

# The G20: A Work in Progress for Global Governance?

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## **Speaking Notes** (*Check Against Delivery*)

The G20 leaders' format appears to be an ascendant form of summitry.

Acting as an economic crisis committee, the G20 has served an important symbolic function, sending a clear message that leaders of an extended group of states across the North-South divide recognize the gravity of the fallout from the financial shocks.

It also provides significant instrumental value with its extended plan of action in a host of technical areas.

Viewed through this positive lens, it is easy to suggest that the G20 summit constitutes a mechanism ready to seize the moment, turning a structural dilemma into institutional innovation and creative initiatives.

The initial November 2008 meeting in Washington, the momentum built through the second gathering in London in early-April 2009, and the announcement of a third session in Pittsburgh in late-September 2009, have sent a sharp message that world leaders prefer hanging together through collective efforts than hanging separately through instinctive but short-sighted unilateral efforts.

With its solid association via the G20 finance machinery and the International Monetary Fund – another institution that has revitalized itself in a time of crisis – the G20 boasts not only technical capabilities, it is favourably positioned as a building bloc towards wider technical reform.

Yet, for all of these early positive attributes, the G20 remains a valuable process but not yet finished product in building consensus towards a reformed - never mind transformational - system of global governance.

To appreciate where the G20 stands as a project, some backward looking analysis is needed. What was the “G20 at the leaders’ level” supposed to do in conceptual terms? And, how has practice borne this conceptual map out (or not)?

Equally there is the need to look forward to see not only the opportunity but the constraints before the G20 can emerge as the summit of summits.

Looking backwards, it had been my assertion – along with that of my colleagues at CIGI – that a leaders’ G20 would only come about through a major structural crisis that reverberated through the entire global system.

Many issues that could have provoked such a meeting earlier were deflected into other forums, whether the meeting of 40 health ministers during the Avian Flu outbreak or the Major Economies Forum’s activity on the climate debates.

However, it was the financial tsunami of 2008 that finally triggered a G20 leaders’ meeting, just as it was the Asian crisis of 1997-98 that triggered the original finance ministers’ machinery.

The G20 serves as a site of a new concert of powers, including not just the major powers from the last century but the major emerging economies that will shape this century.

When it comes to decision-making, leaders are different from ministers. As witnessed at both the original meeting in Washington DC and the second G20 summit in London, the range of stylistic and functional differences stretches far and wide.

While UK Prime Minister Gordon Brown played host on April 2<sup>nd</sup>, the undisputed star of the London summit was US President Barack Obama. His first extended trip abroad brought massive excitement to the meeting, as the media, sherpas and other leaders tried to make good first impressions.

At the same time, the leaders of the big emerging powers overshadowed their counterparts from the global South in starkly contrasting ways.

Brazil’s Luiz Inacio Lula da Silva exhibited an extraordinary rich if sometimes controversial form of moral leadership. India’s Manmohan Singh provided a store of technical acumen. And everybody else watched what China’s Hu Jintao and his large team of advisors would say (or hint at saying) about key policy issues, whether on the dollar, stimulus, or the means of regulation.

Looking forward, however, the G20 as it stands now is premised on the assumption that the focus will stay completely on the financial crisis.

As already recognized, most of these remedies are highly technical, whether dealing with a college of supervisors, Basel, IOSCO on securities, etc.

Will this agenda continue to contain the right ingredients necessary to get all G20 leaders to attend? Will there emerge a sense of G20 fatigue in the aftermath of the hyperactive London summit? Can the momentum carry the process through the Pittsburgh meeting?

Nor is the G20 summit free from critique, particularly of its representational claims or its performance quality.

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

The G20 also privileges Saudi Arabia as a wealthy Arab country, as opposed to others with greater claims of representation, most notably Egypt.

And the issue of European over-representation continues to be sensitive. French President Sarkozy may be lauded for his diplomatic skills in adding Spanish and Dutch appearances at the Washington meeting – along with the presence of the four European G8 members and the EU Commission President.

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

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

The clearest sign of this reluctance to allow even procedural equality is the determination so far by the US and the UK to hold onto the hosting function – where the third summit will not be held in South Korea or other viable southern G20 countries, rather in the eastern United States.

Secondly, the ascendancy of the G20 has brought into question the future of the G8 as the established hub of global policy making and governance.

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

Yet, there are serious reservations about any form of dramatic membership expansion.

To its credit, Italy has shown some considerable agility – as host of the 2009 G8 summit – in minimising the deficiencies and maximizing the comparative advantages of this summit process vis-à-vis the G20.

In terms of representation, Italy has emphasised the presence of the big emerging states, namely China, India, Brazil, South Africa and Mexico, the self-described 'G5'.

This group was formally convened at the 2007 Heiligendamm summit with a two year mandate to build an extended dialogue on a number of key issue areas.

If low key, this process – facilitated by the OECD – has been vital in going beyond the image of ‘outreach.’

The entire second day of the 2009 Italy G8 will be given over to a meeting between the core membership and the G5. Significantly, in another break from the G20 formula, Egypt has been added to this mix.

The third day will be devoted to extending the discussions both on a substantive and inclusiveness basis. Members of the Major Economies Forum group of 16 – invited to the 2008 Japan G8 – will once again be convened for talks on the pre-Copenhagen climate change agenda.

The African Union President is also invited. This form of participation gets around some of the problem related to selecting African representation beyond South Africa (and now Egypt). It also signals that Africa will not be forgotten by the G8 amidst the financial crisis.

As the nature of their relationship plays out, some element of tension between the G20 and the G8 is inevitable.

If the core components of the G8’s traditional economic mandate are carved out to the G20, does this weaken the G8? Or, does this create a better division of labour where the G8 can concentrate on other important areas?

The Italian summit suggests the latter by its focus not only on development but on select security issues (including Afghanistan).

Or alternatively, if fatigue does set in on the G20, will the G8 be able to grab back the economic agenda as an on-going summit process that can deal with the extended financial shock waves?

The final point I would like to make is whether or not the G20 has acted as a catalyst for change beyond its immediate mandate.

The surprises came in the blend of old and new winners in this institutional evolution.

The International Monetary Fund, which appeared to be nearing obsolescence pre-crisis, has rebounded robustly. Others came out or the shadows, most notably the Financial Stability Board which expanded both in membership and in functions.

Of the big emerging powers, China stood out to the point where it rivals the US as the ‘indispensable power’.

It is only China that has a sufficient amount of material capability to shape G20 outcomes through major financial resource contributions. Indeed many observers have come away from London talking not only about the weight of the G20 but of a new informal “G2” – a new condominium between the US and China.

Yet will these changes lead to further reforms in the international system?

As reference to the IMF and the Financial Stability Board reveal some changes are a foot – but at least so far the G20 has not been proved to be a catalyst for big bang reform

Indeed there are some observers who view the G20 as a status quo not a reformist institution – precisely because it has not triggered new momentum towards UN reform.

Although there is a self serving component in any specific idea for extended piece of reform (from those with the reward of enhanced status) it does not reduce the importance of the catalytic issue.

The ancillary question is whether any reform initiatives – including those pertaining to the G20 – will simply reinforce traditional forms of club diplomacy. Talk of a G2 – a new, distilled concert of nations – simply reinforces this point.

Any notion of the G20 as part of networked diplomacy by contrast must be sharply nuanced, as it so-far has been a characteristically top-down form of network, not bottom up.

This image may help the technical efficiency but will reduce the legitimacy. Certainly the Anglo-American centrism expressed in both hosting functions and agenda development has run the risk of alienating leaders of the global South.

As the G8 has struggled with its double crisis of legitimacy and efficiency, the G20 cannot its inherent strengths for granted. Its enormous advantage of globally representative membership and opportunities for consensus should be deepened by broader agenda input.

Questions persist on which forum – the G20 or a reformed G8 – will provide the comprehensive vision for 21<sup>st</sup> century policy-making and global governance. However, what remains certain is that neither can claim this role without a re-balancing of authority through active engagement of, and equal status for, the major powers of the global South.

Thank you.