

# INTRODUCTION

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As the outlook for the world economy has improved since the London Summit last April, the G-20 leaders will meet again in Pittsburgh on September 24. There is the prospect of financial and economic recovery—albeit fragile—and the question is how to ensure that it is sustainable. While it is too early to withdraw the substantial fiscal stimulus and monetary easing, the task that G-20 leaders have to confront now is one of coordinating the composition and timing of their policies so that the world economy progressively gains in strength while the long-run health of public finances does not threaten the recovery process.

This is a potentially more daunting task than the one G-20 leaders faced in the winter and early spring of 2009. Then, they made clear that they would respond to the severity of the crisis by adopting unprecedented expansionary policies and by strengthening the International Monetary Fund so as to firmly counteract potentially devastating effects of the crisis on emerging market economies. Now,

more fine-tuning is needed as well as greater support for the poorest countries and for employment generation worldwide.

The timely actions in committing substantial financing to the IMF and in endorsing the Special and General Allocations of Special Drawing Rights for an amount of \$283 billion have generated a confidence-building effect among emerging market and developing economies. Leveraging on this record, the G-20 should focus on the next steps needed to consolidate the prospects of a steady recovery and long-term sustainable economic growth; and broaden the scope of their discussions by including other key issues like climate change and food security.

The Pittsburgh G-20 Summit marks the first summit that President Obama will chair. Leveraging on a more inclusive forum—than that of any enhanced version of the G8 into a G13 or G14 can offer—President Obama and the other leaders should develop a shared consensus on the broad governance

reforms needed by the IMF as well as the other multilateral institutions.

Moving forward, G-20 summits should continue to be the important—albeit informal—platform through which leaders from systemically-important economies generate some shared understanding of their common pressing challenges. They cannot, however, replace the decision-making of formal treaty-based multilateral organizations, as their governance bodies are the only ones legitimated to make decisions on the governance, mandate, and policies of their respective organizations.

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To enhance global coordination and to implement effective financial recovery policies, fellow Brookings experts provide recommendations on how the G-20 can overcome current global governance and economic challenges.

**The G-20 and the World Economy: Sink or Swim:** Eswar Prasad recommends that the G-20 maintain momentum on reforming the international institutions and advance international regulatory reform for the betterment of the overall global economy.

**Confronting the Protectionism Spawnd by the Crisis:** Chad P. Bown makes the case for re-affirming the G-20 economies' commitment to the World Trade Organization and curbing trade-restricting policies created by the crisis.

**The G-20 and IMF: Their Future Roles in the International Monetary System:** Domenico Lombardi proposes that the G-20 should focus on supporting effective measures to reform the International Monetary Fund.

**To the G-20: Don't Overlook Africa During the Recovery:** Ernest Aryeetey, Mwangi Kimenyi and John Page assess the impact of the financial crisis on Africa and urge the G-20 leaders to support African economic recovery and growth.

**Welcome to the New Era of G-20 Global Leadership:** Colin Bradford and Johannes Linn assess the effectiveness of the G-20 summits and how to move the G-20 forward as the global steering body.

**International Financial Redesign: A Latin American Perspective:** Mauricio Cárdenas calls for international financial regulatory reform in order to address Latin America's need for greater financial development and to prevent future crises.

**The G-20 and Climate Change: Achieving Comparable Effort Through a Carbon Price Collar:** Warwick McKibbin, Adele Morris and Peter Wilcoxen propose G-20 leaders to focus on the challenges associated with climate change negotiations leading up to the United Nations climate conference in December.