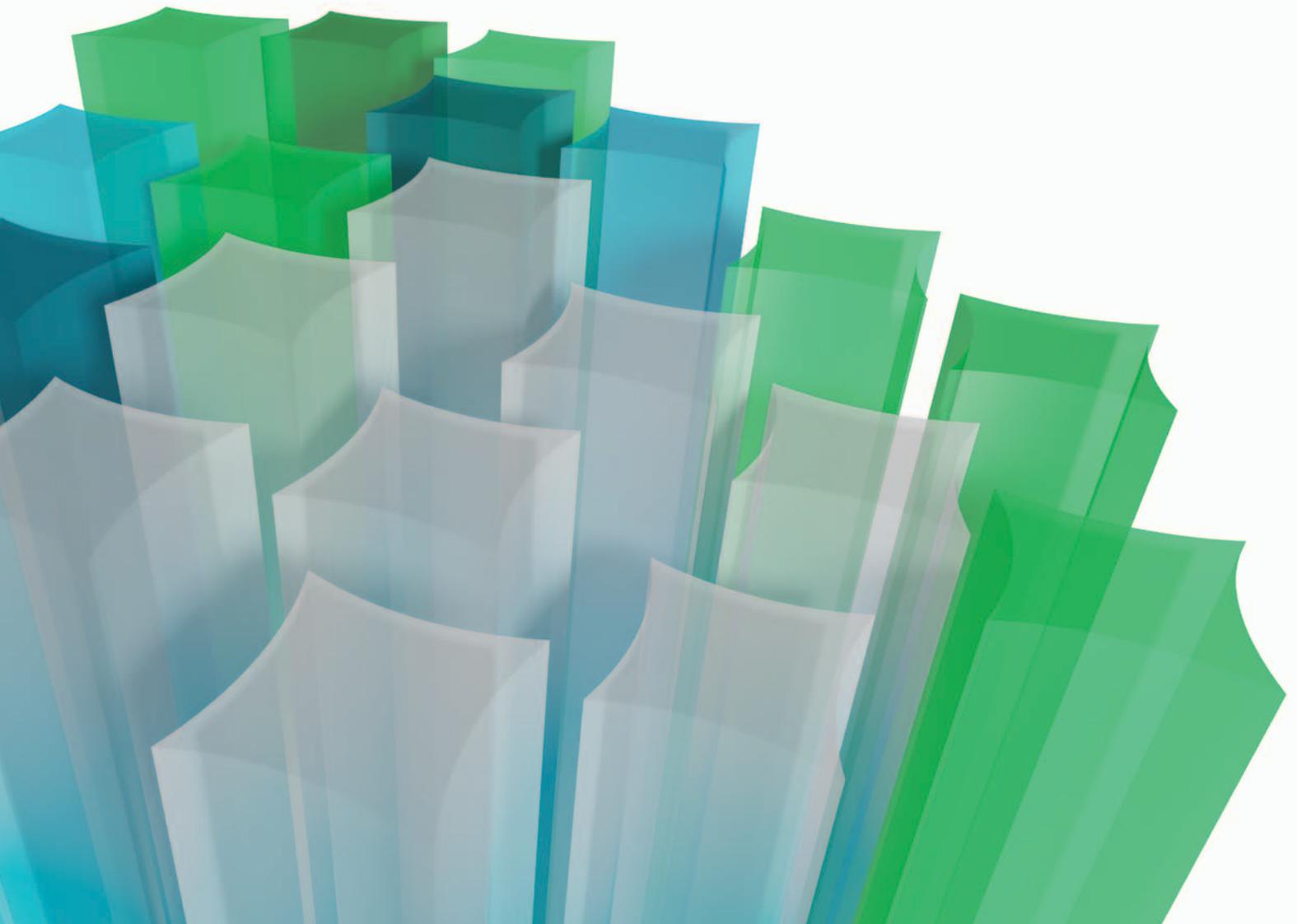




# THE FUTURE OF THE G20 AND ITS PLACE IN GLOBAL GOVERNANCE

CIGI G20 PAPERS | NO. 5, APRIL 2011

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## SUMMARY

This paper\* examines the Group of 20 (the G20)<sup>1</sup> from a perspective of global governance, reviewing the G20's history to date and seeking to answer two sets of questions:

- Is the G20 succeeding, and what does the future likely hold for it? Is it still necessary for the G20 to meet at the leaders' level, or should the enterprise be returned to finance ministers?
- Presuming that it endures at the leaders' level, will the G20 stick to a largely economic and financial agenda, or should it address other pressing issues? Will it complement or conflict with the Group of Eight (G8), the International Monetary Fund (IMF), the United Nations (UN) and other global institutions with economic and security vocations?

These questions cannot be answered confidently at this time and certainly not definitively, but exploring them now is essential to the effective governance of a rapidly changing world.

This paper argues that the group has been effective in stabilizing financial markets, coordinating financial regulatory reform and launching a global economic stimulus. The case is also made that the G20 can do more to achieve balanced, stable and sustainable global growth, and to become a more important and broader-based element of global management. At the same time, the paper argues that the G20 confronts difficult, intractable problems that are only solvable over time, not in the course of one summit or another and the group should not be judged harshly for not readily resolving these complicated issues. Further, the G20 is not going to



CIGI gratefully acknowledges the Government of Ontario's contribution to this project.



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\* For a fuller treatment of this subject, including its implications for Canada, see "Canada's World Can Get a Lot Bigger: The Group of 20, Global Governance and Security" by Paul Heinbecker, to be published by the School of Public Policy, University of Calgary, in May 2011; "The United Nations and the G20: Synergy or Dissonance?" by Paul Heinbecker, in *Global Leadership in Transition: Making the G20 More Effective and Responsive*, edited by Colin I. Bradford and Wonhyuk Lim. Brookings and the Korea Development Institute, forthcoming June 2011; and "The 'New' Multilateralism of the 21st Century" by Paul Heinbecker and Fen Hampson. *Global Governance: A Review of Multilateralism and International Organizations*, forthcoming 2011.

1 The G20 comprises Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Nigeria, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United States and the United Kingdom. Spain is an unofficial member and the Netherlands has attended. The European Union is represented. See the chart *Memberships of International Organizations and Institutions — 2011*, on page 16.

## ABOUT THE AUTHOR

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have the answer to every governance question. It should complement, but not replace, existing international organizations, including the UN and the IMF. The G20 can provide the impetus for the work of these other organizations, assisting them in fulfilling their mandates, while extending its own reach as a key steering group of the network of organizations, institutions, associations and treaties by which states govern relations among themselves. For the G20 to become a durable, legitimate organization, G20 leaders will need to clarify its mandate in relation to those of other institutions.

## INSIGHTS AND CONCLUSIONS

### THE G20, CRISIS RESPONSE AND STEERING COMMITTEE

- The G20 heads of government came into being in 2008 because economic catastrophe loomed, and the existing global governance organizations and institutions were unequal to the tasks at hand. As well, the ground had been prepared politically for institutional innovation.
- Notwithstanding sometimes warranted criticism of the G20, member countries have been effective in moving together to stabilize financial markets, coordinate regulatory reform and launch a global economic stimulus. In doing so, they succeeded in averting grievous harm to the global economy, including the possibility of an economic depression. The group has been largely effective in financial re-engineering to mitigate the financial effects of the crisis, and in maintaining global capital flows. It has put issues on the table that were once regarded as largely being the province of sovereign governments, thereby bringing greater recognition of the “spillover” effects of national policies into the domain of the broader international community.
- More remains to be done particularly with respect to:
  - implementing the Basel III banking reforms, aimed at increasing the resilience at the level of individual banks and reducing the risk of system-wide shocks;
  - ensuring that the Financial Stability Board (FSB) has the authority and resources required to address financial system vulnerabilities by developing and implementing strong regulatory, supervisory and other policies in the interest of financial stability, including reducing the moral hazard inherent in systemically important financial institutions that are too big to be allowed to fail;
  - carrying out and strengthening the Mutual Assessment Process (MAP), the backbone of the “Framework for Strong, Sustainable and Balanced Growth” adopted at the Pittsburgh G20 Summit in 2009, through which G20 countries cooperatively identify objectives for the global economy and ensure their national monetary, exchange rate, fiscal, financial and structural policies meet those objectives; and
  - clarifying the G20’s mandate in relation to the IMF.
- Beyond financial regulation, the G20 has, thus far, struggled in addressing the highly political tasks of resolving the current account, trade and budget imbalances conundrum, the roots of which run deep into the national economic and political philosophies of the world’s largest economic players, and touch their respective concepts of sovereignty, although some progress has been made by G20 finance ministers in establishing criteria by which dangerous imbalances can be identified, measured and assessed.
- The question is, now that the worst has been averted and with the emergence of large differences of perspective, whether G20 countries can continue to provide the leadership the world needs to prevent economic crises and achieve balanced, stable and sustainable global growth in a time of complex financial and economic interdependencies.<sup>2</sup>

<sup>2</sup> For a fuller treatment of the MAP and recommendations on what needs to be done to develop a more robust framework for international economic policy cooperation, see *Preventing Crises and Promoting Economic Growth: A Framework for International Policy Cooperation*, a joint CIGI and Chatham House report by Paola Subacchi and Paul Jenkins, published in April 2011.

- The G20 has some distance to travel if it is to transform itself from a global crisis response brigade into a global steering group. It still lacks consensus on: the causes of the financial crisis and its remedies; the nature of the global interdependencies that bind its members together; and the extent that international policy cooperation is necessary. Major states continue to take unilateral actions without reference to their global impact. G20 leaders need to take into account the spillover effects of their domestic policies on other countries and on the wider world economy.
- To engage leaders' interest and make the most of their time, the G20 needs to impart strategic direction to global relations, rather than sort through details that would be better left to finance ministers and officials. If not, the G20 might die of boredom!
- The G20 has, thus far, stuck tightly to the top priority of economic and financial reform. If the G8 experience is any guide, it will, sooner rather than later, begin to consider political and security issues.
- There could be real benefits if G20 countries were to extend their leadership to a broader agenda, initially to issues that closely connect international economics with foreign policy and international security — in particular, the world's most pressing hybrid issues, such as the economic and financial dimensions of climate change, food and energy security, and support for the political transformation of the Middle East and North Africa, which will have major economic dimensions and impact.
- Given that most major states have too much at stake economically and socially to risk a roll of the military dice against each other, and none has done so since the India-China clash of 1962, perhaps the most effective action G20 countries can take to improve international security is to strengthen their economic relationships by implementing their commitment to strong, sustainable and balanced economic growth.

## THE G20, GLOBAL GOVERNANCE AND SECURITY

- A reciprocal, strong relationship between the nascent G20 and the sexagenarian United Nations would strengthen both institutions. Each organization has a unique contribution to make; neither is sufficient on its own; and cooperation between the two is likely to yield synergies.
  - The G20's exclusive nature promotes efficiency, but limits its effectiveness in rallying wide-scale support for its decisions. Cooperation with complementary international organizations would extend the G20's reach to, and generate cooperation with, the G172, who are not at the top table. The G20 needs to resolve the inclusiveness/exclusiveness conundrum.
  - The G20 faces serious internal challenges deriving from the diverse philosophies, experiences, languages, cultures and interests of its members, as well as from the logistics that encumber the group's effectiveness. However necessary it might be, the cooperation of 20 sovereign and powerful countries is never going to be easy to achieve.
  - The G20 could be a major, albeit not the only, factor in determining whether we are to live in a time of enhanced cooperative governance or in a zero-sum international competition. To overcome the zero-sum mentality, we need a framework for cooperation — one that is sustainable over the long term and flexible enough to adapt to changing circumstances. Such a framework should be built on principles of good governance and should inform the G20 work in dealing with global challenges.
  - To the extent the G20 is successful in promoting an environment of trust in which all members acquire "habits of cooperation," there will be spillover effects into security relations, reducing frictions between members and facilitating problem solving, as was the case between Russia and the rest in the G8. This could be especially beneficial as the economic and political centre of gravity shifts southwards and eastwards, where regional multilateral institutions are still evolving.
  - Logistical imperatives — notably heavy international schedules, near-constant intercontinental travel and redundant agendas — make it likely that the G20 will supplant the G8; however, the latter might survive as a high-level dinner group on the margins of other events.
  - When the G20 concerns itself directly with security, it will likely do so in response to phenomena such as organized crime and terrorism, although the threats posed by the latter are comparatively small (more people died from extreme weather last year alone than from terrorism over the past 40 years). Eventually, major political-security issues, such as arms control and disarmament, could be addressed by the group.
- There will likely not be a G2 (United States and China), or any other ultra-restricted group for the same reasons that the G8 is inadequate: the membership would be too narrow to solve major problems on its own and insufficiently powerful to compel others to cooperate.

## OVERVIEW

It is still early days to draw definitive conclusions about the future of the G20, which has yet to graduate fully from crisis response to agenda setting, and from financial re-engineering to global economic governance. The main task for the G20, the self-appointed premier forum for international economic cooperation, remains the adoption of financial regulatory reforms to prevent a repeat of the worst economic crisis since the Great Depression and to regenerate global economic growth. The impact of the G20 on the management of global financial affairs has been positive and significant, albeit not sufficient.

It is apparent that the G20 could do more regarding the international economy, the financial crisis and the major political and security issues of our times. Enlarging the agenda is difficult for the group, in part because economic recovery is proving slow to arrive in some of the more advanced economies, even if the depression “wolf” has been driven from the door, and in part because the group’s members are not united on either the diagnosis of what is needed to put the global economy on a strong, sustained growth path or on what a broader agenda would entail. The two-speed global economy is widening the gap between the policy interests of slow-growth developed economies and fast-paced emerging ones. Some, including French President Nicolas Sarkozy, the next G20 host, believe that the G20 leaders need to enlarge the group’s agenda. They consider that there would, potentially, be value in the G20 addressing hybrid issues that have economic and other ramifications, such as climate change, energy security and food security. Others would go further to include political and security issues, notably failing states, terrorism, UN reform and the Iranian nuclear program. Still others would keep the focus exclusively on economics.

It remains to be seen how far the common ground among the world’s most powerful leaders will expand, and a shared sense of responsibility for global governance emerge, as they address themselves to the overarching, sometimes zero-sum problems they face. Unlike the members of the more politically and economically homogenous G7/8, economic policy makers from the G20’s emerging economies have less experience with the peer review processes that have facilitated policy coordination among advanced economies. In this smaller forum (that is, smaller than the UN), it is possible that the differences in culture, language, experience, economic philosophies and interests of the G20 will just be more starkly apparent, but no easier to resolve. So far, there has been some disposition in the G20 to merely stake out positions, rather than to enter into cooperative problem solving. Further, the more narrow the financial scope of

the G20’s work, and the more leaders are expected just to endorse technically complex outcomes negotiated by their finance ministers and officials, the less compelling the G20 format will be for the leaders. If the G8 experience is any guide, the G20 leaders will broaden their agenda, or the forum could atrophy from boredom.

There is a risk that, if the expected benefits of small-group dynamics are too slow to materialize and nationalist economic instincts prevail, the G20 will become more a mini UN than a macro G8. If this should happen, both the G20 and the UN will be the poorer. One of the most important global governance questions to be answered is: what should be the nature of the relationship between the nascent G20 and the sexagenarian UN; both are necessary, but neither is sufficient. Cooperation can bring synergies. It is very much in everyone’s interests to work constructively for a more cooperative and productive future for both.

## THE SHORT, LARGELY SUCCESSFUL AND, SO FAR, MOSTLY ECONOMIC, HISTORY OF THE G20

In international relations, as in everything else, necessity is the mother of invention, timing is everything and opportunity comes to prepared minds. The G20 heads of government came into being in 2008 because global economic disaster loomed, preventive action and corrective measures were urgently required, and the existing world governance organizations and institutions were unable to resolve the major financial issues created in the preceding two decades by the highly innovative and equally reckless American and European financial communities and their feckless regulators. The G20 also came into being because the political and intellectual ground had been prepared for institutional innovation by former Canadian Prime Minister Paul Martin, who launched the G20 finance ministers group in response to the Asian financial crisis. When Martin subsequently became prime minister in 2003, he perceived, before many other leaders did, the rapidity with which power realities in the world were changing, and called for upgrading the G20 to the level of leaders. He also commissioned Canadian think tanks, notably The Centre for International Governance Innovation (CIGI) in Waterloo and the Centre for Global Studies at the University of Victoria, in cooperation with The Brookings Institution, Princeton University, Oxford University and others, to research the modalities of such an upgrade. In 2005, Martin wrote that “an effective new [leaders’] group, focused on practical issues of global importance, is something that the world very much needs” (Martin, 2005).

## THE G20 RECORD SO FAR

The G20, as a governance entity, has not only been effective, but has the potential to be more so, although progress on its economic agenda has slowed while it addresses domestically sensitive problems. The group has met five times since its inception in 2008, and has succeeded in pulling the world back from the abyss of another Great Depression, undertaking some of the financial re-engineering needed to prevent a recurrence of the crisis. The G7 finance ministers and the G20 leaders saved — not too strong a word — the international financial system from collapse.

At the Washington G20 meeting in the fall of 2008, heads of governments signalled, like Apollo 13, that they recognized the world had a problem and pledged to work cooperatively to address it. All leaders agreed to take steps to unfreeze credit, “fix” their banks (Canada was exempted), launch financial reforms, avoid protectionism and stimulate their economies. At the next meeting in London in the spring of 2009, leaders produced plans for stabilizing financial markets, coordinating regulatory reform and launching a global economic stimulus program. They agreed to pump large sums — a trillion dollars, using creative accounting — into the international economy through the IMF and other international financial institutions, mainly to benefit the large emerging economies. Leaders effectively reversed the descent into economic depression, modernizing international financial institutions and undertaking to recognize, in structural terms, the growing power and influence of the emerging market countries. They created the FSB (G20, 2009), a potentially major international institutional innovation, to provide better international oversight of the financial system and develop capital and liquidity standards for systemically important financial institutions.

In Pittsburgh in the fall of 2009, as the danger of a depression receded, the leaders shifted their focus to longer-term macroeconomic governance, proclaiming the G20 as the “primary institution for [their] economic cooperation” (G20, 2009), charting the transition from crisis to recovery with the Framework for Strong, Sustainable and Balanced Growth (FSSBG), and commissioning work on what needed to be done to achieve a new “balanced” growth model in the future.

In Toronto the following June, Canada’s game plan was for the G20 to concentrate on meeting past commitments on the core agenda, and to hand off the progress made thus far to Seoul. The Canadian government focused the summit agenda on four critical areas:

Supporting the recovery of the global economy and laying the foundations for the FSSBG;

- Following through on required reforms to the regulation and management of financial sectors;
- Strengthening international financial institutions, particularly the World Bank and the IMF, through reforms to their governance and strengthening their resources; and
- Resisting protectionism and seeking enhanced liberalization of trade and investment (Edwards, 2010).

In Toronto, leaders found themselves having to respond to the suddenly urgent sovereign debt crisis in Europe, triggered by Greece. They sent markets a dual signal: leaders agreed that they needed to rein in unsustainable deficits and public debt in advanced economies, and they recognized that such consolidation had to be balanced against the continuing implementation of fiscal stimulus in some countries and a rebalancing in global demand, with particular emphasis on emerging economies to offset the slower growth in the developed world. Leaders of advanced G20 economies agreed to complete their planned fiscal stimulus programs, but also set targets of a 50 percent deficit reduction by 2013 and a stabilized or improving debt-to-GDP ratio by 2016. The newly emerging economies argued that they didn’t have a deficit and debt problem and would need to continue to spend on development; in any case, those countries that had caused the crisis should get their own houses in order first. The emerging economies were effectively excused from the deal, as were the Japanese, whose fiscal problems were put in the “too difficult” category.

Leaders also made progress in Toronto on the goal of financial sector reform. In particular, leaders agreed on the need to recalibrate upwards requirements regarding the amount and quality of capital held by banks. In addition, leaders agreed on the importance of creating a strong regulatory framework, including the need to establish a more effective system for oversight and intervention. Whether the major powers will heed such advice is an open question.

At the Toronto summit, the G20 was able to deliver on a number of earlier commitments, including ensuring \$350 billion in general capital increases for multilateral development banks, which would allow them to nearly double their lending. The group also endorsed recent reforms at the World Bank, calling for an acceleration of efforts to advance additional quota and governance reforms at the IMF to reflect the changed global reality. On both IMF quotas and “voice,” leaders recognized that

the situation at the IMF, with its Northern and Western — especially European — overrepresentation, remained inequitable, seriously undermining its legitimacy and support for it in the rest of the world. Leaders also renewed their anodyne commitment to avoid protectionism and to conclude the Doha Development Round of trade negotiations (Harper, 2010). Overall, the G20 took forward its “core” agenda, dealt with the sovereign debt crisis and set work in train for consideration at Seoul and after.

Following Toronto, Bank of Canada Governor Mark Carney observed that successful implementation of the G20 financial reform agenda, when combined with the peer review process of the FSB and external reviews by the IMF, should increase actual and perceived systemic stability. At the same time, he warned that while the right promises had been made, implementation was less encouraging (Carney, 2010). It was already evident in June 2010 that the G20 was becoming a victim of its own success, having achieved enough progress to lessen the urgency of further reforms, thereby taking at least some of the drive out of the financial reform effort.

In the lead up to Seoul, the G20 struggled to come to grips with currency valuation and credit-easing policies and their significance for current account and trade imbalances. The United States and others, including Canada, took one side while China and Germany and others took another, with the United States blaming China for currency manipulation to maintain its export-led growth, and China criticizing the United States for unilaterally creating excessive credit through “quantitative easing.” Some countries openly or covertly agreed with the United States or China, or both.

It is a sign of how tendentious discussions among the group had become on monetary policy that the veteran German politician and Finance Minister Wolfgang Schäuble reportedly characterized US policy as “clueless”— not the customary vocabulary used in these august circles. In Schäuble’s judgment, the United States was pumping too much financial liquidity into the market, which would destabilize some countries’ financial systems and risk provoking international defensive responses. South African Finance Minister Pravin Gordhan warned that, “developing countries, including South Africa, would bear the brunt of the US decision to open its flood gates...” which “undermines the spirit of multilateral cooperation that G20 leaders...fought so hard to maintain during the current crisis” (BBC, 2010). Brazil’s finance minister, Guido Mantega, warned that the US move would hurt Brazil and other exporters. China asked for an explanation (BBC, 2010). Policy responses to the imbalances were creating strange, or at least new, bedfellows.

In Seoul, the incipient fissures in solidarity evident in Toronto on the causes of trade and current account imbalances and on currency values, became outright cracks. The group effectively split several ways on this issue, but did manage to establish a 2011 target for agreeing on “indicative guidelines” by which to assess imbalances and to consider what, if anything, to do about them. G20 countries were able to agree on the need for new financial rules to render the international financial system more resilient, reduce the “moral hazard” of major financial institutions relying on governments to bail them out, limit the buildup of systemic risk and support stable economic growth (Lee, 2011). They adopted new capital and liquidity requirements for banks that will, however, only be implemented starting on January 1, 2013, and only fully phased in by January 1, 2019, ostensibly out of concern for constricting lending and thereby aborting the recovery, but likely also due to effective lobbying by Wall Street in Washington. Priority attention was accorded to the regulation of commodity derivatives markets, which have been blamed for commodity price volatility and the food crisis of 2008.

The Seoul summit will likely be remembered for registering the importance of the emerging economies in the G20, both by virtue of its non-G8 locus and by the shift in the content of its agenda. Thanks mainly to Korea’s leadership, “development,” in the sense of economic growth rather than the traditional donor-recipient paradigm, was added to the G20 agenda. Seoul also put the issue of cross-border capital flows on the G20 agenda, advocating the creation of “financial safety nets” to safeguard smaller states from volatile financial flows, and to obviate the need for the self-insurance of large reserves, which contribute to the imbalances problem. At Seoul, G20 leaders endorsed IMF reforms that will give developing countries greater influence in the institution. China will become the third-largest IMF shareholder, bypassing Germany, as part of an overall six percent transfer of voting power to dynamic and underrepresented economies.

Progress in reforming the IMF has been made, but a clear and widely shared view on its appropriate role and functioning remains, nevertheless, elusive. In some respects, the IMF has progressed from acquiescing in G8, especially American, views to acquiescing in G20 views — progress of a sort. The willingness of the major economies to heed the IMF remains sketchy.

## THE FUTURE OF THE G20 AND ITS PLACE IN GLOBAL GOVERNANCE

### THE G20: A WORK IN PROGRESS

Given the currency and liquidity disputes, the general public perception of the results of the Seoul summit was negative, although progress was made on a number of key issues. At Paris in February 2011, finance ministers and central bankers were able to move forward on establishing indicators of the causes of the imbalances. In Washington in April, it was agreed that G20 countries accounting for more than five percent of G20 GDP (on market exchange rates or purchasing power parity exchange rates) will be reviewed, reflecting the greater potential for spillover effects from larger economies. (*Financial Times*, 2011).

The 2008 Washington summit communiqué foresaw “addressing other critical challenges such as fossil fuel subsidies, energy security and climate change, food security, rule of law, and the fight against terrorism, poverty and disease (G20, 2008). The G20 has, nevertheless, stuck close to its self-prescribed economic and financial mandate. Undoubtedly, the G20 will be judged primarily on its success in re-engineering the financial system to preclude, as much as possible, recourse to risky financial practices that can bring the world to the verge of economic disaster, and by its success in creating the conditions for strong, sustainable and balanced growth. The G20 has much to do before achieving the goal of global steering group. It still lacks consensus on the causes of the crisis and its remedies, on the nature of what it is that ties members together, that is, global interdependencies, and on how far the group should go in international policy cooperation. Major states continue to take unilateral actions without reference to their global impact. As argued in a recent CIGI-Chatham House study, “Nations that wish to secure the benefits of an integrated world economy should recognize the implications of interdependencies and linkages in their domestic economic policy and upgrade their domestic policy-making as a result. This means taking into account the spillover effects of domestic policies on other countries and on the wider world economy” (Subacchi and Jenkins, 2011).

But over time, and likely not much time, G20 leaders are likely to complement their financial and economic agenda with deliberations on other issues that require their attention. The experience of the G8 has demonstrated that leaders will take advantage of each other’s presence to discuss the pressing issues of the day, regardless of whether they are on the agenda of the meeting. And most (perhaps not including Mr. Harper, who regards himself as an economist) do not want to delve too deeply into the

technical details of international finance, preferring to leave that task to finance ministers and national bank governors.

President Sarkozy, speaking before an annual gathering of French ambassadors in July 2010, signalled his preference for an expansive agenda:

... now that relative calm has returned, there is a temptation to limit the G20’s ambitions to implementing its decisions, supplementing them in 2011 by expanding regulation where it remains insufficient, verifying the implementation of tax exchange information agreements, adopting strong measures to fight corruption, strengthening the mandate of the FSB and, more broadly, re-examining the prudential framework of banking institutions to avoid a repetition of the recent crisis. Completing the work that is under way is important — the G20’s credibility depends on it. But is it enough? (Sarkozy, 2010).

Sarkozy then answered his own question, asserting that “sticking with this agenda would condemn the G20 to failure and the world to new crises” (Sarkozy, 2010). It would also condemn the world to cope with its major governance problems using organizations and institutions that were created in other times to address, at least in part, other issues.

Several times in the course of 2010 and 2011, French authorities have laid out an array of priorities for the next summit in Cannes, albeit not fully consistent from iteration to iteration. Perhaps the most authoritative statement was that of President Sarkozy, in January 2011, when he identified three overall priorities that France would invite G20 leaders to address, namely:

- Continuing reform of the international monetary system to ensure that the decisions taken at the last five G20 summits are put into practice, in particular, as regards financial regulation, greater stability of the international monetary system, diminishing volatility in currency values, addressing capital flows that destabilize developing economies, as well as indicators to measure global economic imbalances;
- The need to control the volatility of commodity prices, including oil and agricultural products, notably wheat, possibly through a code of conduct on food aid and emergency stocks; and
- Reform of global governance.

On the last priority, President Sarkozy's ambitions apparently stretch from creating a G20 secretariat to promoting innovative financing for development, such as some sort of tax on international financial transfers; giving the International Labour Organization more weight in global governance; setting up a minimum standard of universal social protection; fulfilling financial commitments on climate change (the G20 summit in France will be held just before the 2011 UN climate change conference in Durban, South Africa); and infrastructure projects in Africa. UN reform, particularly UN Security Council reform, which had earlier been an explicit part of the French governance reform package, appears to have been put on the back burner.

How far and whether the other G20 leaders will wish to accompany the French president in pursuing such an ambitious and wide-ranging agenda remains to be seen. Progress will not, in any event, come easily. Conflicting national interests lie behind all of the issues that Sarkozy enumerated, not least of which are currency values and commodity price volatility, climate change and international institutional reform.

### THE G20 AND THE G8: REDUNDANT OR COMPLEMENTARY?<sup>3</sup>

Some, perhaps most, G8 members want to preserve the G8's role as the premier informal forum for social and political cooperation — where their (largely) shared values can work to greater advantage than in the G20. Some, such as President Obama, have expressed doubts. Sarkozy, the host of the next G8 in 2011, seems noncommittal, remarking to a gathering of French ambassadors last summer that while France would prepare the next G8 summit with the requisite care, "...some have said [the G8] is condemned. Others believe it has a rosy future if it refocuses on security issues and its partnership with Africa. The future will decide" (Sarkozy, 2010).

The Canadian government has been one of the principal defenders of the ongoing utility of the G8, with Prime Minister Harper arguing that the G8 and G20 have distinct, but complementary, roles to play. He apparently sees the G20 focusing on finance and economics, while the G8 focuses on democracy, development assistance (at the G8 in Huntsville, Canada, Prime Minister Harper promoted the multi-billion dollar initiative on maternal

and children's health<sup>4</sup>) and peace and security.<sup>5</sup> Not everyone is convinced by the logic of these divisions, especially regarding economics and development, as China, India, Brazil and South Africa are deeply involved economically in the Third World. Non-G8 members of the G20 are skeptical, even wary of the need for the continuing existence of the G8.

Ultimately, the G20 seems destined to supplant the G8. The time demands of summit diplomacy — exceeding a dozen gatherings per year or more for some leaders — as well as the stress and strain on leaders of frequent travel across time zones, and the impatience of leaders with redundancies of forums and issues, favour dispensing with rotating, formal G8 summit conferences. For example, at Huntsville and Toronto, both the G8 and the G20 addressed Haiti's problems, with the G8 discussing Haiti's security needs and the G20 focusing on its economic challenges. Had there been the foresight and will to do so, some moderately agile drafting would have made it possible to address these issues in one session.

It seems very likely that the G8 will not, in future, meet in tandem with the G20, given the non-G8 members' antipathy towards it. The G8 might well continue as a high-level dinner club that meets on the margins of the UN General Debate in New York each fall, which all of its members usually attend. This would keep the group alive, allowing its members to compare notes on issues of interest, and to do so at a vastly lower cost, not a trivial consideration at a time of soaring budget deficits and disgruntled taxpayers.

### THE G20 AND THE UNITED NATIONS

One of the most important governance questions facing the international community is: what should the relationship be between the G20 and the UN? Both are creatures of the wills of their diverse member states, and are, in some respects, complementary instruments for promoting global governance and international cooperation, but

4 The Canadian initiative succeeded in attracting quite substantial funding — pledges equalled \$7.3 billion — but also drew the ire of some of our partners, notably the Americans, for our determination to exclude funding for abortion, a policy posture that had earlier been adopted by the Bush administration, but explicitly rejected by the Obama administration. US Secretary of State Hillary Clinton specifically and publicly criticized this dimension of the Harper government's initiative. The communiqué papered over the cracks.

5 Statement by Prime Minister Stephen Harper, at the 2010 World Economic Forum, Davos, Switzerland, January 28, 2010. See also the article by Prime Minister Harper, in "G20 the Seoul Summit: Shared Growth Beyond the Crisis," the G20 Research Group, Munk Centre for International Studies, University of Toronto, November 2010.

3 For a fuller treatment of the relationship of the G8 and the G20, see "Canada, the G8 and the G20: A Canadian Approach to Shaping Global Governance in a Shifting International Environment," by Gordon S. Smith and Peter Heap, SPP Research Papers, The School of Public Policy, Volume 3, Issue 8, November 2010.

in other respects are potentially competitive. When the G20 enters the international political domain, it has the ability to assist the UN to come to grips with intractable global problems, notably climate change, by importing greater consensus into UN deliberations. The G20 can also impart a reform trajectory to the UN that would be difficult to generate otherwise. The UN, for its part, can extend the G20's effectiveness, "ratifying" G20 decisions and thereby lending greater legitimacy to them. Getting the relationship between the G20 and the UN right, holds the prospect of considerable benefits all round.

## THE ENDURING VALUE OF THE UN<sup>6</sup>

The UN Charter provides the rule book for the conduct of international relations. Almost all states, including G20 states, see it as in their interest to respect the UN Charter and have it respected by other states. If the UN didn't exist, to quote the old cliché, the world would have to invent it — if the world could marshal the political will to do so in the absence of a stimulus as powerful as the Second World War.

An underappreciated reality is that the UN is a kind of "motherboard" of global governance, performing its own core functions, but also enabling other entities — for example, the UN Children's Fund or UNICEF — to work better as well. If the UN, with its universal membership, did not exist, the restrictive G20 would be more controversial and its decisions more fiercely contested — and resented. The North Atlantic Treaty Organization (NATO), for its part, needs the UN to certify the legitimacy of its operations. In Libya, it needed the UN's invitation to impose a no-fly zone and to protect civilians. The same general point is true for its mission in Afghanistan. NATO also needs the UN to complement its military efforts there with civilian development programs. The UN also makes it possible for initiatives such as the Millennium Development Goals (MDGs) to be efficiently subcontracted out.

The reverse is also true. The products of other entities, potentially including the G20, could be imported into the UN for consideration by its larger membership and, where possible, endorsement, as has been the case with the Ottawa Treaty on anti-personnel landmines, the Responsibility to Protect and the Global Fund to Fight AIDS, Tuberculosis and Malaria. From peacekeeping, peace enforcement and peace building to international criminal justice systems, sustainable development, refugee protection, humanitarian coordination and

food relief, democracy and electoral support, human rights conventions, health protection, landmine removal and managerial accountability and oversight, the organization has been innovating and equipping itself to acquit its increasingly demanding responsibilities. As a consequence, the UN has a broader presence in the world than any other organization or country, except the United States, and substantive expertise in dealing with contemporary challenges, such as instability, fragile states and natural disasters.

The results of the UN's efforts are impressive — and vital. In 2009, the UN High Commissioner for Refugees protected 36 million people — more than the population of Canada — including refugees, the stateless, the internally displaced, returnees and asylum seekers (United Nations High Commissioner for Refugees, 2008-2009). In 2009, the World Food Programme, operating in 75 countries, fed almost 102 million people (World Food Programme, 2010). The World Health Organization (WHO), in its earlier years, led the successful program to eradicate smallpox and is now close to eliminating poliomyelitis (polio). As a consequence of the work of the WHO and its private partners, including Rotary International, polio infections have fallen by 99 percent since 1988, and some five million people have been spared paralysis. With the assistance of the WHO and UNICEF, the immunization of children for the six major vaccine-preventable diseases — pertussis, childhood tuberculosis, tetanus, polio, measles and diphtheria — has risen dramatically. For example, about 20 percent of the world's children had been inoculated in 1980 for measles; the figure by the end of 2009 was estimated to be 82 percent<sup>7</sup>; at least 90 percent will be immunized by 2015, the target date of the MDGs. Global vaccination coverage of infants for hepatitis B in 1990 was one percent; in 2009 it had risen to 70 percent.<sup>8</sup> Meanwhile, the WHO has also been coordinating the world's response to Severe Acute Respiratory Syndrome, the avian flu and the H1N1 virus. This work has been described in some unenlightened quarters as mere international social work. It *is* social work, but it delivers very real human and national security benefits, which the G20, among others, is unequipped to deliver.

At the same time, the UN suffers from problems that have been accumulating since 1945. Disagreements, often grounded in genuine differences in interests, persist between the rich northern countries and the Group of 77 (G77), between the permanent five members of the UN

6 For a fuller treatment of the UN, see Paul Heinbecker, *Getting Back in the Game: A Foreign Policy Playbook for Canada*, Key Porter, 2010, from which some of this line of argument is derived.

7 Deaths from measles, a major killer, declined by 74 percent worldwide and by 89 percent in Sub-Saharan Africa between 2000 and 2007.

8 See "Global Immunization Data," based on the latest WHO/UNICEF global estimates for 2009, October 2010.

Security Council and the rest of the members, between climate changers and climate victims, between Israelis and Arabs and Muslims more generally, between India and Pakistan, and between North Korea and South Korea and the United States, among others. These various disputes hinder the UN's effectiveness and, as a consequence, diminish its efficacy.

The G20's effectiveness is immeasurably enhanced by virtue of the fact that it meets at the level of heads of government, who are far removed from the "hothouse" of the UN General Assembly and the antique ideologies, accumulated grievances, diplomatic pathologies and institutional inertias that can impede progress there. G20 members can bind themselves individually and collectively, if they can reach agreement among themselves; however, they cannot bind others. They need to work through more universal bodies, including, ultimately, the UN, to persuade non-G20 member countries to join in.

Although the UN works best when consensus reigns among the major powers, the latter are often at loggerheads in the organization. It is not always clear whether it is the intractability of the problems handled by the UN that causes divisions, or the UN's divisions that make the problems intractable. In any case, the countries of the North and the countries of the overlapping Non-Aligned Movement and G77 are often at ideological odds with each other, working to cross purposes.

Unlike the G8, the G20 has the built-in advantage of spanning the infamous North-South divide, having members in the UN's disparate political groups and in all five geographic regions. The G20 could make a major contribution to improving the effectiveness of the UN if it could iron out some of the differences that divide its members, and then import that agreement into UN deliberations.

To the extent that G20 membership induces a sense of common purpose among its 20 members and diminishes members' identification with regional, geographic or other groups, cooperation under UN auspices would, therefore, be made easier and more productive. As demonstrated with the case of the IMF, G20 consensus on a particular issue could be a powerful stimulus to action and reform at the UN. Conversely, the very existence of the G20 and its evident capacity to act outside of UN parameters if non-G20 UN members are dilatory or obstructive, create an incentive for action and cooperation in the UN. Those UN members who cling to ideological positions could find themselves, and the organization they are obstructing, bypassed altogether.

Not surprisingly, much of the UN's membership is apprehensive of the G20. They recognize that the G20 came into existence because a myriad of political and structural problems prevented existing institutions, principally the G8 and the IMF, but also the UN proper, from addressing the global financial crisis effectively. They realize that similar impediments are obstructing progress on other global issues that are more directly under the UN's purview and that the G20 is capable of circumventing the UN when disagreements there prevent effective action.

At the same time, the G172 — the UN members not part of the G20 — are troubled by the G20's structural shortcomings. Despite the presence of some developing countries at the G20 table, no place is reserved for the poorest countries and no country is carrying their proxies. Also problematic is the absence of capable smaller UN countries such as Norway, Switzerland, Chile, Singapore and New Zealand from the G20 table, effectively depriving G20 deliberations of these countries' generally constructive and frequently innovative diplomacy. Norwegian Foreign Minister Jonas Gahr Store, who presides over one of the most widely respected and effective small-country diplomacies in the world, said bluntly in the lead-up to the Toronto and Muskoka summits last year, that "the spirit of the Congress of Vienna, where great powers assembled to effectively govern the world, has no place in the contemporary international community. The G20 is sorely lacking in legitimacy and must change." While acknowledging that "there is value in having an effective, smaller forum of nations, equipped to act quickly when necessary," he warned that "if the G20 cooperation should effectively result in decisions being imposed on the great majority of other countries, it will quickly find itself stymied" (Store, 2010).

Singapore's permanent representative to the UN, Vanu Gopala Menon, speaking on behalf of the Global Governance Group, an informal group of moderate countries who joined forces in the hope of developing a constructive dialogue on coordination and cooperation between G20 and non-G20 members, made much the same point:

We firmly believe that the G20 process should enhance and not undermine the UN. All countries, big and small, will be affected by how the G20 deals with the issues it takes under its charge. Given the complexities and interdependencies of the global economy, it is important for the G20 to be consultative, inclusive and transparent in its deliberations for its outcome to be effectively implemented on a global scale (Menon, 2010).

It is in the interest of the G20 countries to work out an effective relationship with the G172, because the more the latter are excluded, the less confidence they will have in the fundamental fairness and efficacy of the multilateral system, and the less interest they will have in responding to the requests of the G20. Global problems require global solutions and, as Bruce Jones of New York University and The Brookings Institution pointed out in a recent paper for the Stanley Foundation, “however much influence the G20 have, the problems they confront are the kind where the weakest link can break the chain” (Jones, 2010). Unless smaller states see their views reflected in decision-making processes, or judge that their interests have been duly and fairly taken into account, they are unlikely to “buy into” the solution of whatever is at issue. This kind of unresponsiveness can have repercussions in the attitudes of the G172 towards illegal migration, transnational crime and the drug trade, international terrorism and piracy, evasion by unscrupulous industries of climate change regulations, the prevention of the spread of pandemic infectious diseases, and collaboration on financial regulation, notably regarding tax havens and banking reforms.

The G20 needs to reach out to non-G20 members, to ensure it is inclusive while remaining efficient. There are several steps the G20 can take, none of which will be fully satisfactory to those who are absent from the group, but all of which are likely to be better than doing nothing. As a first step, the chair of the 20 in a given year will need to consult others beyond his or her G20 counterparts on the G20 agenda, seeking substantive, rather than pro forma, input. This could be done through consultation with, for example, the African Union (AU), the Association of Southeast Asian Nations (ASEAN), the Shanghai Cooperation Organization, the Gulf Cooperation Council and the Organization of American States.

Another idea is to adopt an informal constituency approach, so that G20 leaders, or at least some of them, carry de facto proxies of those countries that are not present. Canada and the United Kingdom could, for example, “represent” the Commonwealth. Canada and France could do the same for the Francophonie, while Mexico and Brazil could carry briefs for Latin America. This would imply commitments to effective consultation with members of the constituency before G20 meetings, and timely debriefings and cooperation afterwards. A variation on this proposal would be for G20 finance ministers to form a council to make strategic decisions on the international monetary system, effectively replacing the IMF International Monetary and Financial Committee, with each G20 country representing a constituency of smaller countries, mirroring the IMF’s system of constituencies (Hollinger, 2011). At the same

time, if the G20 was to work effectively with the UN, there would be less need for outreach to non-members and for G20 members to represent constituencies, informal or otherwise.

In order to ensure a voice for the G172 at the G20 table, especially for the poorest nations, the UN Secretary-General could attend the G20 as a matter of right. Similarly, the head of the IMF and the World Bank could attend when economic issues were on the agenda. While the Secretary-General works for the G20 as well as the G172, it is in the latter capacity that he can give voice to the absent. The AU and any other transcendent political unions could, like the European Union, attend as a matter of convention. Further, the UN, the IMF and the World Bank could be encouraged to contribute their perspectives and ideas at G20 preparatory ministerial meetings and working groups.

## THE G20 AND REFORM OF THE UN SECURITY COUNCIL

The UN Security Council is the world’s top security table. It is empowered under Chapters VI and VII of the UN Charter to authorize the use of force, the only international body that has the legal right to do so. Signatories of the North Atlantic Treaty pay due deference to the UN Charter and undertake under its Article I “to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.” Under Article V of the Treaty, they pledge to come to each other’s defence, “in exercise of the right of individual or collective self-defence recognized by Article 51 of the Charter of the United Nations.” The Security Council is also equipped by Chapter VII of the UN Charter with the power to “legislate” for all member countries, for example, its post-9/11 decision to deny terrorists access to the world’s financial system, a power that the self-appointed G8 and G20 do not (and should not) have.

The Security Council’s writ covers peace and security, fairly broadly defined. Major international political and security issues continue to be brought to the UN for deliberation and a decision, where possible, and for surveillance and management where solutions are not possible. For example, the United States successfully sought UN Security Council authorization in 2001 to use military force in Afghanistan in response to the 9/11 attacks, and in 2011 to protect the civilian population of Libya from the predation of Muammar Gaddafi, but was denied authorization by the Council in 2003 to use military force to topple Saddam Hussein’s regime in Baghdad. The Israeli-Lebanese war of 2006 was brought to the Council for a diplomatic conclusion. Further, the international sanctions in response to the alleged Iranian

nuclear weapons program are currently coordinated in the Council. There are literally dozens of less high-profile issues on the Council's docket. There is no prospect that the G20, operating at the leaders' level, or even at the foreign ministers' level, will supplant the UN Security Council. The five permanent members of the Security Council are unlikely in the extreme to acquiesce in any sort of formal encroachment by the G20 onto their turf, which would undermine their own privileged positions there. The Council is too valuable to them, and taking on its burdens would be too time consuming and impractical for leaders.

There is, however, a strong argument for the G20 members to invest greater effort in improving how the Security Council works. G20 leaders could, for example, debate certain issues among themselves and import whatever consensus they can reach into the Council via their permanent representatives, as the G8 did to end the Kosovo war in 1999. G20 members could also participate more actively in Council-sanctioned, UN-led military missions. Participation by G20 countries would upgrade the UN's capacity to act effectively. G20 leaders could also periodically inject high-level political energy into issues of surpassing importance, as President Obama did in 2009 when chairing a Security Council session devoted to arms control and disarmament.

One area of reform of the UN Security Council in which the G20 could make a major contribution is the number and composition of permanent seats. For a generation, UN member states have tried in vain to revamp Council membership. Several emerging market countries — who are members of the G20 — feel entitled to permanent Security Council seats by virtue of their significant, and growing, standing in international relations (although the performance of Germany, Brazil and India with regard to Libya did nothing to burnish their credentials). Further, neither Africa nor Latin America has a permanent seat on the Security Council, whereas Europe has two permanent seats — three if Russia is included. For the aspirant countries, a UN Security Council that is not reflective of contemporary power realities is unrepresentative and illegitimate. Worse, in their eyes, it is ineffective and their suggested solution is to enlarge the Council to include themselves as permanent members.

Others do not equate increasing the number of permanent members with reform, and regard the whole idea of permanency with distrust. Some opponents of an increase of permanent seats cite the cases of Darfur, Rwanda and Srebrenica to argue that the Security Council has a performance deficit more than a representational deficit. They contend that more members do not necessarily increase the Council's effectiveness, and that permanency

is, in any case, incompatible with accountability. Further, opponents of adding permanent seats, including Canada, favour democratic, electoral practices over autarchic, anachronistic privilege.

Resolving this issue of permanent seats is important because the role of the UN Security Council is important. The G20 might well be able to assist the UN Security Council reform process in the coming months and years, as all of the main protagonists are members of the G20 and, in some respects, the G20 is the economic equivalent of the Security Council. Experienced leaders who work in an environment where compromise and politics, as the art of the possible, are everyday realities should be able to find practical political accommodations.

There is a potentially useful overlap between the G20 and the Security Council in the next couple of years. Ten G20 members (six G8 members) will be on the Council in 2011, as will five of the leading six aspirants for permanent Security Council membership. While the overlap might lessen the perceived need for the G20 to address political issues, it also presents an opportunity that might not come soon again to solve this chronic UN reform problem. Whether the G20 wishes to seize this opportunity remains to be seen.

## THE G20 AND THE UN: NEITHER IS SUFFICIENT, BOTH ARE NECESSARY

The UN remains a necessary, but not sufficient, response to globalization, as does the G20. The inescapable conclusion is that there is room and a need for both — effective global governance depends, to a large extent, on the success of both the G20 and the UN.

The UN embodies universality and the G20 efficacy. Together, they can produce synergies, with the G20 strengthening the UN by reducing the gaps among the major powers on contentious issues, making decision making in the world body easier and more effective, with the UN returning the favour by extending the G20's effectiveness vis-à-vis the G172, a group that the G20 cannot direct, but whose cooperation it needs. The UN, for its part, must be sensibly responsive and strategically savvy, resisting the blandishments of its ideological "spoilers" who make UN processes so difficult. The G20, on the other hand, needs to take the initiative to develop an effective modus operandi with non-members to resolve legitimate issues of inclusion and exclusion, and find a way to give voice in its deliberations to both the less-powerful, poorer countries and the small, but very competent, richer ones.

## THE G20: STOCK-TAKING AND THE FUTURE

On the eve of the Seoul summit, former Prime Minister Paul Martin, the godfather of the G20, said it was “critical that it complete the cycle from global crisis-responder to global steering committee, for that is what is required if globalization is to work.”<sup>9</sup> That transition is only partly complete. The G20 has done comparatively well in pursuing financial re-engineering, but has done less well in addressing the highly political tasks of resolving the current account, trade and budget imbalances conundrum, the causes of which lie deep in the economic philosophies and internal practices of the world’s largest economic players. Nor has the G20 made much progress on issues of a more indirect economic character, and still less on security issues. More fundamentally, the G20 has yet to develop a consensus on the nature of what ties them together — global interdependencies.

The G20 has shown it can generate policy coordination when its members manifest the requisite political will to drive reform on major global challenges. The G20 is the best solution so far to the legitimacy/efficiency trade-off, combining inclusiveness and broad representation, albeit not universality, with capacity and effectiveness (Carin, Heinbecker, Smith and Thakur, 2010). But the G20 is not a panacea.

While consensus is easier to generate in smaller bodies and conferences than larger ones, such as the UN or climate change conferences, it is not yet clear how much easier, in practice, it is to do so in the G20. National interests are not determined by the forum in which they are addressed, and ways of thinking and acting that have been established over generations are not modified easily. Further, for the heretofore hegemonic United States, G20 partnership needs to mean not just hearing others before making decisions and taking action, but rather developing shared assessments and engaging cooperatively — rusty skills in Beltway-bound Washington.

For some others, notably China and India, if the G20 is to prosper, their conceptions of their interests need to expand to more fully include the well-being and effectiveness of the institution itself, which has to be more than the sum of disparate interests if it is to work. Further, it is not clear that India, China and Brazil, among others, view the G20 as a more cordial venue in which to pursue

their interests than the UN, whose legitimacy, solidarity and universality they value. In addition, some are wary of the risk, inherent in small group negotiations, of being “jammed” into making deals, as China apparently felt was the case in the backroom bargaining at the climate change negotiations in Copenhagen. For the G20 to prosper and achieve its potential, all 20 governments will have to reconcile self-interest with the common interest, and privilege cooperation over autarchy, multilateralism (or at least plurilateralism) over unilateralism, the effective over the merely efficient and the legal over the expedient. All of this is easier said than done, especially in the absence of the unifying power of major common threats.

There are practical problems as well. First, the G20 agendas are too technical for many leaders to handle, even supported by the informal Sherpa process. It is unrealistic to expect a group of leaders, most of whom are not technically expert, and all of whom are lacking the luxury of time, to resolve complex multi-dimensional problems in brief, informal meetings. The more technical the issues — notably as regards the intricacies of international finance — the less comfortable some leaders are in discussing them extemporaneously, the more they turn to talking points setting out their positions, which only serves to further formalize the proceedings, shifting the emphasis from the search for compromise to defending interests, which renders the leaders’ experience to something akin to a political root canal. If the G20 is to progress, it will need to leave economic and technical details to finance ministers and bank governors, and deal instead with the politics of international relations where only they have the authority to cut the deals needed to advance global governance.

Second, for some countries, the idea of leaders meeting with foreign counterparts and reaching agreement on major issues without the advice of ministers and officials — perhaps even agreements contrary to their advice — is very unfamiliar. A professional secretariat (or “non-secretariat”), building on formal G20 ministerial processes, might help leaders to cope better with difficult issues.

Third, the disparate cultures, values, governance and economic philosophies, the dissimilar domestic political structures and imperatives, and the unequal levels of economic and social development of G20 members make finding common ground difficult. Internal communications and logistic challenges among the G20 make that task even more difficult.

Fourth, English is not quite a lingua franca for the G8, but it is even less so for the G20. About half of the G20’s participants have to rely on translation, making cacophony

9 Statement made at The Brookings Institution-Korean Development Institute conference “Toward the Consolidation of G20 Summits: From Crisis Committee to Global Steering Committee,” held September 27–29, 2010 in Seoul, Korea.

a risk (even the UN uses only five official languages), and diminishing the spontaneity of exchanges. The more translation is required during the course of discussions, the more stilted the conversation and the less spontaneous the process becomes.

Fifth, logistically, the G20 suffers from disadvantages of size, at least compared to the G8, and operates less intimately. Meeting rooms are bigger than at G8 sessions, and are thus less conducive to generating familiarity among the participants. To obtain the maximum benefit from the meetings of the G20, the number of people at the table needs to be tightly restricted. The leaders need proximity and intimacy to really understand each other's perspectives — especially their disparate political interests and limitations — and to engage each other. Distance across large tables destroys spontaneity in favour of formality and disengagement. Consequently, only 20 government leaders should have dedicated seats at the G20 table. One or two additional rotating seats, as in the UN Security Council, could be allocated to non-government leaders to use when invited by the host chair to speak. Or, there could be inner and outer circles, with national leaders seated at the inner ring and institutional leaders at the outer.

On the other hand, if the experience of the G8 is any guide, frequent contact will lead to better understandings of the political constraints within which other leaders must operate. As participants come to know each other better and to the extent that the common ground between them expands, misunderstandings, miscalculations and unrealistic expectations are likely to diminish, and more practicable and cooperative ideas to emerge. An effective G20, in which members meet frequently and work cooperatively, can instill a greater sense of community among countries accustomed to seeing each other in competitive terms.

The evidence, so far, is that the G8, though broadly like-minded, is unlikely to constitute a formal caucus within the G20, although the European Union will informally do so. While the migration of economic and political power to Asia is generating a growing Asian voice in the G20, the competitive nature of the various bilateral relationships within the region makes the emergence of an Asian caucus unlikely. The same is true for other regions.

For one institution to encompass 20 of the world's most significant and capable states with disparate interests, does increase the probability of temporary, issue-based alliances forming within the group, as problems and opportunities come to the fore and then retreat. Such a pro tem alliance was evident when Prime Minister Harper made common cause with China, India and others to

resist pressure from G8 friends such as Britain, Germany and France, to impose a bank tax at the G20 meeting in Toronto (Clark, 2010). Former British Prime Minister Lord Henry Palmerston's insight, that nations have no permanent friends, just permanent interests, seems likely to come back into vogue in the G20.

Another likely development is cross-regional cooperation among the G20 countries that are not superpowers, but have, nonetheless, compelling strategic interests in a peaceful and prosperous world, and the capacity to intervene, for example, the effort by Turkey and Brazil to mediate the international dispute over the alleged Iranian nuclear weapons program. Whether within the G20 or outside of it, there is ample scope for new partnerships to develop in the realms of security, development, global governance and international institutional innovation. There is also room, indeed a need, for cooperation between G20 members and capable G172 members.

## LESSONS LEARNED, SO FAR

Several lessons can reasonably confidently be drawn from the G20 experience thus far. First, in order to address major crises effectively, it is imperative to bring all key stakeholders into the discussion. Second, the broadening of the circle of participants sets in motion a process of power sharing and pluralistic decision making, whose full import is probably not even now adequately assimilated around the world, even by its members. Third, the interest of the participants in the forum wanes as the crisis triggering its creation retreats. The pace of progress has slowed perceptibly with each successive meeting as the recession has eased. The instinct to cooperate in a crisis, what Prime Minister Harper has variously called "the fellowship of the lifeboat" and "enlightened sovereignty," yields to national interests and nationalist habits as the lifeboat reaches less turbulent waters. Last, and perhaps the most important at this stage, is that expectations need to be kept realistic. The demands on the G20 for immediate, concrete results have been enormous and, to some extent, understandable, considering the financial stakes. But the demands are unsatisfiable; the issues are difficult and progress is going to be neither easy nor fast. G20 leaders would be wise not to issue promises in order to create the impression that they are doing something, and they should not establish markers simply for the sake of appearing accountable.

G20 members should not shrink from making it clear to the media and the public that it is difficult to achieve reform. If leaders allow themselves to be pressured into presenting a happy, unified message of cooperation just

to get through a media-intensive event, they risk either misrepresenting the views of some, or settling for the lowest common denominator in their negotiations; either outcome undermines the credibility of the process and increases the pressure for more artificial results. As Alan Beattie of the *Financial Times* has argued, G20 communications need to reflect the increasing detail of the debate and its lengthening time horizon (Beattie, 2010).

Finally, it is a mistake to judge the efficacy of the group on the basis of one communiqué or another at a summit. The issues that the G20 is wrestling with are complex. A true appreciation of the progress that the G20 is either making or not making in resolving issues requires a longer view. Understanding the problems, reaching agreements on them, fulfilling them, assessing the results and recalibrating approaches will take time. Further, the process of having 20 of the most powerful leaders in the world meet regularly to examine each others' arguments and reassess their own, is itself important. It is through such interaction and cooperation that leaders grow intellectually and progress from the gritty imperatives of domestic politics to the higher plains of global statesmanship. In any case, it is better for leaders to be talking than fighting; to paraphrase former British Prime Minister Sir Winston Churchill: jaw, jaw is better than war, war.

The larger story of the G20, including its much criticized performance at Seoul, is not that the G20 is failing to resolve intractable issues, but that the issues are intractable and the G20 is trying to solve them. In any case, there is no other forum that offers better prospects for reaching agreement on critical global governance issues.

## MEMBERSHIPS OF INTERNATIONAL ORGANIZATIONS AND INSTITUTIONS — 2011

Country	IMF/EB	G20	G8	G5	UNSC
Argentina					
Australia					
Belgium					
Brazil					
Bosnia					
Canada					
China					
Colombia					
Denmark					
Egypt					
European Union					
France					
Gabon					
Germany					
India					
Indonesia					
Iran					
Italy					
Japan					
Lebanon					
Lesotho					
Mexico					
Netherlands					
Nigeria					
Portugal					
Russia					
Saudi Arabia					
South Africa					
South Korea					
Spain		*			
Switzerland					
Thailand					
Togo					
Turkey					
United Kingdom					
United States					

\* De facto Member

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The Centre for International Governance Innovation is an independent, non-partisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate 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's current research programs focus on four themes: the global economy; the environment and energy; development; and global security.

CIGI was founded in 2001 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.

Le CIGI a été fondé en 2001 par Jim Balsillie, co-chef de la direction de RIM (Research In Motion). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario.

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