

Picking your Club: G8 or G20, BRICs or B(R)ICSAM?

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Keynote presentation:

The BRICSAM and the Fight against Global Poverty

Oxfam International, Geneva, July 13, 2009

Check against Delivery:

CIGI works on a very different set of frontlines than Oxfam International – or indeed that focused on by your other keynote presenter, Jim O’Neil (Head of Global Economics, Commodities and Strategy Research) at Goldman Sachs.

Our pivotal concern is in the rule making structures of international institutions, how they work and how they could work better. I have just come back from the L’Aquila G8, a club which is under increasingly stress because of its perceived double gap in legitimacy and efficiency.

Jim O’Neil has highlighted one serious challenger to the established order, the rise of the BRICs. In doing so, he emphasises the factors which allow these countries (Brazil, Russia, India and China), big markets, big growth, big flows of investment and big potential for a continuation of these trends. But diplomacy is subordinated to economics in this analysis.

As witnessed by the June 2009 leaders’ summit in the Urals, there is a greater appreciation of the geo-political implications of the BRICs initiative. The CIGI extension of the BRICs concept to encompass BRICSAM (or more accurately B(R)ICSAM) brings diplomacy back into the centrality of the analysis.

The BRICs summit of leaders demonstrated that the BRICs is operational in an anticipated manner. Yet this activity at least for the moment remains as a sideshow to the main ‘club’ competitions – the external one between the G8 and the G20 and the internal one between the G8 and the G5.

The Struggle for dominance between the G8 and the G20

The G20 appears to be very much on the ascendancy. The initial resort to the G20 in November 2008 came with the panic attack associated with the world financial/economic crisis. It was convened as one of the last initiatives of a lame-duck president, George W. Bush. The approach was distinctly ad hoc. The media centre was located in the Department of State. Press conferences were called in an impromptu manner, with little or any handouts. The bias was towards declaratory statements rather than operational detail. There was a small demonstration well away from the site of the G 20.

Fast forward to April 2009 and the second G20 hosted by Gordon Brown. Instead of an embattled US president, Obama-mania hits London. Working groups set up from the Washington summit come up with a number of operational ideas, including the extension of the Financial Stability Forum to a Board with new membership. The IMF is back in with some new resources. The media centre is linked to the main summit site with tight security out in the East end of London. Demonstrations are large and are met by force.

The L'Aquila G8 by contrast lacks urgency in its deliberations. The Italian Presidency's approach remains a languid one amidst an intense global recession. Style trumps substance. The site of the Summit – re-located at the last moment in sympathy with the victims of the devastating earthquake is still a work in progress. The host government from the start lacked any overarching vision for the Summit. The brand trotted out in the last few weeks, that L'Aquila represented a Summit of Principles, crumbled quickly amidst its inconsistency with the scandals associated with Prime Minister Berlusconi.

The United States tried to rescue the G8 by taking on some elements of leadership. Key Sherpa meetings were called and shaped by American officials. A big delivery has been promised in the form of a major initiative on food security. Yet, these moves can not mask the reality that the US has already moved on from prioritizing L'Aquila to focus its attention on the Pittsburgh G20 on September 24-5. L'Aquila has become a minor whistle stop in a crowded tour, in which the instrumentalism of the re-setting US-Russian relations is mixed with the symbolism of Obama's private audience with the Pope and his emotive trip to Ghana as the first African-American president.

Yet just as the meeting of leaders cannot escape the local predicament of the L'Aquila populace, the global crisis and possible alternative solutions to them continues to stare them in the face. No longer is the G8 a small intimate gathering where declarations are made by a small group of leaders operating on an exclusive basis. The G8 has become a place where a range of cameo appearances are made by leaders from all regions of the world. Only on the first day, with a relaxed mid day start, does the G8 meet by itself. And even the notion of the G8 as a 'likeminded' group of representative democracies is complicated by the presence of Russia. This puts serious obstacles in the way of a firm resolution sanctioning Iran, to give just the most obvious illustration.

Without a sense of urgency or a fixed menu about what and how the world economic crisis should be handled, Italy has presented a buffet spread of countries and leaders around the table. The second day sees two important meetings with wider constellations of countries. In the morning, a meeting takes place between the G8 with the so-called G5 of big emerging states. In the afternoon the G8 meets with states making up the major economies forum, the MEM-16. Opening up the forum even further on the third day, a constellation of African countries have been welcomed to L'Aquila.

One of the few tangible commitments at L'Aquila a new \$15 (US) billion initiative on food security, on which greater attention is placed on agricultural development. Bono, the U2 lead singer and high profile celebrity activist, called this as a 'surprise' last minute

goal. Yet despite this imbalance between the results of the G20 and the G8 the competition between the two is still very much in play.

Most of the G 20 work remains highly technical, whether dealing with a college of supervisors, Basel, IOSCO on securities, etc. – not the forte of most leaders. Nor is the G20 summit free from critique, particularly of its representational claims or its performance quality.

As a replica of the G20 finance, the G20 leaders' format has the merit of convenience, while glossing over membership conditions. Argentina is included in the G20 finance largely because of their position as debtor nations, but does this rationale still stand up?

The G20 also privileges Saudi Arabia as a wealthy Arab country, as opposed to others with greater claims of representation, most notably Egypt the pick of the L'Aquila G8. And the issue of European over-representation continues to be sensitive. French President Sarkozy may be lauded for his diplomatic skills in adding Spanish and Dutch appearances at the Washington meeting – along with the presence of the four European G8 members and the EU Commission President.

However, this imbalance creates a backlash, prominently from the African Union (AU) for equal representation and in renewed calls from the global South for IMF reform to address disproportionate European weight.

In terms of measures of performance, the G20 summit has made good progress on a number of the technical items relating to regulation, standards, and surveillance. What is missing is an explicit signal from the G20 that it is linking institutional reform to the issue of equality with the global South

The clearest sign of this reluctance to allow even procedural equality is the determination so far by the US and the UK to hold onto the hosting function – with good indications that the third summit will not be held in South Korea or another south G20 country but in New York.

Alternatively, while on the face of it, the G8 has difficulty justifying itself as the 'likeminded' group – due to the presence in its ranks of Russia – particularly in a time of economic crisis with all of its global ramifications.

Yet, the G8 still may have some resilience. Amidst its fixation with variable geometry, Italy has privileged the presence of the big emerging states, namely China, India, Brazil, South Africa and Mexico, the self-described 'G5'.

This group was formally convened at the 2007 Heiligendamm summit with a two year mandate to build an extended dialogue on a number of key issue areas. The 2009 L'Aquila summit confirmed the importance of taking the Heiligendamm Dialogue Process seriously. As originally constructed at the 2007 G8 hosted by Germany the HDP held some considerable potential as a forum for structured dialogue between pivotal

countries from the North and the global South. What was unclear was whether this potential would be met or not. From the perspective of the North, the culture of 'outreach' remained strongly embedded. Countries from the South could be invited to participate at a G8 but they were not invited in as equals. Although recognizing the importance of emerging powers in the evolving structure of global governance, some resistance remained to claims that the exclusivity of the G8 be opened up. From the perspective of the global South, a cautious attitude prevailed about privileging the traditional club of the rich developed countries.

A further complicating factor stemmed from the make up of both groupings. Russia is in the G8 but has some characteristics more akin to the emerging states as witnessed by its hosting of a BRICs leaders' summit in June 2009. Although sharing some common characteristics in their diplomatic styles, the emerging states were more marked for their differences. Located in dissimilar regions, with unique historical circumstances, it was the individual uniqueness of these countries rather than a sense of collective identity that seemed to stand out. These differences were apparent enough in the BRICs constellation. They were accentuated by the addition of Mexico and South Africa to make BRICSAM.

BRICs versus B(R)ICSAM

The BRICs group of states have grabbed a great deal of attention with the summit in Yekaterinburg, Russia on June 15-16, 2009. As referenced by way of introduction to the concept developed by Jim O'Neil and Goldman-Sachs, BRICs has moved from a laudatory account of the rise of 4 big economies (Brazil, Russia, India and China) to a geo-political reality. Such a shift indicates the extent to which we are moving into a more contested order.

In many ways, nevertheless, the BRICs are more interesting for their differences than their similarities. Brazil and India are robust democracies. Russia is a managed democracy. China is a one party state. India has a fast rising population. Russia is in serious demographic trouble with a sharply reduced life expectancy. Brazil and Russia are resource rich. India and China are resource dependent.

Yet as exhibited by the Yekaterinburg summit some degree of coherence is taking shape. When Goldman Sachs labelled the 4 states the BRICs the focus was on their enhanced and successful integration into the world economy. The first leaders' BRIC summit sent a different more contested signal. Meeting in back to back fashion with the Shanghai Cooperation Organization (which includes Iran as an observer), the BRICs exploited the US's relative decline in economic power by calling for a new multi-polar world order. Although more striking for its declaratory than operational force, the BRICs at least sets up a scenario in which the relationship between the West and a big state component of the Rest is based on competition not cooperation.

The B(R)ICSAM concept puts the emphasis on the relationship between the G8 and a slightly amended cluster of emerging states. As witnessed at L'Aquila the use of a low

key approach through the HDP translated into some big results in terms of bridging the gaps between the G8 and what is now called the G5 or B(R)ICSAM.. Prompted by the global economic crisis the need for cooperation between key countries has been reinforced. The functional emphasis of the HDP's format was highly salient, as the focus on specific issues including innovation, investment, development and energy efficiency allowed confidence building to be built up in a quiet but tangible fashion. Rather than fading away, the HDP has been extended for another two year period via the endorsement of the H-L'Aquila Process as 'a dialogue among equals'

If an important breakthrough concept in terms of the transition from a G8 dominated world into a world where the G8 needs to share ideas and decision-making with others, the HDP is also highly salient for facilitating a new form of collective identity among the B(R)ICSAM. At L'Aquila there was a sense that the G8 and the G5 were operating as two caucuses of likeminded countries. Although internal differences remained on both sides (with Russia acting as a straddling country, and Mexico still the only OECD member within the G5) this caucus notion is redefining the relationship between the old and new economic powers.

To highlight the success of the HDP is not to underestimate the challenges ahead. Pressures will increase over the next two years concerning delivery, especially as the HAP turns its attention to producing a paper in one year time on possible common responses in such a sensitive area as a new multilateral framework for investment. To provide forward-looking and tangible results while strengthening mutual understanding stretches the degree of difficulty of this initiative.

At the same time there will be challenges in maintaining the collective response within the G5/B(R)ICSAM. This challenge showcases the unique role for China. As showcased by the publicity given to the notion of a new G2 between China and the US, China is the key member of the G5. Yet, China has not stood out, preferring to play the part of a team player rather than taking up leadership. As the pressures increase for China to take on a greater array of global commitments, this interplay between its individual and collective role and responsibilities needs close watching.

The advantages of B(R)ICSAM is in taking the criteria for membership in a club away from strictly economic factors, These factors are necessary but not sufficient for pointing to the manner in which emerging states behave in the international system. Although possessing multiple identities, all seeing themselves as being in between countries with a rising and a developing dimension. If coming from very different (albeit all problematic) neighbourhoods all possess accentuated global reach. And, although all challenge the status quo to some extent, all to some degree want recognition of the established club membership to their ascendancy.

Thank you.