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## The G-20 Seoul Summit and its Importance for Global and State Regulation

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The currently held in Seoul summit of world's 20 major economic powers known as G20 group, despite the clearly expressed tense financial and trade debates and contradictions between its main members as the USA, China and Germany and numerous criticisms by the anti-globalization movement, has managed to achieve several important results, some having historical significance.

Finally, the reforms of international financial institutions (IFIs) have been started after many years of delays and fierce opposition from the financial elite of highly developed countries.

For the first time since the end of World War II, a fundamental change in the post-war financial architecture, which aims to qualitative change in the structure and way of functioning of the International Monetary Fund (IMF) and the International Development Bank, was started. These reforms provide for increasing the fund's capital and the voting rights of developing and transiting countries in the management of the Fund and Bank.

Nearly 6% of voting power would be taken from the richer countries and oil-producing countries and redirected to under-represented countries, especially developing countries and new democracies. Consequently, 110 of all 187 IMF member countries will increase its voting power.

As stated in the G20 Seoul Summit Leaders' Declaration it is „an important step that will enhance the IMF's legitimacy, credibility and effectiveness”<sup>1</sup>

Raising the quotas in the IMF Board of Governors of the aforementioned countries at the expense of European countries halving the number of IMF Executive Board seats reflects the new global economic reality appeared as a result of the global financial crisis.

Moreover, these reforms provide enhanced support for the financially lagging countries by facilitating access to financial resources at highly preferential terms. G-20 leaders reaffirmed their countries' determination to continue the reform and in the rest part of the financial sector by introducing the core elements of a new financial regulatory framework for the reconstruction of the global financial system.

New global standards in the banking and accounting are being introduced. Control over the activities of hedge funds, OTC derivatives and credit rating agencies is being strengthen.

Developing and implementing effective regulatory control will be one of the most important tasks of the Financial Stability Council - a new executive structure of the G-20. Moreover, the Financial Stability Council will coordinate the work of national and international financial authorities in terms of standardization in the field of accounting and financial control. It will monitor the implementation of financial sector policies of individual countries not to be at the expense of global financial stability.

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<sup>1</sup> The G 20 Seoul Summit Leaders ' Declaration November 11-12 , 2010, point 9  
<http://www.focus-news.net/?id=n1460201>

It was noted at the Seoul Summit that the uneven economic growth in the G-20 countries raises the danger that countries may diverge from the mutual global problems resolution into unilateral and uncoordinated actions, by taking the beaten path of protectionism.

Consensus was achieved at the Seoul Summit for general development through a strong, sustainable and balanced economic growth. According to representatives of the major economies, *the economic growth should be shared* by strengthening the role of developing countries and low income countries (LICs).<sup>2</sup>

It was acknowledged that the impact of the recent crisis demonstrated a global interconnectedness and disproportion of economic damage as a result of the global economic crisis. As expected, the crisis most severely affected the poorest countries. According to the G-20 leaders, the most adequate measures for development and reason for supporting these countries are *“to combat poverty, to improve the human rights and accelerating of decent jobs”*<sup>3</sup>

Thereby, the Summit launched a Multi-Year Action Plan on Development including:

- To focus on economic growth which requires narrowing of the countries' development gap;
- Promoting the global development partnership;
- Prioritizing actions that tackle global and regional systemic issues;
- Promoting private sector involvement and innovation;
- Complementarity in the implementation of financial and economic policies of states

The world leaders adopted Anti-Corruption Action Plan on combating corruption, promoting market integrity and supporting a clean business environment.

As per abovementioned document “Corruption threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust, and undermines the rule of law”<sup>4</sup>.

Corruption is a severe impediment to economic growth, and a significant challenge for developed, emerging and developing countries.

The plan contains specific measures and mechanisms against international economic crime, against money laundering, bribery of officials and flourishing of “gangster economy”.

Promoting integrity, transparency, accountability and preventing corruption in the public sector should be supported by all means and admired by the structures of state and civil society.

It is necessary to develop specific tools and mechanisms for moral and material encouragement of employees who work in accordance with highest ethical standards.

Success in implementation of the G-20 anti-corruption plan would have been important for Bulgaria, where corruption is a national sport No. 1. It is pervasive and ubiquitous at all levels and all spheres of society.

The Seoul Summit was a milestone in the further development of global regulation and its interaction with government regulation.

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<sup>2</sup> Seoul Development Consensus for Shared Growth , ANNEX I , introduction

<sup>3</sup> Seoul Development Consensus for Shared Growth , ANNEX I, point 4

<sup>4</sup> G20 Anti-Corruption Action Plan, ANNEX III, introduction

The most important lessons for global and government regulations since the global economic crisis blowing up are as follows:

- ✓ Growing importance of global regulation of economic processes. Today it is the most important factor to combat the economic crisis;
- ✓ Mutual respect and mutual conditionality between global and government regulation are crucial for effective and efficient functioning of global financial and economic system;
- ✓ Despite numerous negative predictions of numerous institutional analysts in the recent past the national government remains irreplaceable factor and a tool for establishing economic and social stability, the most important prerequisite for achieving balanced and sustainable development;
- ✓ The fate of the European Union largely depends on the viability of its global regulatory mechanisms. Without them it is impossible the implementation of recovery plans to help public finances of Greece and Ireland, strengthening and expanding the eurozone and the overall development of the European Community;
- ✓ Market parables of the unique qualities of the market as a self-regulatory mechanism have been already necessary only to increase the confidence of market fanatics and filling the pages economic development history;
- ✓ Strategic interests of developing countries and low income countries, such as our country could be realized and protected only through their more active participation in global regulatory processes;
- ✓ Redefining the role of state government under the specific Bulgarian conditions and strengthening of its regulatory role are now necessities of high public significance. Bringing the Bulgarian regulatory policy in line with the achievements of countries with active regulatory activities would support to more adequately address the crisis in its numerous manifestations.

The Seoul Summit was a step, albeit less towards the creation of global governance commented. In essence, it will not shift and devalue national and regional government; quite the contrary.

Future global governance will be based on their organic interaction and integration.