragile economies, the agenda lost momentum because the crisis that had begun in Southeast Asia in 1997 appeared to have blown over.

The 2008 crisis came along to refuel this initial agenda and debate now centred on which forum would be the best equipped to negotiate a coordinated response. The United Nations and the G20 both agreed that the multilateral system needed to be transformed, but disagreed on how to go about this and the scope of their strategies.[15]

The United Nations was in favour of systemic, inclusive reform, while the G20 spoke of a more traditional line of action that encompassed market regulation, oversight and integrity, cooperation and the reform of Bretton

14 *Ibid.*, p. 9.

15 See M. Sánchez Gutiérrez, *op. cit.*

Woods institutions. Meanwhile, the CMEPSP drew up a report that took a systemic approach to more classic matters related to GDP, quality of life, sustainable development and the environment.

Finally, despite its more limited approach, it was the G20 that would spearhead reform of the IFA—granting it greater weight and authority in this area, partly because of the influence the G8 had had on the structuring of the international financial system—, although the contributions of the CMEPSP and the United Nations would eventually become intermingled.

Following the outbreak of the financial crisis, the G20's influence increased and seven summits of heads of state and government were held between 2008 and 2011: Washington (2008), London (2009), Pittsburgh (2009), Toronto (2010), Seoul (2010), Nanking (2011) and Cannes (2011). Mexico participated in all these meetings with proposals to address the crisis, although by the time it reached the country, a multilateral path had already been marked out that would culminate in the consolidation of the G20. Its first rapprochement with the Group was during the G8+G5 (Brazil, China, India, Mexico and South Africa) expanded dialogue between 2005 and 2009, although the United States had involved Mexico in the G8 as far back as 2001 as part of its strategy for responding to the terrorist attacks of that year.

Washington Summit, United States (2008)

At this first high-level summit, the financial crisis, reforms and regulatory and macroeconomic measures were discussed with a view to: understanding the causes of the crisis, evaluating responses to it, identifying principles for the reform of the financial and regulatory system, implementing a plan of action and reaffirming faith in free market principles. The Final Declaration was linked to the traditional agenda for reform of the IFA and maintained affinity with market principles, thereby reinstating the financial leadership of the IMF. It did not, however, touch on the monetary system or the dollar.[16]

16 *Ibid.*, p.11.

Prior to this summit, in 2008, Mexico had declared that the actions it planned to take to stimulate domestic growth and mitigate the impact of the crisis included countercyclical fiscal and financial policies, the use of development bank funds to ensure the liquidity of the financial system and companies, an increase in public spending and the reform of the financial system and civil service pensions.[17]

London Summit, England (2009)

The highlights of this summit included USD 1.1 trillion in assistance for international financial institutions, the setting up of a Financial Stability Board to oversee changes to financial and banking regulations, and the IMF's announcement of a Flexible Credit Line, among other measures. Despite internal dissent—especially regarding decisions on regulation, the injection of liquidity into the system and the role of the dollar as an international reserve currency—, the demands of emerging economies received greater attention and, after more than a decade, the issuing of new IMF special drawing rights (SDRs) to ensure greater liquidity was once again established as a priority.

Mexico sought to promote the coordination of blocs and subgroups within the G20, including emerging and industrialised countries and multilateral financial organisations. It also came up with alternatives for the rebuilding of the international financial system, promoted the strengthening of international financial institutions via new instruments for developing countries and rising powers, resurrected the Green Fund proposal made in Japan in 2008, called for compliance with the Millennium Development Goals (MDGs), and pushed for greater market regulation and international cooperation.

Pittsburgh Summit, United States (2009)

The Pittsburgh Summit institutionalised the G20 as the main economic forum for international financial cooperation in place of the G8. The pos-

[17] *Ibid.*, p.17.

itive outcomes of previous summits, such as checking the contraction in industrial output, the recovery of international trade and the preservation of an estimated seven to eleven million jobs worldwide, pointed to the stabilisation of the international financial system, in turn, implying full equality among emerging and advanced members of the G20. It was at this summit that G20 leaders agreed to launch a Framework for Strong, Sustainable and Balanced Growth as a means of promoting greater economic cooperation between fledgling and developed economies.[18]

Agreements were also reached to strengthen international capital and compensation regulations, eliminate subsidies on fossil fuels, and increase the capital of multilateral development banks. And as part of IFA reforms, it was agreed that 5% of the quotas of overrepresented countries be transferred to underrepresented ones in the IMF—although BRIC countries had originally proposed seven percent—and three percent in the World Bank.

Mexico picked up on the Green Fund proposal with a view to establishing climate change as a central issue, including the issues of mitigation, adaptation and technological change, and the capitalisation of development banks. It also expressed its intent to host an upcoming G20 summit and proposed that the next Conference of the Parties (COP15) to the United Nations Framework Convention on Climate Change be held by videoconference to reduce CO_2 emissions. It organised this initiative, which had the support of representatives from Denmark, Australia and the U.N. Secretary General, among others.[19]

Toronto Summit, Canada (2010)

Convened as an extraordinary summit to address the growing instability of financial markets in the eurozone, namely Greece, this was the first time negotiations to increase exchange-rate flexibility on emerging mar-

[18] SRE, *La nueva gobernanza internacional: participación mexicana en el G20. Libro blanco*, Mexico, SRE, 2012, p. 19, at *https://sre.gob.mx/images/stories/doctransparencia/rdc/1lb20.pdf* (date of access: February 15, 2023).

[19] See John J. Kirton, "El G20, el G8, el G5 y el papel de las potencias en ascenso," in *Revista Mexicana de Política Exterior*, no. 94, November 2011-February 2012, p. 194.

kets did not yet include the dollar. Basle III was created as a regulatory framework for banking capital and the harmonisation of asset maturities.

As agreed, the voting power of underrepresented economies was bumped up to over three percent in the World Bank—to 3.13%—and the capital of multilateral development banks was increased 85%, equivalent to USD 350 billion. The issue of the volatility of capital flows and their impact was included in the agenda as a result of pressure from BRIC countries. Emphasis was placed on the importance of reducing budget imbalances, stabilising the financial system and boosting domestic demand.[20] For the first time, the scope of the G20 summits was extended beyond financial matters with the establishment of working groups on development and corruption. Leaders also announced their commitment to sustainable growth and negotiations on climate change in the run up to COP16 that same year.

Mexico received sherpas for the first working meetings in preparation for the Toronto Summit, where the Mexican delegation helped coordinate and draw up the Framework for Strong, Sustainable and Balanced Growth, established dialogue on employment, particularly with underprivileged groups, and aligned itself with the declarations of the Basle Committee on Banking Supervision and the Financial Stability Board on capital reforms. It was also agreed that Mexico would host the G20 leaders' summit in 2012.

Seoul Summit, Republic of Korea (2010)

The first to be held by a rising power, this summit took place amid rising debt in the eurozone and risks to emerging economies posed by certain monetary policies. Some countries had opted for exchange protectionism, competitive devaluations and other such policies contrary to the agreements reached at prior summits, so the challenge here was to re-coordinate macroeconomic policies.

The Seoul Action Plan was announced as a means of guaranteeing macroeconomic cooperation, implementing policies in keeping with negotiated commitments and achieving sustainable, balanced global economic growth. Actions would be shored up by financial and structural reforms,

---

[20] *Ibid.*, pp. 20-21.

and tax, monetary and exchange policies, a decision that was strongly advocated by BRIC countries, with Brazil representing the regional demands of Latin America *vis-à-vis* excessive volatility and sharp exchange-rate swings by currency issuing countries.

Emerging economies had greater sway on the Seoul agenda, not only regarding consensus on reforms to IMF quotas and governance—the transferal of over 6% of the quotas of overrepresented countries to underrepresented ones was approved, increasing the voting power of BRIC countries and establishing China as the third-largest State-party and Brazil, India and Russia as principal shareholders[21]—, but in debates on the Multi-Year Action Plan for achieving the MDGs, the G20 Anticorruption Plan and the use of prudent macro measures to offset the detrimental effects of mass capital flows. They also managed to turn the spotlight onto the issue of financial safety nets. Meanwhile, Republic of Korea took advantage of its regional dominance to extend invitations to other emerging countries in the region—Malawi, Ethiopia, Singapore and Vietnam—with a view to increasing its representativeness.

The Basel III standards were approved at this summit, which was the first to discuss global imbalances and the control of capital flows—an issue that questioned the freeing-up of the capital account, setting a new paradigm in the IFAI. It was also the first time the value of the input of civil society was acknowledged, with small and large companies, young people, lawmakers and academics being invited to take part in discussion forums.

Nanking Summit, China (2011)

Debt in the eurozone continued to be cause for concern. This was compounded by the earthquake and tsunami in northwest Japan, followed by the nuclear accident at Fukushima Daiichi. It was agreed that the issue of global imbalances would be postponed until the next summit (only for it to be postponed again at Cannes until 2015), at which agreements reached at the G20 meeting of finance ministers and central bank governors would be followed up on.

---

[21] *Ibid*., p. 31.

The main items on the agenda were capital flows and the currency issue. It was even proposed that the yuan be included in the basket of SDR currencies. Dialogue was fruitless as no consensus was reached and no final declaration made.

Cannes Summit, France (2011)

The problem of public debt in the eurozone was at its height and demand had not bounced back as expected. The economies of emerging countries were beginning to slow down and financial instability remained rife. The Final Declaration of this summit aimed to achieve economic recovery and stability and create jobs —via the adoption of the Cannes Action Plan for Growth and Jobs—, and promoted coordinated policies intended to recoup confidence. The role of the IMF was strengthened and modifications to the launch of its Precautionary and Liquidity Line (PLL) and Rapid Financing Instrument (RFI) for assistance in the event of catastrophes and post-conflict scenarios approved. Designed to address balance of payment contingencies, both these instruments are of particular benefit to underdeveloped markets, although access to them is somewhat limited.

At Cannes, Mexico sought to project itself as a country committed to the international agenda. It promoted the coordination of economic and financial policies and aligned itself with IMF measures, underscoring how important it was to involve rising powers in the Fund's decision-making processes, prevent protectionism and maintain flexible exchange rates.

These first summits were organised as an immediate response to the threat of collapse of the world economy in 2008, but the collective contributions of the G20 to the restructuring of the economic system during this period helped consolidate the Group. Likewise, consultations with non-member countries as part of ministerial-level meetings—a tradition that began in London (2009) and that continues to this day—also helped institutionalise the G20 by strengthening its capacity to reach and maintain political consensus in complex situations, establishing it as a transparent forum that renders accounts.[22]

[22] Roberto Marino, *Labores de diálogo y consulta de la presidencia de México en el G20*, Mexico, IMR-SRE (Cuadernos del G20, 5), 2013, pp. 7-14.

The multilateral approach and the legitimacy of the G20

The summit that followed Cannes took place in Los Cabos in 2012. Here, Mexico's general goal was to promote the legitimacy of the Group. The tradition of consulting non-member countries and non-state actors continued and the agenda was focused on fiscal and financial imbalances accentuated by the 2008 crisis, although food security and climate change were also high up on the order of business.

The country's background in multilateralism enhanced its capacity to dialogue with the heads of state and government of different groups of countries, consolidating its position as a strategic actor in a process that had begun to open up channels of discussion between emerging and consolidated economies.[23]

Prior to the 2008 crisis, Mexico had been invited to participate in a G8 dialogue that included a small group of emerging economies that would later come to be known as the G5. The fact that this group even existed was acknowledgment of the role these economies played in the international system, not to mention an opportunity to participate in debates on global challenges and promote their own interests.

In 2007, at the G8 summit in Heiligendamm, Germany, by internal consent, Mexico coordinated meetings of the G5 that resulted in the adoption of the first joint G8+G5 political declaration broaching matters of consequence to developing economies in the areas of global governance, international trade, migration, climate change and South-South cooperation. Trust between the various power groups —both emerging economies represented by the G5 and consolidated ones headed by the G8— improved at this summit due to better structuring of the proceedings.

Mexico continued to make valuable contributions to the G20 summits held between 2008 and 2011, successfully promoting Spain's participation as a permanent guest at these and, in the process, illustrating that it wielded influence and was capable of establishing channels of dialogue that reached beyond the scope of the blocs and coalitions within the Group itself.

---

[23] SRE, *op. cit.*, p. 16 and 24.

The role of emerging countries

The more prominent role of emerging countries in the G20 summits that took place after the 2008 crisis, particularly countries in the BRIC subgroup, pointed to their increased political and economic clout on the international arena, while the need for renewed cooperation and multilateralism to address the challenges facing the international financial system became increasingly evident. G20 members needed to coordinate their macroeconomic policies to incorporate the concepts of sustainability, financial regulation and a new IFA.[24]

In his study on how the influence of "rising powers" on global governance grew between 1989 and 2012, John J. Kirton[25] identifies five phases. The first encompassed G8 attempts to involve these powers between 1989 and 2004, with a view to focusing its agenda on security and development issues affecting impoverished regions. The second began with the creation of the G5 and the Major Economies Forum, in which 17 nations participated between 2005 and 2009, and at which emerging economies championed the causes of climate change and clean energies. In this period, it was agreed that the large CO_2 generators would limit their emissions. The third phase included the participation of finance ministers, the fourth the inclusion of leaders as of 2008, and the fifth, the more open, tangible influence of these powers at the 2011 and 2012 summits. Kirton points out gradual changes in the G20 agenda attributable to the demands and interests of rising powers, such as increased equity, support for the MDGs, and negotiations on the reform of the IMF, including the transfer of the quotas of overrepresented, mainly European countries to underrepresented, predominantly Asian ones.

Seoul evidenced the capacity of the BRIC subgroup and an emerging non-G5 Asian country to meet one of the main goals of the G20: provide financial stability and shore up central banks and the IMF. At this summit, development alternatives that broke the mould of traditional, official assistance were put forward, along with the financial safety net initiative

24 See M. Sánchez Gutiérrez, *op. cit.*

25 J.J. Kirton, *op. cit.*, p. 165.

as a preventive measure to deal, not just with risk situations like that of Southeast Asia in 1997, but the U.S. financial crisis of 2007-2008 and the European crises in Greece and Ireland in 2010.[26]

Involving leaders in the G20 summits lent a more personal dimension to what was essentially a political forum, helping consolidate intrapersonal relations. Likewise, the inclusion of emerging powers in the taking of financial decisions conferred greater stability on this informal discussion mechanism and later initiatives, like the G8+5 in 2005, especially because rising powers tend to lean more toward multilateralism with specific agendas that favour negotiation over confrontation in the settlement of disputes.[27]

Conclusions

In the restructuring of the global economy in the first two decades of the twenty-first century, we have seen a transition towards a system in which emerging countries now have more influence on trade, international reserves and capital flows. We have also seen greater economic interdependence due to financial globalisation and, following the crisis of 2008, a move towards greater institutional equity within the G20. At later summits, the Group gradually established itself as the world's main economic forum, reflecting the increased negotiating power of fledgling economies and the need to renew multilateral cooperation mechanisms.

Closer cooperation between emerging and advanced economies can be seen in measures like the creation of the IFA, designed to address global challenges and fill institutional voids. The weight of emerging powers has also made itself felt in the issuing of special drawing rights, more balanced representation in the IMF and the World Bank, and the prioritisation of sustainable development issues.

[26] *Ibid.*, p. 195.

[27] Isaac Morales and María Celia Toro, "Capacidades y opciones estratégicas de las potencias emergentes en el siglo XXI", in *Revista Mexicana de Política Exterior,* no. 94, November 2011-February 2012, pp. 7-20.

Seoul 2010 was the first G20 summit to be hosted by a rising power and the first in which civil society was invited to participate. As host of the Los Cabos Summit in 2012, Mexico managed to consolidate its strategic role by spearheading debate on topics that went beyond the realm of economic and financial matters, such as climate change and food security, and promoting dialogue that transcended the Group's blocs and coalitions. To a large extent, it was as a result of the 2008 crisis that the G20 evolved into a more representative, more effective forum for discussing alternative solutions to global crises and promoting international cooperation and collaboration.