

Leadership and the Global Governance Agenda: Three Voices



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INTRODUCTION

Three leading global think tanks – The Centre for International Governance Innovation (CIGI) in Canada, The Stanley Foundation in the United States and the China Institutes of Contemporary International Relations (CICIR) in the People’s Republic of China – joined together in 2009 to examine the many challenges facing global governance leadership in the rapidly evolving context of “messy multilateralism.”¹

In recent years the three institutions, working independently, have conducted significant research on leadership in global governance. With back-to-back leaders’ summits announced for Canada in June 2010 – the G8 in Muskoka, followed by the G20 in Toronto – the three institutions decided to collaborate in several conferences probing key topics in this field. With the snows of Beijing as a backdrop, the first meeting was hosted by CICIR at its Beijing campus in November 2009. Some 30 experts convened from Australia, Brazil, Canada, China, Germany, India, the United Kingdom and the United States. With the Muskoka and Toronto summits fast approaching, a second experts’ gathering will take place in Toronto, hosted by CIGI, on June 10-12, 2010.

The agendas of these meetings tell the tale of an evolving global governance system and the demanding policy challenges that global leaders face. Topics at the November meeting included, for example, the evolving architecture of global governance; the current state and development

of China-US relations; an examination of global financial reform and the G20’s record in meeting commitments enunciated at the 2008-2009 summits; security matters and China’s relations with a growing list of countries.

At the Toronto meeting the 40 or so participants will review the state of contemporary global governance and assess the prospects for collaboration among the major powers on such critical issues as global financial and economic reform, global institutional reform, climate change and energy, and selected security matters. Shared US-China leadership has been a central theme of the partners’ discussions. By including experts from Brazil, India and other parts of Asia, organizers also intend to explore the prospects for even wider leadership of global governance.

KEY GLOBAL GOVERNANCE QUESTIONS

- The G20 emerged amid the worst financial crisis since the Great Depression and at Pittsburgh was declared “the premier forum for international economic cooperation.” Most people applauded the enlargement of summit leadership to include not only the traditional G8 powers but the large, fast-growing market economies (including Brazil, China and India) and some other developing and developed countries. The group of countries in the G20 represents 85 percent of the global economy, 80 percent of global trade, and two-thirds of the world’s population. But will the G20 succeed in coordinating the global response

¹ The term is from Haas (2010)

to this unprecedented financial crisis? And can this new enlarged leadership circle successfully transition from a “crisis committee” to a new longer-term “steering committee” for the global economy? Looking beyond financial and economic matters, can leaders with widely divergent views, characteristics, norms and values share responsibility to fashion solutions to other great problems from climate change to human and nuclear security?

- China and the United States are vital to global leadership. Many experts refer to these two countries as the “G2.” China is the quintessential rising power and the US remains as the world’s sole superpower. Can China’s rise be peaceful (中国的和平崛起)? Will the future be filled with competition and rivalry or can these two powers find ways to cooperate inside and outside the G20 to address serious global challenges?
- While Canada and the Republic of Korea will co-chair the G20 summit in Toronto, Canada holds the presidency of the G7/8. Security and development issues are on the Muskoka agenda. Can the G7/8 successfully address nuclear weapons and other security challenges presented by North Korea and Iran? Can leadership better address terrorism and the prospects of failed and failing states?

These are among the questions under discussion as the Canada summits approach.

PURPOSE OF THIS “THREE VOICES” DOCUMENT

In this document a representative of each partner institution summarizes – from his own perspective – current global governance leadership challenges and the prospects for the upcoming Canada summits. Each “voice” is personal but informed by the work of the respective institutions – “three voices” from three critical countries involved in global governance: Canada, China and the United States.

CANADIAN VOICE

LEADERSHIP AND THE
AGENDAS FOR THE
2010 CANADA SUMMITS

ALAN S. ALEXANDROFF*

The Group of 8 summit in Muskoka on June 25-26 and the Group of 20 summit in Toronto on June 26-27 represent key meetings in the evolution of Gx institutions. Canada holds the presidency of the G8 and is co-host with the Republic of Korea of the G20 meeting. Both leaders' summits present significant challenges for Canadian leadership.

Many experts saw the proclamation at Pittsburgh in September 2009 that the G20 is "the premier forum for international economic cooperation" as a marked evolution in the Gx institutional process. The global financial crisis necessitated a new enlarged leadership club that displaced the G8, the so-called "club" of the world's wealthiest nations, with this expanded, more diverse grouping in economic matters. The G20 as "crisis committee" signals the recognition of the evolving distribution of power in the international system. Not only does the G20 include the G8 powers, it brings into this one Gx organization the new fast-growing economies and emerging powers such as Brazil, China and India, not to mention a few other developing and developed countries. Together this enlarged group represents 85 percent of the global economy, 80 percent of global trade and two-thirds of the world's population.

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Canadian Prime Minister Stephen Harper has extolled the G20's ongoing crisis work: "The G20 process has proven critical to our collective response to the global recession. This represents an unprecedented opportunity for Canada to demonstrate leadership as we continue our work on the economy and in defining the path forward" (Alberts, 2009). But while acknowledging that the G8 is no longer the apex body on economic issues, Canadian officials have stressed that the G8 will stay active in other matters traditionally under its purview such as development and international peace and security.

As the host, Canada appears determined to confirm the position and relevance of the G8 at the upcoming summit and has expended much energy on a successful outcome. According to Mr. Harper, "the G8 remains the principal forum for advancing our common agenda of peace and security, as well as democracy and development. This is critical work. Indeed, progress made on economic issues at the G20 table risks being undone if the world's pressing security and development concerns are not addressed with equal vigour" (Harper, 2010a). His government has identified improvements in maternal and child health in the world's poorest regions as the top priority for the Muskoka G8 meeting.

As the co-host along with South Korea, Canada has also set outcomes for the G20 leaders who will meet in Toronto. These efforts have been focused on securing the implementation of the post-crisis commitments made at the three previous summits in Washington, London and Pittsburgh. There is awareness that the G20 leaders' dedication to these previous undertakings could be flagging. Canada is therefore emphasizing that both summits are not about new commitments but rather about ensuring that those commitments are implemented. "Recovery and New Beginnings," the theme of both the G8 and G20 summits this June, is all about accountability.

If accountability is a key dimension — implementing the commitments already made by leaders — then "shared responsibility" is another goal for these summits. The question is most imperative for the G20: can this enlarged, more diverse leadership club sustain, or expand, its global governance role? The G20 successfully met the challenges of the global financial crisis. Can it now transform itself from a "crisis committee" — its role at the three previous summit meetings, collectively working to draw the global economy back from the edge of a new Great Depression — into an effective and more permanent "steering committee" for the global economy?

According to Mr. Harper speaking at Davos, "the real test of the G20 going forward is that it develops and sustains among its members a sense of shared responsibility towards the global economy" (Harper, 2010b), a principle he has equated elsewhere with "enlightened sovereignty" (Harper, 2010c).

Beyond accountability and shared responsibility, Canada has emphasized the critical priority of

sticking to the fiscal stimulus programs agreed to by the G20 leaders, and devising and coordinating exit strategies for when these programs are completed. The ballooning debt crisis in Europe has added urgency, however, to tackling growing deficits and debt. In fact, at the conclusion of the recent G20 finance ministers' and central bankers' meeting in Busan, Korea, the communiqué indicated that for many countries it would be necessary to focus on debt reduction given the state of their public finances. Countries with large deficits and debt were encouraged to accelerate fiscal consolidation (G20, 2010). Beyond this, Canadian officials have urged that the G20 leaders address the global imbalances that could threaten the global economy.

Canada's dual approach to the summits — confining the G20 to economic matters, while advancing a broader agenda on other topics in the G8 — has not been met with uniform approval. Some experts fear that limiting the G20 to financial regulation and the global economy could thwart the more ambitious objective of embedding the G20 as a global steering group over a much wider policy agenda. As the financial/economic crisis wanes, there is a risk that the G20 leaders will not sustain the sense of collaboration and commitment necessary for the G20 to play a wider role in addressing the growing list of global challenges (Bradford and Cooper, 2010).

The shape and coherence of the global governance architecture remains an ongoing question, never far from the minds of policy experts if not always political leaders. There has evolved a jumble of multilateral institutions and arrangements that have co-existed in various ways — notably the United Nations, Bretton Woods institutions, the G7 finance ministers and the G8, the G20 finance

ministers, the “G8 + G5” (Heiligendamm process) and now the G20 leaders’ summits. Richard Haass, president of the US Council on Foreign Relations and a former US official, has characterized the current global governance system as “messy multilateralism” (Haas, 2010). Concern exists that this jumble may undermine the effectiveness of collective global governance leadership, and may be more costly and damaging than the world can afford given the daunting array of challenges before it — everything from the reform of the global financial system to creating a strong and more balanced global economy, maintaining the nuclear non-proliferation system, averting terrorism and meeting the threats of climate change.

THE SUMMIT AGENDAS

Summit meetings are dynamic, and there is no guarantee that leaders will take “face time” to examine and resolve every issue. Moreover, circumstances may force leaders to take up issues not on the official agenda. Nonetheless, it is possible to identify the core issues that will be before the two summits.

THE G8 AGENDA

Accountability. As noted above, Canada intends to make the question of compliance to previous commitments front and centre at the summits. At the L’Aquila summit in 2009, the G8 created an Accountability Working Group (AWG) of senior officials to monitor and report on G8 commitments on development and development-related activities, including the development of a comprehensive and consistent methodology for reporting on results.¹ The

¹ While the mandate was to go back to commitments taken since the Gleneagles summit in 2005, the AWG found it necessary in some instances to go as far back as Canada’s Kananaskis summit in 2002. The accountability exercise focuses on the strategic results from implementing the commitments, not individual inputs.

AWG report will be presented at the Muskoka Summit. It is expected to describe 56 commitments undertaken by the G8 in nine thematic areas, including aid and aid effectiveness, economic development, health, water and sanitation and food security.

There will likely be an examination by leaders of whether the previously agreed-to US\$2 billion funding increase for Africa has been spent effectively. The G8 had also pledged to provide technical and financial assistance so that African countries, regional and sub-regional organizations, could better prevent and resolve violent conflict and provide peace support efforts through training and equipping peacekeeping troops by 2010.

Child and maternal health. Canada is proposing an initiative to improve child and maternal health in line with the UN Millennium Development Goals (MDGs). In the host country the praise and goodwill that initially accompanied the announcement of this initiative has been dissipated by the Harper government’s refusal to include support for family planning and abortion services.

Iran. The G8 is expected to discuss Iran. The US has been pressing an agreement among the P5 veto-wielding Security Council members (China, France, Russia, the United Kingdom and the United States) on a sanctions resolution to curb Iran’s nuclear weapons ambitions.² Meanwhile Iran, Turkey and Brazil (the latter two are currently non-permanent members of the Security Council) have reached an agreement that would see Iran transfer about one-half of its currently low-enriched uranium to Turkey for additional enrichment and returned to Tehran for medical uses. Turkey, Brazil and

² Recently, the United States presented a draft resolution to the Security Council, which it says has the agreement of the P5.

others, including up until quite recently China, have opposed further sanctions and have sought other ways to resolve the tensions with Iran.

Vulnerable states. A report is being prepared for the G8 leaders that will recommend how to improve the effectiveness and coherence of national and multilateral programs designed to assist fragile states. Such programming could include support to make the military, police, judiciary, corrections and border control forces in such countries more effective and accountable. There is also expected to be discussion of a plan designed to improve the coordination and efficiency of efforts to deal with terrorist threats.

Korea. The G8 leaders are expected to discuss the tense situation on the Korean peninsula sparked by allegations that North Korea was responsible for an explosion that sank a South Korean warship on March 26, 2010. South Korea has called on the UN Security Council to impose sanctions against the North for the alleged attack.

Climate change and energy. Climate change is expected to have a relatively low profile at this year's G8 summit, which follows by six months the UN climate change conference in Copenhagen. The low profile has disappointed many advocates on the issue. There could be discussions on a proposal for large-scale carbon capture and sequestration projects and the raising of additional private and public funds for the Clean Energy Investment Framework. The G8 leaders supported the proposal by energy ministers at the G8 L'Aquila summit to have experts examine energy poverty in Africa and Asia, and an Expert-Level Working Group on Energy Poverty is expected to report back.

Economy. Though economic issues have been shifted to the G20, G8 leaders may review the state of the global economy, given the strong volatility in markets and the continuing European crisis. G7 finance ministers helped fashion the European bailout of Greece. Besides reviewing the debt crisis in Europe, these "like-minded" states will likely examine global imbalances before the G20 meeting, with emphasis on the renminbi-dollar exchange rate and other global imbalance questions.

THE G20 AGENDA

Imbalances and the Global Economic Framework. The Framework for Strong, Sustainable and Balanced Growth adopted at Pittsburgh calls for aligning fiscal, monetary, foreign exchange, trade and structural policies among the G20 nations. The collective examination of global imbalances is identified as one of the elements in the Framework. The global economic balance question has been brought home recently by Greece's debt crisis and the wider debt crisis in Europe. Large and growing indebtedness among industrially advanced countries threatens global economic recovery and the achievement of sustained and balanced economic growth.

It is hoped that at the Seoul summit in November leaders will be able to propose specific national strategies for a coordinated policy of exit strategies for the G20. Meanwhile, there is concern in global markets and by officials over the threat of rising European indebtedness and the prospect that serious efforts to reign in deficits will undermine economic growth in Europe, the US and elsewhere. The euro crisis has accelerated plans, as identified by the finance ministers at Busan, to rein in deficit spending in many countries. The turbulence in the euro zone undermines the assurance of the economic recovery.

Following a request by the G20, the IMF has recently presented two papers to the G20 governments. One looks at the coordination or lack thereof in implementing recovery plans; the other paper is concerned with reining in the growth in deficits and accumulated debt. These two IMF papers seek to provide a blueprint for putting the world economy on a more stable path.³ The papers urge the developed countries to undertake deficit-reduction efforts even where the large emerging market and developing countries fail to address the consumer demand gap left by austerity measures in the advanced countries. Still, appropriate action by the developing and emerging market countries would, according to the IMF, bring enhanced balance and in turn sustainability to the global economy.

While there has been a lessening of public pressure from the US to have China revalue its currency and allow for greater flexibility, G20 leaders in Toronto may examine exchange-rate regimes, especially the Chinese fixed peg.

The leaders will likely look at peer review processes under development that are designed to avoid imbalances and to determine whether each country's individual economic programs are "collectively consistent" with sustainable global growth. The IMF reviews of data and reports being generated should lay the basis for discussions at the Toronto summit, or, if not then, certainly at Seoul. Concern exists, however,

³ The second paper deals with the imbalance posed by growing indebtedness for advanced countries and developing countries, and the still significant surpluses in large emerging market countries. Critically, the plan calls on the economically advanced countries to turn their deficits into significant surpluses by 2020 and then maintain surpluses for an extended period. On deficits it proposes that advanced countries "bend the cost curve" on large entitlement programs such as health care and pensions. To close the revenue gap, countries also are urged to raise taxes, particularly value-added taxes.

that the large economy countries, particularly the US and China, will not accept these peer review processes or will not continue coordinating their economic efforts with other G20 countries.

Financial regulation. While G20 countries have approached financial regulatory reform with a varied set of policies, effective regulatory reform at its core depends on stronger capital standards complemented with clear incentives to mitigate excessive risk-taking practices. The G20 finance ministers have recommended that by the end of 2010 there be internationally agreed-upon rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in with the aim of implementation by the end of 2012. They are anticipating a report from the Financial Stability Board on prudential standards, market infrastructure and frameworks for systematically important financial institutions. There should also be a report on bank repayment options. The Basel Committee on Bank Supervision has published a report that examines a more coordinated approach to the "too-big-to-fail" bank problem. The G20 has called on the biggest banks to devise plans by the end of 2010 to subject them to tougher capital rules and enable them to be wound down in the case of pending failure.

A wide array of financial regulatory responses has been proposed or implemented by G20 members. Canada advocates its regulatory model of financial institutions as a model for other countries, highlighting the active supervision and the regulatory framework that officials suggest are designed to avoid reckless risk and ensure transparency. Canada will likely recommend such options at the Toronto summit.

Canada opposes a bank tax, but the US and a number of European countries have favoured a bank tax or levy to provide reserve funds for future bailouts without hitting consumers in the event of another financial crisis. These Canadian efforts are distracting; ultimately, this is one small part of the collective effort. The US has pressed forward on a wide-ranging reform of financial regulations, covering such areas as financial supervision, consumer protection, regulation of “too big to fail” institutions, and the regulation of derivatives. IMF Managing Director Dominique Strauss-Kahn has voiced concern that reforms in the US and elsewhere are being undertaken without coordination, and while affirming the necessity of fixing the “failed regulatory model” has urged G20 countries to coordinate their reform efforts.⁴ Germany too, the largest European economy, has taken unilateral actions – banning the naked shorting of a number of classes of bank and sovereign debt – that again highlight the lack of coordination in Europe, let alone within the G20.

Other financial issues. A variety of other matters that are part of the global response to the financial crisis and have come up at previous G20 summits remain important but may, or may not, be directly discussed by leaders at the Toronto summit. They include: hedge funds and derivatives, executive compensation, accounting, offshore jurisdictions and tax havens, and the reform of international financial institutions.

Trade. Notwithstanding declarations in several G20 communiqués, efforts to conclude the Doha Development Agenda negotiations by the end of 2010 have made little

progress. And while the flood of tariff increases that so worried G20 leaders at the Washington summit in late 2009 did not materialize, most G20 countries are guilty of a constant stream of bailouts and subsidies, many including discriminatory provisions (see Global Trade Alert, 2010). Though the leaders in Toronto may issue repeat declarations against protectionism and the need to maintain openness in the trading system, little beyond these statements can be expected.

Energy and fossil fuel subsidies. At Pittsburgh, at the urging of the United States, the G20 leaders took up the question of fossil fuel subsidies, at least at the consumer level. There is some prospect that leaders will take up an inter-institutional report on the scope of subsidies with suggestions for implementing the Pittsburgh commitments. Work has been done by the International Energy Authority, OPEC, the OECD and the World Bank. However, a report on strategies and timetables for rationalizing and phasing out such subsidies, in the medium term, reliant on country data and input, will likely not be ready for the Toronto summit. There will likely be a report for the Seoul G20 summit.

Climate change. Although this is not a core agenda item for the G20 meeting, the European Union has said that it would like to pursue a deal on climate change through the G20 since results in Copenhagen were so disappointing; however, no serious discussions are likely in Toronto. As noted earlier, Canada has not made climate change a priority matter for either summit. Initiatives that have been identified – such as French President Nicholas Sarkozy’s call for a tax on financial transactions to raise money to deal with climate change, especially in developing countries - will not be on the table. The United States has opposed such a transaction

⁴ Strauss-Kahn warned that many countries were approaching the bigger-picture reforms from different directions and at different speeds. He pointedly suggested that “in the process, a central lesson of this crisis is being forgotten; that coordination works better than unilateralism” (Strauss-Kahn, 2010).

tax. The G20 finance ministers made little progress on this subject in their lead-up meetings to the summits.

Development. South Korea has indicated that it will place development on the agenda at the Seoul summit, but this item is not likely to be discussed by the G20 in Toronto.

CONCLUSION – A LOST OPPORTUNITY?

The accountability focus that is so central to Canadian leadership for these summits is a reminder of the criticism that has greeted past summits. Critics have long argued that the G8 nations have been long on promises in their summit communiqués but all too often the collective leadership has failed in implementing policies. The same fear has now arisen with regard to the many commitments made by the G20 as it has wrestled with the global financial crisis. Though it may well prove more efficacious to have third parties monitor and report on the G20's compliance with its commitments, the impulse to develop accountability and transparency standards for leaders' summits is likely a "political" decision in the best sense of that word.

But the lack of a wider G20 agenda may be seen in retrospect as a lost opportunity for Canada and a lost opportunity in the creation of this enlarged Gx leadership institution. Canada is well aware of the challenges that the enlarged, diverse leadership of the G20 poses for the G20 leaders, and has kept the Toronto summit focused on the crisis commitments made earlier. Yet it has struck an approach that conveys a "sense of instrumentality and technical acumen" (Cooper, 2010); it has not sought to enlarge the G20 agenda beyond the economic and

financial focus. It appears that the current Canadian government is content to restrict the G20 to "a strictly-defined-problem-solving capacity" (ibid.) The old axiom, "Strike while the iron is hot," is not being applied here. Consequently, Canada risks this G20 summit being assessed as a failure, possibly branding the country with a reputation for poor leadership that could live on for some time. The Toronto G20 summit may not just be seen as lacking creativity, but may also call into question Canada's leadership.

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CHINESE VOICE

THE ARCHITECTURE
AND EFFICIENCY OF
GLOBAL GOVERNANCE

DR WANG ZAIBANG*

With the gradual recovery of the global economy, the task of strengthening global governance in order to keep development stable becomes more and more important and urgent. It is necessary for experts from the three think tanks to come together to discuss “leadership and the global governance agenda” before the summits.

(1) A lot of important progress has been made over global financial governance since the outbreak of the financial crisis. World development is at a new starting point.

Each big catastrophe is always the catalyst or midwife of great social progress. After the Napoleonic Wars, the great powers of Europe established the Concert of Europe. The League of Nations was founded as a result of the Versailles Treaty which ended the First World War. The UN, founded after World War II, is a much more complicated and comprehensive international organization covering security, economic, financial and social areas. All these can be seen as critical steps towards enhancing global governance. Over the past more than half century, the international system with the UN at the core has been adjusted step by step, and the efforts towards global governance have been strengthened gradually.

Compared to the achievements mentioned above, it seems that recent reforms and adjustments are much more substantial as well as symbolic. These include a shift in the IMF quota share to the emerging market and developing countries of at least 5 percent using the current quota formula in October, 2009 (IMF, 2010); an increase of World Bank voting shares of some emerging and developing countries by 3.13 percent to a total 47 percent stake; the establishment of the G20 leaders’ summit as the premier forum for international economic cooperation; and the creation of the Financial Stability Board to carry out a closer and stricter supervision over financial activity.

Early after the outbreak of the global financial crisis, the laggard actions of existing international institutions were criticized as “governing the world in the twenty-first century with the system of the twentieth century.” With recent achievements, however, the situation where the international economic regimes lag behind rapid globalization has been greatly improved. It seems that the people, particular statesmen and experts in the 21st century are not less smart and rational than their predecessors in the last two centuries.

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(2) At present, we surely face problems such as legitimacy, representativeness, efficiency and overlapping of international institutions. This is inevitable. On the one hand, this needs to be addressed and improved without delay. On the other hand, it is not realistic to imagine that these matters will be addressed overnight.

Generally speaking, with the technical progress in transportation and communication, both domestic and international economic activities have increased rapidly, production factors have grown at a higher speed, and more and more ordinary people can interact face-to-face – both in real society and cyber space. International relations in the era of globalization have become more and more complicated. Various organizations and consultative mechanisms have been set up. Many of them do overlap. This new situation puts more and more pressure on top leaders and their officials in many major countries – particularly those in the Gx institutions. They have to spend more and more time on flights to attend various summits, suffering jet lag. At the same time, the top leaders and their assistants of most other countries – the “uninvited 172” – desire to do the same thing, but they don’t have such opportunity.

The G7/G8 was criticized as the “the club of the rich” and was viewed as lacking legitimacy. The “G8 plus 5” (Brazil, China, India, Mexico and South Africa) was seen as a transitional organization with the “5” as nonpermanent members. Many people recognize that the G20 is more representative than the G7/8. But it is still not considered legitimate enough. There is concern that this enlarged summit with more representativeness or legitimacy would still be a big talking club rather than an effective mechanism. Furthermore, overlapping summits will surely increase the transaction costs.

After all, the financial crisis we just suffered is the first global one under the condition of complete globalization. So far, the G20 is recognized as a relatively effective economic cooperation forum in dealing with the crisis. From a realistic perspective, the G20 needs to be strengthened further in coming years. Probably, it is worth considering the possibility of combining the G7/8 and G20 in some way. Of course, the combination is very sensitive and needs deeper investigation and full consultations.

(3) The Chinese government will firmly abide by Deng Xiaoping’s strategic idea “Tao Guang Yang Hui” (韬光养晦) and takes a positive approach towards its responsibility to the international community.

From the end of last year to early this year, the China-US relationship suffered from fluctuations. The two sides clashed during the Copenhagen climate conference. The Chinese government protested against President Obama’s meeting with the Dalai Lama and over US arms sales to Taiwan. These clashes triggered a hot discussion both inside and outside China about whether China would continue to follow the strategic idea. Some Chinese scholars and officials regard the Chinese government’s position as not strong enough; some regard the current situation as different from that in the early 1990s and believe that the government should stop adhering to the principle of “Tao Guang Yang Hui,” and take a stronger position over its key national interests such as the Taiwan and Tibet issues. At the same time, many foreign scholars and officials criticized Chinese diplomacy, regarding the government’s protests as too arrogant.

What’s the meaning of “Tao Guang Yang Hui”? In the Chinese-English dictionary, it was put into English by some Chinese translators as “hide one’s capacity and

bide one's time." This explanation has been widely accepted by foreign experts over past years. Many of them accordingly suspect that China has an ulterior and malicious strategic intention, that China doesn't want to fulfil its responsibility to the international community at present, because it is trying to accumulate strength in order to dominate the Asian region – even to dominate the world when China becomes strong enough.

Actually, this is a very old and popular idiom in Chinese. Recently, in order to write an article for the 30th anniversary celebration of our organization, the China Institutes of Contemporary International Relations (CICIR), I checked the Chinese dictionary carefully and found the translation in the Chinese-English dictionary is inferior and may even be wrong. To my understanding, its original meaning in Chinese is to "hide one's advantage and improve one's disadvantage." After the collapse of the Soviet Union, some leaders of developing countries asked China to take the leadership in dealing with developed countries. Deng Xiaoping quoted the phrase and pointed out that "China couldn't and never could take this leadership" – "we are not capable." "It would not be beneficial to take this leadership." As you can see, there is some identity between Deng Xiaoping's thinking and my explanation of the phrase.

We can translate this phrase in another way as "to do what you are capable of, to prevent overreaching yourself." This thought, coming from the Confucian "Doctrine of the Mean," is the most important and popular idea in Chinese traditional philosophy and culture. It doesn't mean to refuse responsibility, but means rather to play a role according to one's capacity. This is the cultural background of the policy that China opposes hegemony

and would never seek hegemony for itself. In my opinion, the reason why the phrase's original meaning was misinterpreted in the Chinese-English dictionary is that the Chinese translators didn't understand traditional Chinese philosophy and culture very well. Of course, I dare not boast that I do. Chinese traditional philosophy and culture are so vast that maybe nobody in China could boast that he or she understands it completely. But my viewpoint is a reflection of the mainstream in China.

(4) The Chinese government and Chinese people are aware of external complaints about our trade surplus and our renminbi currency exchange. But our understanding of the difficulties and problems of a renminbi appreciation is different from that of foreigners.

Over the past years, China has faced increasing pressure from developed countries, particularly the United States, to appreciate the renminbi. The dollar-renminbi exchange rate and the large Chinese trade surplus have led to accusations that China has created the global economic imbalance. I think this kind of blame is unfair.

Firstly, global economic balance is always relative. There is no absolute or complete balance. China's trade surplus is the result of the global industrial structure and market mechanism. With a relative lower labour of cost in China and an industrial shift from many Asian-Pacific countries to China, China's trade surplus includes partly these surpluses and the surplus China had before its economic reform in trade relations with the United States. The financial and trade deficits of the US existed for a long time, mainly resulting from its own economic structure and economic policy, including US artificial export control over "hi-tech" production exports to China. From 2001 to 2009, the share of US "hi-tech" production exports relative

to China's imports dropped from 18.3 percent to 7.5 percent. It is reported recently that the US national debt has already reached the new high point of US\$13 trillion, more than US\$42,000 for each American. Therefore, it is not convincing to make China the scapegoat for US deficits. More and more, ordinary Chinese people doubt the advantage for China of the government's policy of buying and holding US Treasury bonds.

Secondly, since China's trade surplus is the result of a shift in global industrial structure and the market mechanism, the right way to deal with these imbalances lies in readjusting economic structures. In the long term, China's determination to push transformation of growth, the efforts on the US side to enhance the real economy, and the pledge that both sides made in the Security and Economic Dialogue (S&ED) – the annual bilateral meeting between Chinese and American officials – in Beijing in May to push cooperation in energy and environmental protection, will favour improvement of the problems mentioned above.

Thirdly, China must be prudent over the renminbi exchange rate. Since China started its exchange mechanism reform, the renminbi has appreciated 25 percent and has appreciated even further with the Euro depreciation brought about by the Greek sovereign debt crisis. If China lets the renminbi exchange rate drift, or even just gives signals that it will do so, China will face very serious financial security problems. Of course, the appreciation of the renminbi would strengthen its purchasing power and push companies to give up labour-intensive production. But in doing so, many ordinary people will be thrown into the ranks of the unemployed. Maybe you are unaware that the Chinese

government has to provide 10 million new jobs to young men and women each year. Even if further appreciation of the renminbi by a large margin is completed gradually, it will have negative impacts both inside and outside China. For example, it will make the poor-rich (income inequality) gap widen sharply and cause the condition of China's agriculture – and its more than 500 million Chinese peasants – to deteriorate. Meanwhile the Chinese Government can address the rich-poor gap and economic restructuring by enforcing labour laws, increasing minimum wage levels and carrying out tax system reform.

Finally, I expect foreign experts to do more investigations into China and have a deeper understanding of China's policy. CICIR has a strong interest in developing academic exchange and cooperation with foreign think tanks – with CIGI and the Stanley Foundation – at the top of the list.

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AMERICAN VOICE

BEING MORE STRATEGIC ABOUT GLOBAL LEADERSHIP AND ITS MULTILATERAL OUTLETS

DAVID SHORR*

To the extent that international leadership is seen as carrying an obligation toward the global community as a whole, this poses a crucial question to the world's powerful nations. Those wearing the mantle of leadership are expected to use their diplomatic influence to find broadly acceptable solutions to the international problems of the day.

At our current moment, this expectation lies at the heart of a major difficulty for the global order: a shortfall in international cooperation compared to the scale of challenges such as the economic downturn, global warming and nuclear proliferation. It's not that nations have failed utterly to cooperate; the collective response to the financial crisis was vital in preventing a full-blown global depression. The recent 47-nation Nuclear Security Summit in Washington DC was another example of world leaders uniting against an urgent threat: the danger of fissile material falling into terrorist hands.

The December 2009 United Nations climate change conference more aptly symbolizes the present state of multilateralism. While delegates in Copenhagen

worked right up to the final hour to keep the talks from breaking down and made a number of useful commitments, they could not agree on measures that would reduce greenhouse gases enough to reverse global warming trends.

Climate change is one of many challenges in which the world confronts a heightened interdependence. Whether the threat is rising temperatures, communicable disease, financial contagion, terrorist attack or nuclear proliferation, the ease with which problems can spread gives the world community a shared stake in blunting them.

THE SHARED INTERESTS THEORY

Yet despite the plainly apparent interconnections among nations and the problems they confront, differences of policy and national interest have hardly melted away. Shared interests in the global common good clearly have not been compelling enough to spur new levels of collective action – at least not yet. Then, how real are the supposed shared interests?

One way to reckon the shared stakes in cooperative problem solving is to look at the consequences of failing to address

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these challenges. Pick any major problem on the agenda and the trajectory without an infusion of international leadership and cooperation could lead to a dire foreseeable future: nuclear arms races in Northeast Asia and the Middle East, a generation of children in extreme poverty with their development stunted by malnutrition, a tipping point of irreversible climate change, mounting bitterness over the Israeli–Palestinian conflict, mounting suspicion that globalization is rigged for the benefit of the few. In sum, inertia is not a great option.

The essential issue for the 21st century is whether the world will be shaped by the entropy of disorder or the social contract of a rules-based international order. So, if a nation is to be truly strategic about foreign policy, it must calculate the opportunity costs associated with diplomatic deadlock or drift. And the stakes are highest for the most powerful nations – those that are most integrated in the global economic, political and security systems.

Since the purpose of the G groupings is to convene upper-tier countries, they offer a window into major-power relations, certainly in terms of the prospects for collective action. With the loose structure and malleability of the G groupings, it is interesting to note how they fit into the broader ecosystem of multilateral instruments. Because they revolve around governmental policy makers at the highest levels, the Gs are also instructive regarding the basic challenge of translating political authority and leadership into effective action and problem solving.

In 2008-2009, the Gs wrestled with the basic problem of how to adjust to power shifts in the international system. The G7/8 had for years been criticized as an outdated Western clique in which newer powers such as China, India and Brazil had no voice. When the financial crisis

hit the world economy, however, the need to involve more key players was irresistible. At the height of the crisis in November 2008, President Bush convened the first-ever meeting of G20 heads of state (the group had previously focused on meetings of finance ministers). At their third meeting in just ten months in Pittsburgh, the world leaders committed to hold regular summit meetings and anointed the G20 as the “premier forum for international economic cooperation.” In recognition of global economic interdependence – and staring down a potential cataclysm – key countries combined into closer collaboration.

THE ECONOMIC AND SECURITY AGENDAS

But since the G20 decided to restrict itself to economic policy, this hardly settles the matter of cooperation among the established and newer powers. As noted above, the world community faces a wider range of shared threats; interdependence is not limited to the global economy. This leaves a schizophrenic split in the relationship of the G groupings to the international agenda. While the G20 brings together a broad spectrum of nations to promote global economic stability, it is still left to the tighter G7/8 grouping to reduce sources of conflict and boost political and social conditions. Whatever the dynamic between traditional and emerging powers, the Gs’ split agenda is not a function of any G8 effort to jealously guard its domain over political and security affairs; there is no clamour within the G20 to add these issues to the remit of the larger group.

This division of multilateral labour has drawn less attention than the upgrading of the G20, but has important ramifications. First of all, it begs the question

of whether there are fundamental differences between the economic and political/security agendas to warrant such a split. The second issue is the relationship between the Gs and the United Nations – particularly, in the realm of peace and security, the UN Security Council (UNSC). With all of this as backdrop, the agenda of the upcoming G8 Muskoka summit gives a snapshot of how the established powers are approaching political and security issues.

To restate the core problem of global leadership, it's the pivotal powers' failure to bridge policy and political differences that hinders progress on the international agenda's major items. In this regard, political and security challenges are no different from economic issues. The need is the same: collective political will and creative compromise among established and new powers alike. Progress will only be achieved when leaders put a heavier emphasis on their common interests than on the policy preferences, political orientations and priorities that divide them.

If economic and security issues are identical in their need for greater concord, they do have different levels of immediacy. As noted above, the G20 sprang into action in 2008-2009 because they stood at the brink of a global great depression. But must it take an impending catastrophe to spur collective action? Does that set the bar high enough for what's expected of international leaders? Shouldn't they be more strategic in keeping problems from mounting?

In other words, when you look at the divisive issues on the political and security agenda (listed below), they are likely to get worse unless they're made better. Perhaps more to the point, if all or most are left unresolved, the

combined instability will be greater than the sum of the different threats. These include:

- Upholding Articles II and VI of the Non-Proliferation Treaty (NPT);
- Preventing and responding to mass atrocities;
- Dealing with ultra-repressive regimes;
- Fostering a more peaceful Middle East;
- Shifting from fossil fuels to sustainable energy sources;
- Corruption as an obstacle to development;
- Standards for the detention, interrogation, and prosecution of terror suspects; and
- Cybersecurity.

THE DIVISION OF MULTILATERAL LABOUR

Of course it's one thing to note the problems over which the international community is split and yet another matter to pinpoint the Gx process as the proper venue for their resolution. It lies beyond the scope of this piece to analyze the appropriate multilateral mechanisms to deal with the above issues. Two broader points about the role of the Gs, though, are worth noting.

First, the G groupings have an essential contribution to make precisely because such issues are politically sensitive. Since "leadership club" multilateralism revolves around the most senior officials of the most influential nations, such forums enjoy an advantage in their capacity to tackle vexed questions.

Second, contrary to perceptions, the Gs pose no direct competition to formal multilateral institutions like the United Nations. Critics have raised the spectre of the G20 becoming a form of rogue multilateralism – presuming to make decisions on behalf of the world as a whole, trying to impose its will on the “G172” that lack a seat at the high table. Yet preventing such overreach is a simple matter of keeping the Gs within the modes of action that match their informal nature and conducting robust consultations with countries beyond their membership. In other words, since they have neither formal decision rules nor an international legal basis, the Gs should not be making decisions that exceed their brief.

So it is strained logic to argue that the G20 would challenge the authority of the UNSC merely by dealing with political and security matters. The Security Council has legal authority rooted in the UN Charter, well-established traditions and patterns of action and year-round sessions that cement its comparative advantages. It is hard to foresee the Gx process attempting to duplicate core UNSC functions such as initiating peacekeeping missions, mediation efforts, investigations or passing judgement on a state’s actions.

If the Gs are essentially talking shops without the legitimacy or basis to make multilaterally-binding decisions, then how can they contribute toward solving the world’s problems? To answer this question, it’s helpful to think of the items on the international agenda along a spectrum from the politically sensitive to the technical. At one end, the Gs can sponsor (and have sponsored) cooperative activities that, while valuable, are essentially technical and relatively uncontroversial. For the kinds of contentious issues listed above, the key point is the distinction between multilateral decisions and the

necessary diplomatic spadework before issues become ripe for agreement. As observers of the United Nations know, affinity groups and ad hoc coalitions are often instrumental, even in that august institution, in crafting proposals and compromises (such discussions are often called “green rooms”). A G20-like body for political and security affairs would be ideal to help with agenda setting and consensus building for difficult issues.

THE CANADIAN SUMMIT AGENDA

Meanwhile, for the June 2010 summits in Canada and the foreseeable future, only the G8 will deal with the security agenda, which as a result will skew toward technical matters. Until more of the emergent powers are brought to the table, the G8 countries will be confined to the questions they can tackle on their own. One key to understanding the Muskoka agenda is that the leaders will deal with political and security affairs essentially as development assistance donors – a natural focus for a group of the world’s wealthiest nations. The July 2009 summit in L’Aquila, Italy launched a major food security initiative to support long-term agricultural development, good nutrition and systems to respond to sudden spikes in food prices. This year, the Canadian hosts have given maternal health, one of the Millennium Development Goals, a prominent place on the agenda. Haiti and its recovery from the January 12, 2010, earthquake will be another development topic.

For many other items on the G8 political/security agenda, the Western powers will be working in a related development assistance mode: supporting governmental capacity-building. This is entirely appropriate, since the world needs national governments that are capable of carrying out key security functions, dealing with

sources of vulnerability and keeping their territory from devolving into ungoverned spaces.

STABILIZING AFGHANISTAN

On the Muskoka agenda, and more broadly, Afghanistan is the quintessential case. Tracing the past 30 years of Afghanistan's history, it has endured every known form of tribulation. Beginning with the 1979 Soviet invasion, Afghanistan has been beset by: a proxy war between Cold War rivals, a civil war, misrule by religious fanatics, a major training and operational base for a global terror network, another invasion and civil war, competition between traditional and modern forms of political authority, economic dependence on opium poppies as a cash crop, and pervasive corruption. Currently the US-led coalition's declared strategy of patiently cultivating legitimate governance is belied by its day-to-day expedience of dubious local partnerships.

As the G8's potential contribution, the planners of the Canadian summit have focused on strengthening customs and immigration controls at the Afghanistan-Pakistan border. But given how important cross-border movement is for the Afghan Taliban and its Pakistani supporters – and the region's geographical remoteness – this is clearly much more than a typical capacity-building project. It will be interesting to see whether the G8 can truly make a difference.

THE NUCLEAR AGENDA

The nuclear proliferation agenda exemplifies the same combination of political and technical issues. The recent Nuclear Security Summit in Washington assembled leaders from 47 nations to address the global challenge of keeping key nuclear components and ingredients

physically secured and out of reach of terror networks. (Since the leaders agreed to hold another summit in South Korea in two years, the process could be viewed as a new G grouping.) In keeping with the G8's role as a club of donors, it has for several years sponsored the Global Initiative to Counter Nuclear Terrorism and the Global Partnership Against the Spread of Weapons of Mass Destruction – as well as the Counterterrorism Action Group to deal with other capacity building challenges.

While the world community shares a near universal commitment to keeping dangerous materials and technology away from non-state actors, there is no such consensus about measures to keep more nation states from acquiring nuclear weapons. For instance, the continuous high-level diplomacy surrounding the Iranian and North Korean nuclear programs stems from deeper divisions regarding whether and how to enforce nonproliferation, despite its being a basic norm of the international system.

Time will tell whether we'll see a growth in multilateral cooperation at the political as well as the technical level. High-level impetus is often needed to intensify the efforts of expert-level networks. But on the great politically charged issues of our times, there will be no progress unless the world's leaders truly lead.

APPENDIX: AGENDA ITEMS FOR THE 2010 SUMMITS: SELECTED RESOURCES

G20 SUMMIT

GLOBAL ECONOMY

IMF and World Bank Representation Reform

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Financial Sector Reform

Bank Tax

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Prudential Standards, Market Infrastructures and Frameworks for Systemically Important Institutions: Progress by IMF, World Bank and FSB

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Framework for Strong, Sustainable and Balanced Growth: Policy Options

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Energy Subsidies

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Free Trade of Goods and Services

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G8 SUMMIT

GLOBAL ECONOMY

Transparency and Tax Evasion Standards — OECD

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Nuclear Non-Proliferation

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Iran’s Nuclear Threat

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Terrorism — Afghanistan and others, including Yemen

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Maternal Health

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Food Security

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ABOUT CIGI

The Centre for International Governance Innovation is an independent, nonpartisan think tank that addresses international governance challenges. Led by a group of experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate, builds capacity, and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events, and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world.

CIGI conducts in-depth research and engages experts and partners worldwide from its extensive networks to craft policy proposals and recommendations that promote change in international public policy. Current research interests focus on international economic and financial governance both for the long-term and in the wake of the 2008-2009 financial crisis; the role of the G20 and the newly

emerging powers in the evolution of global diplomacy; environment and energy, including climate change; and issues related to global and human security.

CIGI was founded in 2002 by Jim Balsillie, co-CEO of RIM (Research In Motion) and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario. CIGI gratefully acknowledges the contribution of the Government of Canada to its endowment fund.

Le CIGI a été fondé en 2002 par Jim Balsillie, co-chef de la direction de RIM (Research In Motion). Il collabore avec de nombreux partenaires stratégiques et leur exprime toute sa reconnaissance pour leur soutien. Il remercie tout particulièrement le gouvernement du Canada pour sa contribution à son Fonds de dotation, de même que le gouvernement de l'Ontario.

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ABOUT THE STANLEY FOUNDATION

The Stanley Foundation is a nonpartisan, private operating foundation and a strong advocate for principled multilateralism — an approach it views as emphasizing the need for nations to work respectfully across differences and devise fair, just, and lasting solutions to international problems. The foundation's program works to widen and deepen understanding of the evolving global order. According to its assessment, while the post-World War II institutions and instruments of international cooperation have evolved and adapted significantly, the current international system is fundamentally out of alignment with shifting power realities. Global problem solving today must take into account much more diffuse power, more widely diverse interests, and an understanding that countries bring different historical experiences to the effort. The foundation hopes that discussions like the current one involving CIGI and CICIR will identify and promote new forms of cooperation that recognize shifting global power and the flexibility to adapt accordingly.

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ABOUT THE CHINA INSTITUTES OF CONTEMPORARY INTERNATIONAL RELATIONS

The China Institutes of Contemporary International Relations (CICIR) is a comprehensive research institution with a focus on international studies. CICIR consists of eleven institutes, two research divisions under the direct supervision of CICIR leaders, eight research centres, and several administrative departments such as the President's Office. CICIR has a staff of some 380 researchers.

CICIR's research work includes world strategic, political, economic and security studies; country and regional studies; and, China's relations with other countries. In CICIR's view there is no country in international relations today that is able to deal with multiple threats or

challenges by itself. CICIR focuses on multilateralism in the belief that multilateralism is the best way to confront these challenges. CICIR is well aware that for China multilateralism is a long-standing policy avocation.

CICIR's focus on global governance targets effectiveness and representativeness. CICIR also anticipates that political and security issues should be included in the field of global governance. Given CICIR's interest in multilateralism and global governance, it was very pleased to partner with the Stanley Foundation and CIGI to focus on global governance leadership.

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