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THE INTERNATIONAL FINANCIAL COOPERATION DURING THE GLOBAL FINANCIAL CRISIS – THE CASE OF THE GROUP OF TWENTY

Abstract

The international financial cooperation is essential to ensure international financial system stability and thereby should contribute to improving the economic and social situation on a global scale. Today's global challenges require transnational resolutions, based on worldwide multilateral cooperation. The international financial cooperation involves a wide variety of participants, formal organizations, but also informal fora. The Group of Twenty is perceived as the primary forum for international economic and financial cooperation. This paper aims to assess critically the G20 activities in the conditions of global financial crisis.

Keywords: *international financial cooperation, the Group of Twenty, global financial crisis.*
JEL Classification: *G15.*

Introduction

International relations are based on multilateral cooperation comprising many areas of social, political and economic issues. Economic, financial, cultural, military, scientific cooperation are only some of the examples. It is generally believed that cooperation enables to achieve the intended aims faster and effectively for common benefit. The capacity of a single state to resolve problems raised by globalizations seems to be not only difficult, but more and more often – impossible. Today's global challenges require transnational resolutions. Highly complex and interdependent world with interconnected economies demands cooperative approach. States are not the only actors of cooperation. They interact with the wide spectrum of various public and private sector bodies. All of this is leading to important questions about the future shape of the global governance, also in the area of world financial system.

The global financial crisis demonstrated, once again, the need for international financial cooperation. The crisis has showed that the problems of modern international financial relations are so complex that they exceed the financial and technical capacities of single country acting alone. One of the most important emerging problems is the "constitution" of institutions involved in the international financial cooperation. This is strictly connected with the issue of the international financial architecture. The global financial crisis caused the emergence of the new institutional arrangements and the most important is the Group of Twenty (G20). The G20 is perceived as the primary forum for international economic and financial cooperation. It played presumably an import influential role in coordinating international efforts in countering the effects of the crisis. The G20 legitimacy, focus, share of responsibilities and the effectiveness are however not unquestioned.

This article aims to outline the problem of international financial cooperation and to assess critically the Group of Twenty activities in the conditions of global financial crisis.

The research methodology is based on a literature review, using descriptive and qualitative methods.

1. International financial cooperation – outline of the problem

The international financial cooperation is not a new problem in the area of international financial relations. However the challenges the cooperation has to meet in the 21st century are of growing complexity and unpredictability due to the changes in the global financial system. In the 19th and at the beginning of the 20th century the international financial relations were characterized by low degree of the coordination of activities. The situation has changed, however, after the World War II. The postwar international financial and economic order was based on international cooperation. Also on the belief that the lack of such cooperation before World War II, led to the disastrous economic policies, monetary chaos, rise of protectionism and had contributed to the Great Depression. Perhaps it even had led to the armed conflict in 1939. The second half of the 20th century was a period of intensification of activities aimed at strengthening the cooperation in international financial and economic relations (reflected in establishing the institutional framework for cooperation based on the International Monetary Fund and the World Bank). The end of the last century and at the beginning of the 21st century is especially important and challenging time for international financial cooperation. Primarily as a result of the intensification of financial globalization and far-reaching changes in financial systems, which involve growing financial stability risk.

The concept of international financial cooperation appears in literature, however is rarely defined (especially in Polish literature). The literature analysis indicates important definition problems related to the term “international financial cooperation” (including, in particular the characteristics of its participants and scope). The narrower or wider approaches to this term can be found in the literature. According to de Brouwer and Wang[1] "financial cooperation relates to the mechanisms by which countries can provide financial support to each other, regionally or globally, in the event of financial crisis". Financial cooperation is the core element of the global financial governance, which also requires policy dialogue and surveillance. The global financial governance can be defined as the collective capacity to identify and solve problems related to the financial systems on global scale[2]. A wider definition of financial cooperation is given by Ito and Narita[3]. The authors state that it "includes policy dialogue and surveillance, as well as mechanisms and institutes to provide financial support for liquidity shortfalls or financial crises". Much comprehensive approach is proposed by Ocampo[4]. According to him financial cooperation can be understand in two dimensions, as: 1) development financing, which is essential for sustainable economic growth in any economy, but particularly in developing countries, and (2) "mechanisms for macroeconomic and related financial cooperation (liquidity financing during balance-of-payments crises), which include mechanisms of policy dialogue and peer review, and more elaborate systems of macroeconomic surveillance and policy consultation or coordination". Ocampo distinguishes two additional forms of cooperation that belong to the second area: "regional payments agreements and cooperation in the area of prudential regulation and supervision of domestic financial systems". International financial cooperation can take various forms, more or less institutionalized, covering various forms of financial support, (granted by international organizations, governments or private financial institutions), cooperation within the framework of international financial organizations, including also meetings, conferences, and workshops for representatives of governments, central banks, international organizations, financial institutions. It should be noted that, in addition to financial cooperation at the international level, the regional financial cooperation is evolving dynamically (especially in Asia and the European Union). The important question arises about the complementarity or/and competitiveness of the international and regional cooperation.

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1 G. de Brouwer, Y. Wang, *Policy Dialogue, Surveillance and Financial Cooperation in East Asia* [in:] *Financial Governance in East Asia: Policy Dialogue, Surveillance and Cooperation*, ed. G. de Brouwer, Y. Wang, Routledge, London 2004, p.1.

2 A.-M. Slaughter, *Everyday Global Governance*, "Daedalus" 2003, Vol. 132, p. 83.

3 T. Ito, K. Narita, *A Stocktake of Institutions for Regional Cooperation* [in:] *Financial Governance in East Asia: Policy Dialogue, Surveillance and Cooperation*, ed. G. de Brouer, Y. Wang, Routledge, London 2004, p. 99.

4 J.A. Ocampo, *Regional Financial Cooperation: Experiences and Challenge* [in:] *Regional Financial Cooperation*, ed. A. Ocampo, Economic Commision for Latin America and the Caribbean, United Nations, Brookings Institution Press, Washington, D.C. 2006, p. 3.

Currently the ultimate goal of international financial cooperation is to provide stability in international financial system. More broadly one of the most important priorities for international financial cooperation is the development and the strengthening of the international financial architecture. International financial architecture can be understood as institutions, structures and policies through which crises are predicted, prevented and dispatched[5]. The global financial crisis has revealed that existing international financial order not only could not prevent the financial distress, but certainly contributed to it. The key areas where reforms are needed in the international financial architecture are: surveillance of systemic risk, international coordination of macro-prudential responses to systemic risk, cross-border arrangements for financial regulation, funding for liquidity support or external adjustment[6]. This surely requires close cooperation among regulators, supervisors, governments and financial institutions.

The international financial cooperation is based on a wide variety of participants, formal organizations, but also informal fora. The main “actors” involved in cooperation are: international organizations (the International Monetary Fund, the World Bank, the Bank for International Settlements, regional multilateral development banks and other multilateral financial institutions), governments, central banks, supervisory authorities, consultative and regulatory bodies (the Financial Stability Board – FSB, the Basel Committees, especially Basel Committee on Banking Supervision, International Association of Insurance Supervisors – IAIS, The International Organization of Securities Commissions – IOSCO) and others (among others the G7, the G8, the G20, the G24, the Creditor Clubs). The institutional mechanisms seem to be one of the most important challenges to international financial cooperation. The problem of the future model of the global financial governance has not been yet resolved. Thought the recent financial crisis gave an important impetus for significant changes in the international institutional order. The global financial governance based on multilateral cooperation focuses nowadays more and more on the Group of Twenty (G20).

5 B. Eichengreen, *Toward a New International Financial Architecture: A Practical Post-Asia Agenda*, Institute for International Economics, Washington, D.C. 1999, p. 1.

6 *Initial Lessons of the Crisis for the Global Architecture and the IMF*, prepared by the Strategy, Policy, and Review Department Approved by Reza Moghadam, International Monetary Fund, 2009, http://www.imf.org/external/np/pp/eng/2009/021809.pdf, p. 1.

2. The origin and functioning of the G20 before the global financial crisis

The Group of Twenty[7] (G20) is regarded as the main forum for international cooperation on the most important issues in the area of finance and the global economy. Its origin dates back to the 90s. During the Cologne Summit in June 1999 the G7 finance ministers agreed to search for the new initiative in shaping the structure of global governance. They called for an "informal mechanism for dialogue among systematically important countries within the framework of the Bretton Woods institutional system". This statement showed that the new framework should been built on the governing bodies of the Bretton Woods institutions (first of all on the IMF and the World Bank)[8]. The G20 was formally established in September 1999 when finance ministers and central bank governors of G7 met in Washington, D.C. and announced their intention to "broaden the dialogue on key economic and financial policy issues among systemically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all"[9]. It should be notices that the G20 was created as part of the policy responses to the Asian financial crisis in 1997 which raised important fears of a worldwide financial and economic meltdown. The main objectives of this forum were:

1. Policy coordination between its members in order to achieve global economic stability and sustainable growth.
2. Promoting financial regulations that reduce risks and prevent future financial crises.
3. Modernizing international financial architecture.

The G20 members comprise finance ministers and central bank governors from 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States of America plus the European Union, which is represented by the President of the European Council and by Head of the European Central Bank. The IMF and the Word Bank are invited to take part in the G20 meetings. The G20 member coun-

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7 Not to be mistaken for the Group of 20 (and, occasionally, the G21, G23, or G20+) which is a bloc of developing nations established in 2003.

8 P.B. Kenen, J.R. Shafer, L. Wicks, Ch. Wyplosz, *International Economic and Financial Cooperation: New Issues, New Actors, New Responses*, International Center for Monetary and Banking Studies – Centre for Policy Research – Centre for Economic Policy Research, Geneva-London 2004, p. 57.

9 J. Burling, K. Lazarus, *Research Handbook on Internationa Insurance Law and Regulation*, Edward Elgar Publishing, Cheltenham, Northampton 2011, p. 297.

tries represent almost: 90% of global GDP, 80% of international global trade and 2/3 of the world's population (G20, 3013).

The G20 held its inaugural meeting on December 1999 in Berlin. The participant among others discussed the role of the international community in helping to reduce vulnerability to crises. The G20 finance ministers and central bank governors started to hold annual meetings. From 2000 until 2008 nine meetings took place. The main issues raised were concerning the financial crisis (also crisis prevention and resolution), financial stability, the importance of international financial architecture, the necessity for reforming the Bretton Woods Institutions (BWIs).

The analysis of the issues raised during the annual meetings until the year 2008 shows that the G20 finance ministers and central bank governors among others discussed the most important problems of global finance. The financial crisis, its preventions and resolutions rank high on the list of problems. But the cooperation among the G20 countries could not help to predict the global financial crisis. One possible answer to this question is that they try to analyze the problems of financial crisis taking under consideration the causes and effects of the Asian crisis, in developing countries. And the vulnerabilities of recent crisis were evolving in the region of developed countries. In the "Meeting of Ministers and Governors in Kleinmond, South Africa, 17-18 November 2007 Communiqué" one can even find the statement that the nature of the recent turbulence suggested that there might be important new lessons for understanding the origins of crises, the way financial shocks are transmitted and that the G20 had to pursue further work to improve understanding of these issues[10]. Another issue is that the G20 at the end of 2007, did not assess the situation in international financial system as a special danger. They assessed it rather in the context of the growth of the global economy. They underlined the strong growth of the global economy in the first half of 2007, but also noted the dangers as a consequence of recent financial market disturbances. The misassessment of the financial crisis circumstances is certainly not new. For instance: the situation before the Asian financial crisis when the IMF, the rating agencies or the US government did not notice (or would like not to notice) the emerging threats. Important issue arising from the analysis of the G20 annual meetings is the reform of the Bretton Woods Institutions – the IMF and World Bank. It has to be noted that this issue was an import element of the changes in international financial architecture after the Asian crisis. The G20 representatives pointed out that "the evolution of the international economy and global financial markets requires a continuing review

[10] *Meeting of Ministers and Governors in Kleinmond, South Africa, 17-18 November 2007 Communiqué*, University of Toronto, 2007, http://www.g20.utoronto.ca (6.11.2013).

of the representation, operations, and strategies of the BWIs"[11]. According to G20 the IMF should first of all focus on national and international macroeconomic and financial stability, furthermore should enhance surveillance of the global economy, international capital markets and also strength crisis prevention and resolution. As regards the World Bank should keep its focus on development, intensifying its financial and technical assistance roles for both least-developed countries and emerging markets. The governance structure of the BWIs should reflect the changing landscape of world economy, especially the fast growth in many emerging markets[12]. The above mentioned changes are not especially revolutionary and seemed to be obvious, but their realization – is not so. In the analyzed Communiqués is hard to find concrete actions but rather such statements as: „we discussed", „we support", „we noted", „we reflected", "we recognized", "we agree". It seems that changes and reforms proposed by the G20 (but also international financial organizations) were rather based on "wishful thinking" – a belief that plans will become reality even though it is not likely or possible. Therefore important question arises if the existence of such a forum for cooperation as the G20 was well-grounded and needed in such a formula. The more so because the G20 is an informal grouping (this differs it from international organizations such as the World Bank), with no constitutive document specifying duties and obligations of members. What is more the vision of its purposes and objectives is rather not stable. There is no the G20 permanent secretariat and the secretariat functions are performed by the country that holds its presidency in a given year. The issues discussed during meeting are often results of the decisions of the country in the chair for the year[13]. The G20 "representativeness" have become the important dilemma for functioning on the international scene since its inception. The Group's exclusivity, the lack of legitimacy of developing countries, pose important questions, among others a doubt whose interests the G20 serves. Other dilemma is the G20 effectiveness, defined as the ability to reach and implement timely, collective agreements to solve and prevent serious problems, as the financial crises. An analysis of the G20 activity during the global financial crisis can bring the problem nearer to the solution.

[11] *Meeting of Finance Ministers and Central Bank Governors Xianghe, Hebei, China, October 15-16, 2005,* Communiqué, University of Toronto, 2005, http://www.g20.utoronto.ca (10.11.20013).

[12] *The G-20 Statement on Reforming the Bretton Woods Institutions,* University of Toronto, 2005, http://www.g20.utoronto.ca (10.11.2013).

[13] *The Group of 20, Financial Regulation and Human Rights – Issue No. 4, a Bottom-up Approach to Righting Financial Regulation,* International Network for Economic, Social and Cultural Rights, 2012, http://www.escrnet.org/sites/default/files/G20_and_Financial_Regulation.pdf (11.11.2013).

3. The G20 as the forum for international cooperation in conditions of the global financial crisis

The global financial crisis that erupted in 2008 resulted in enhancing the role of the G20. It was felt that the G20 should become the new and main forum for international cooperation in the globalized world and play a crucial role in responding to the global financial and economic crises. And even transform into the main element of the global governance in 21st century, with focus less on dialogue and more on policy decisions. The important event in the "new history" of G20 was the first ever the G20 summit on November 14-15, 2008 in Washington, DC. According to the outgoing Bush administration the G20 summits of heads of states should give the new impetus for international economic and financial cooperation and support for resolving the global financial crisis.

There have been seven G20 summits since the Washington Summit in 2008. Especially the first ones were committed to the problems of the global financial crisis. The aim of first summit in November 2008 was to "extinguish a fire" in the international financial system. It was held at short notice and outlined future tasks for the global community. The participants agree to enhance the cooperation and work together to restore global growth and achieve needed reforms in the world's financial systems. It should be noticed here that they were more incline rather to the "reforms in the world's financial systems", and not to the "reforms of the world's financial systems", which seems to be more essential taking under consideration the roots of the recent global financial crisis. During the Washington Summit the participants, which shared the sense of urgency, agree upon the 5 common principles for reform: 1) strengthening financial markets transparency and accountability, 2) enhancing sound regulation which should mean among others strengthening regulatory regimes, prudential oversight and risk management, 3) promoting integrity in financial markets, 4) reinforcing international cooperation – especially in the area of financial regulation, 5) reforming international financial institutions (among others to increase BWIs legitimacy and effectiveness). The Leaders of the G20 reached an agreement on *Action Plan to Implement Principles for Reform*. The G20 finance ministers were appointed work to ensure that the actions outlined in the *Plan* (immediate actions by March 31, 2009 and medium-term actions) would be fully and vigorously implemented and would cooperate with relevant bodies including the IMF, the FSB, and standard setting bodies[14]. The first Summit was also an opportunity for realistic reevaluation of the US economic power, particularly in conditions of

[14] *Declaration of the Summit on Financial Markets and the World Economy, Washington DC, November 15, 2008*, University of Toronto, 2008, http://www.g20.utoronto.ca (10.11.2013).

the rising power of China, India and Brazil[15]. The participants of the first G20 Summit were confident that they would be able to overcome the problems through continued partnership, cooperation, and multilateralism. They agreed to meet again after a short time in April 2009. The main success of the second G20 Summit held in London on April 2, 2009, was charting a more concrete plan of action, with six important points necessary to bring the world economy out of recession and prevent a crisis like this from recurring in the future: 1) restore confidence, growth, and jobs, 2) repair the financial system to restore lending, 3) strengthen financial regulation to rebuild trust, 4) fund and reform our international financial institutions to overcome this crisis and prevent future ones, 5) promote global trade and investment and reject protectionism, to underpin prosperity, and 6) build an inclusive, green, and sustainable recovery. The leaders of the G20 agreed to: treble resources available to the IMF to $750 billion, to support a new SDR allocation of $250 billion to increase global liquidity and at least $100 billion of additional lending by the Multilateral Development Banks (including to low income countries), to ensure $250 billion of support for trade finance, and to use the additional resources from agreed the IMF gold sales for concessional finance for the poorest countries, what constituted an additional $1.1 trillion programme of financial support to restore credit, growth and jobs in the world economy. Together with the measures have taken by the G20 countries at the national level this constituted a global plan for recovery on an unprecedented scale in the history[16]. The participants were able to reach a consensus about the crucial issues concerning the global financial and economic crises. This all had an important psychological stabilizing effect on financial markets. The London Summit, however, did not address the problem of toxic assets, which were at the roots of the recent crisis[17]. Analyzing the achievements of the first two "crisis" summits it can be observed that the G20 countries acting together increased dramatically the resources necessary to stop the financial crisis from spreading around the world. And forceful, immediate response helped to stop the sharp decline in global activity, stabilize international financial system and maintain the global flow of capital. Improving situation in global financial system caused the next G20 summit in Pittsburgh on September 24-25, 2009 to be wider economic issues oriented, including climate change policy or food se-

[15] D.H. Lee, *First G-20 Summit: International Political Economic Significance and Prospects*, Institute for Foreign Affairs and National Security, Ministry of Foreign Affairs and Trade, Repyblic of Korea, Seoul 2008, p. 2.

[16] *London Summit – Leaders' Statement 2 April 2009*, University of Toronto, http://www.g20.utoronto.ca (12.11.2013).

[17] D.H. Lee, *Second G-20 Summit: Evaluation and Prospects*, Institute for Foreign Affairs and National Security, Ministry of Foreign Affairs and Trade, Repyblic of Korea, Seoul 2009, p. 2.

curity. However, the problems of financial crisis were still present during the G20 meeting. Among others special attention was paid to strengthening and internationally coordinating domestic financial regulations, improving banking capital and liquidity, reforming international financial institutions (especially reforming the mandate, mission and governance of the IMF)[18]. The leaders of the G-20 member states agreed that exit strategy was premature and the economic recovery was still incomplete, with much efforts to address the still unstable situation in world finance and economy.

The analysis of the first three "crisis summits" shows that the steps taken for the management of the global financial crisis were rather appropriated and their effect – to a certain extent – effective. Among the positive measures are: the rescue plans for the banking sectors (although some say "help under the influence of the financial lobby") and pro-growth stimulation of the global economy. In conclusion the international financial cooperation during the crisis at the level of the G20 could be assessed positively. However, still many important problems remained unsolved. Such as the real reconstruction of international financial architecture and introducing the global governance corresponding to the changes in the global financial system.

The next G20 summits in Toronto (June 26-27, 2010) and in Seoul (November 11-12, 2010) were, however, based on the assumption that the worst situation in global finance is behind and the world economy is back on the growth track. That is why the impetus and also willingness for reforms have slowed down. The interests of member states stared to diverge as economic growth resumed at different speeds and domestic policy priorities begin to head in different directions. An example might be provided by the financial regulation, when competitive national interests with domestic fiscal responsibilities hinder the emergence of the global solutions. This also can be seen with monetary policy where the exiting expansionary policy depends on domestic interests and parameters while disregarding the effects on other countries[19]. This shows one of the most important problems in international financial cooperation: in extraordinary situation (as it was during the global financial crisis) everybody wants to cooperate, acts together because is afraid of the loss. When the situation is improving particularistic interests start predominate because everybody wants to benefit from new circumstances.

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[18] J.J. Kirton, M. Boyce, *Making History: G20 Governance from Pittsburgh to Muskoka*, 2009, http://www.g20.utoronto.ca/analysis/2009performance0925.html (12.11.2013).

[19] *G20: A Success Story Turning Sour*, Deutsche Bank CB Research, 2013, http://www.dbresearch.com/servlet/reweb2.ReWEB?addmenu=false&document=PROD0000000000319958&rdShowArchivedDocus=true&rwnode=DBR_INTERNET_EN-PROD$NAVIGATION&rwobj=ReDisplay.Start.class&rwsite=DBR_INTERNET_EN-PROD (16.11.2013).

To return to G20 summits in 2010 and in the following years it can be observed that their agenda encompassed issues pertaining to financial crisis. The ways of resolving the problems where however less of concrete actions and more of recommendations in the years to come. Furthermore during the Seoul Summit strong controversies about the exit strategy could have been notices, with regard to the rescue and stimulus policies. The problem of global imbalances stayed unresolved. The Eurocrisis which had broken out in March 2010 was rather underestimated by the member states at the beginning. It was more convenient not to see a new source of danger to the world economy, especially by the Obama administration before presidential elections. The next summit in Cannes (November 3-4, 2011) was held in conditions of weakening of the global recovery, particularly in advanced countries, high unemployment and tensions in the financial markets caused mostly by the sovereign risks in Europe. The summit participants however could not been able to agree a consensus on the right strategy to overcome the problems, especially the Eurocrisis. There even two opposite approaches could have been noticed. The EU which was rather inclining to strict austerity program was in opposition to the US, Brazil, or China which had spoken out for stimulus programs to boost their economies[20]. There is also an important geopolitical and economical question whenever the possible collapse of the eurozone, would be in favour for the US and other countries. The summit in Los Cabos (Mexico) in June 18-19, 2012 also considered the problems of financial crisis. The world leaders emphasized the necessity for taking all necessary measures to overcome the eurozone debt crisis. They assessed this crisis as “the single biggest risk for the world economy” and as Jose Manuel Barroso said “the challenges were not only European, they were global”[21]. The G20 leaders reaffirmed the efforts to reform the regulation of financial markets and strengthen the FSB. The finalization of steps to top up the IMF’s resources ($456 billion in additional resources) was an important success[22]. Financial market regulation was once again high on the agenda at the summit in St. Petersburg in September 5-6, 2013. The meeting was however devoted mainly to discussions of economic issues: unemployment, investments and barriers in global trade[23].

[20] P.Wahl, *The G20 Overestimated and Underperforming. Drawing a Balance of the G20 Achievements – Four Years after the Crash*, Discussion Paper, World Economy, 2012, p. 4.

[21] *G20 Summit: Leaders Alarmed over Eurozone Crisis*, BBC, 2012, http://www.bbc.co.uk/news/business-18496985 (18.11.2013).

[22] *G20 Summit in Los Cabos, Mexico: Key Outcomes*, Bundesfinanzministerium, 2012, http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/International_affairs/Articles/2012-06-21-g20-los-cabos.html (21.11.2013).

[23] *Business G20 Summary: World Leaders Adopt “St. Petersburg Plan” of Economic Development*, Voice of Russia, 2013, http://voiceofrussia.com/2013_09_07/Business-G20-summary-world-leaders-adopt-St-Petersburg-plan-of-economy-development-4392/ (21.11.2013).

It must be concluded that as the situation in international financial system started to improve, the G20 turned to be more steering board of the global economy than the crisis management committee. However it poses a question whether the G20 will be able to prevent financial crisis in the future. The G20 as the steering board could be less effective in introducing new rules and reforms in international financial system.

Conclusions

The global financial crisis severely tested the ability of international community to manage problems in international financial system. The G20 was at the centre of the coordinated global response to worldwide financial turmoil. Its role as the premier forum for international crisis cooperation could be assessed positively.

The analysis of the G20 activity in recent years allows to raise important questions about the Group, its present and future role in modern world and also about the international financial cooperation. One of the crucial issues is the scope of G20 agenda – should it encompass only the economic matters (comprises the financial crisis) or the wider scope of problems. What is connected with this problem – should G20 be a crisis management body or rather steering committee for the global economy. Or maybe join the two functions together but with the big question mark for the effectiveness of G20. This, however, rises the question about the role of the IMF and the Financial Stability Board in crisis management and resolution. It should be also mentioned that segregating financial, economical issues from political or security issues could be impossible in the longer run. Today the global challenges are interconnected, but the global governance remains fragmented. This leads to another problem: could G20 be the leading "actor" of the global governance when there are important doubts about its legitimacy. The group's exclusivity is still problematic. It cannot be a "global directorate" if it is not a global organization, even though it is involved in global problems. It is impossible to imagine (and even seems senseless) that the G20 will transform into body encompassing 192 countries. Maybe better scenario is a complete reshaping the G20 and creating instead the "Group of Regions". Such a new group could have wide legitimacy, with more homogeneity of interests. The "Group of Regions" based on network cooperation, with regions as the strategic hubs. There are certainly explicit, latent or potential conflicts not only among different regions, but also within them.

Cooperation is not easy; it takes time and requires a flexible, constructive approach of all participants. The "cooperation participants" must be convinced of common actions benefits and the benefits must exceed the costs of involving in cooperation. What is especially complex and important – cooperation requires resignation from particular interests and national egoisms. Reaching the consensus is hard and sometimes impossible.

However, the current challenges in international financial system call for international cooperation more than ever. Nevertheless, it is not certain whether the G20 will be the most important hub in the cooperation network with its existing scope and legitimacy.

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