



Stuck in Transition: Conflicting Ambitions For the G-20's Future

By Alan S. Alexandroff

When the global financial crisis erupted in 2008, a curious thing happened. The world turned to the Group of 20 nations, not the elite Group of 8, to call for collective action to avert another Great Depression. Since then, the G-20 has been hailed as the new forum for global leadership.

But, as global governance specialist Alan S. Alexandroff argues, there are many obstacles to overcome before the G-20 can exercise that new leadership role.

THIS NOVEMBER'S SUMMIT of the Group of 20 nations in Seoul will be the first to be hosted by a country from outside the elite circle of the Group of 8. In the past, G-20 summits have been hosted by one of the traditional powers from either Europe or North America. So this is a singular event for South Korea, and it will give President Lee Myung-bak and his government a chance to bask in the spotlight as global governance leaders. Certainly South Korean officials and the wider cognoscenti in the country are treating it with the utmost importance, particularly as a reflection of the G-20's emerging role as "the premier forum for international economic co-operation," as the self-congratulatory communiqué from the 2009 Pittsburgh G-20 summit described the body.

The chairman of the preparatory committee for the Seoul summit, SaKong II, a close economic advisor to Lee Myung-bak, announced recently that the gathering would be held under the slogan, "shared growth beyond crisis," a clear reference to the presumed future of the G-20. He said in a July announcement that the Seoul summit would tackle the G-20's effort to build a framework for "strong, sustainable and balanced growth." Other Korean officials have made it clear that they hope the summit will tackle economic development and take steps to build a global financial safety net.

Beyond agendas and slogans, the South Korean government is expending considerable energy to ensure that the meeting is a success — something that could further cement South Korea's emergence as a global leader. That possibility, however, could be cast into doubt by events and circum-

stances elsewhere. Indeed, there are threats to the long-term effectiveness — and possibly even the survivability — of this new G-20 model. As a result, the G-20 is currently stuck somewhere between being a crisis committee responding to the recent financial meltdown and a more permanent steering committee for the global economy that could replace the role long played by the G-8.

The notion that the G-20 could be the forum for the next phase of world leadership emerged largely in response to the viral impact of the financial crisis. In an effort to deal with a structural emergency that posed the most serious threat to the global economy since the Great Depression of the 1930s, leaders of the G-20 held a series of summits. US President George W. Bush first convened the leaders in Washington in November 2008; this was followed by another meeting in April 2009 in London hosted by British Prime Minister Gordon Brown, then a third in Pittsburgh in September 2009 held by US President Barack Obama. The collective resolve of the G-20 leaders to adopt immediate stimulus measures in their respective countries appeared to reassure the markets and stabilize the global economy. As my colleagues Andrew Cooper and Colin Bradford at the Centre for International Governance Innovation wrote: “The G-20 leaders’ forum has proven effective at coordinating a global response to economic uncertainty. Its collective action in 2008-2009, the worst economic downturn since the Great Depression, has helped to mitigate the size of the international crisis.” (Cooper and Bradford, 2010: 2)

TENSION IN THE GLOBAL GOVERNANCE ARCHITECTURE

The meeting of the G-8 in Muskoka, Canada just prior to the latest G-20 summit in Toronto in June appeared at first to link the enlarged leaders club to the traditional elite in an important way. But starting with the announcement of the G-20’s

permanent status at the Pittsburgh summit, the Canadian government sought to revitalize and legitimize the continued existence of the G-8, a reflection of a longstanding division within the older body over global governance. Should it be led by the traditional advanced economies that had exercised leadership since 1975? Or should global leadership be expanded to include the big emerging market economies — China, India, Brazil and others, including at least South Africa and Mexico? Those favoring the continuing dominance of the G-8 included Japan, Italy and Canada. And it was these three countries that held the G-8 presidency in the lead-up to the G-20’s emergence.

Just as the G-20 was being hailed as the new global leadership forum, Canadian Prime Minister Stephen Harper seemed to undermine that view by expressing his preference for the G-8. In an article in the *Financial Post* newspaper on September 25, 2009, he said “the G-8 will not disappear.” He continued to hammer away at the point in public, including in a well-publicized speech in Davos in January 2010. In a speech to G-8 foreign ministers in Quebec in March 2010, he said: “Of course, the G-8 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 G-20 table risks being undone if the world’s pressing security and development concerns are not addressed with equal vigor.”

Though the G-8 final communiqué at the Muskoka summit focused on development and peace and security issues, the discussions among the leaders evidently turned to the state of their national economies. In light of the continuing financial crisis in Europe — especially in Greece — there was concern about the need to reassure markets with pledges to achieve meaningful fiscal restraint, despite the fact that Canadian officials prior to the summit had emphasized the

need to follow through on earlier economic stimulus packages. In the end, the G-8 leaders thrashed out deficit and debt reduction targets, which appeared prominently in the G-20 declaration. As a result, the most visible economic targets negotiated at the Toronto G-20 summit were not the result of collective G-20 leadership, but rather G-8 leadership.

This Canadian tilt toward the G-8 represents a lost opportunity for Canada (Alexandroff et al., 2010). As the host of the G-20 summit, Canada could have publicly enlarged the agenda to include climate change and other issues beyond the narrow economic focus pushed by the G-8. Ironically, critics of the G-8 have frequently argued that the traditional “club of the rich” has been long on promises, but short on implementation. Now that same criticism has been raised about the enlarged G-20 as it undergoes an arduous transition to a more permanent global governance forum. In Toronto, the Canadian leadership stuck to a strict problem-solving approach targeted at prior global financial commitments (Cooper, 2010). There was no public effort to enlarge the G-20 agenda. Instead, a time-consuming schedule given over to various bodies tasked with reporting on global financial standards or policies effectively meant the leaders at Toronto would make few material decisions. As a result, many experts and commentators questioned the progress and effectiveness of the G-20.

SITTING ON THE FENCE: OBAMA OPTS FOR AD HOC SUMMITRY

In June 2009, President Obama joined other leaders in L’Aquila, Italy, for his first G-8 meeting. Multiple, overlapping international meetings represented the “variable geometry” that the Italians favored — with widening circles of meetings of leaders on various subjects — but the format was not to Obama’s liking. It was reported

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in *The Wall Street Journal* at the time that the US president was annoyed and urged his officials to revise the summit system, believing that it “had to be streamlined.”

US officials worked quietly but effectively, and in the days before the Pittsburgh summit reports emerged that G-20 leaders had agreed to make this enlarged leadership group the permanent council for international economic co-operation. Moreover, officials at the time let it be known that while the G-8 would continue to meet on issues of continuing mutual interest, “those meetings will come as world leaders converge for other events, not in major summits,” *The Wall Street Journal* reported on September 25, 2009. *New York Times* reporter Edmund Andrews wrote just before the summit that the G-8 would become “more like a dinner club that defers to the broader group ...”

But the views of the US administration have apparently undergone significant change since the Pittsburgh summit. Through the winter and spring of 2010, US officials emphasized that the G-8 would remain a relevant body — as opposed to hinting that the G-20 had become the leading multilateral institution — and increasingly it appeared that the US was banking on both bodies to achieve its global governance goals. Officials in the US and elsewhere — especially within the G-20 — began to suggest that more time was needed before the G-20 could solidify its status as the premier global governance club.

Now it seems that the Obama administration is again rethinking its views on the global governance architecture. Administration officials, includ-

ing the president, were not pleased with the results of the Toronto meetings. Obama and his advisors appeared to be particularly annoyed that the G-20 leaders, and the host, Canada, largely brushed aside the president's letter urging member countries to stay the course on economic stimulus measures to ensure a strong global recovery. Instead, the most explicit directive contained in the summit declaration, as noted earlier, regarded the need to reduce both deficits and debt — precisely the opposite of economic stimulus measures.

As a result of the failure to gain a consensus on stimulus within the G-20, Washington has apparently warmed to a more ad hoc approach to global governance. This suggests that the US still finds it difficult give up its hegemonic leadership role in favor of a new and less hierarchical approach to global governance. So, without fully abandoning the traditional G-8 or fully committing to the G-20, the US administration appears to be grasping at yet another different architecture of global governance.

CHINA'S 'PART-TIME' LEADERSHIP

Before the Canadian summits, I described China as a “part-time global leader.” By this, I meant that China remained principally focused on its domestic development, and it remained reluctant to assume enhanced global responsibilities. In his remarks at the Toronto summit, President Hu Jintao described China's priorities in some detail: “We are soberly aware of the difficulties and challenges that China faces, including a large population, a weak economic foundation, lack of balance in the development between urban and rural areas and among different regions, and serious environmental and resource constraint ... These adjustments and transformations will not only contribute to the comprehensive, balanced and sustainable growth of the Chinese economy, but also benefit the world economy.”

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Hu exhorted the G-20 leadership to honor commitments made at previous summits, including measures that would achieve a framework for strong, sustainable and balanced growth; reform of the international financial order, including adjustment of the share quotas in international financial institutions and rejection of protectionism and support for an open and free global trading regime. He also discussed the bilateral steps that China had taken during the financial crisis to assist developing countries in a variety of ways. But there was nothing in his remarks that advanced any Chinese proposals for the G-20 leaders. There was nothing that placed China at the forefront of this collective leadership enterprise.

There have been high expectations that large emerging market countries such as China, India and Brazil — but China in particular — would take a more prominent role in the G-20. But there has been little evidence of this. Instead, as noted above, the traditional advanced economies of the G-8 have dominated the G-20, even to the point of having hosted all of the crisis summits. Although the Toronto summit was technically co-hosted by Canada and South Korea, Korean officials directed their energies to the upcoming Seoul summit, leaving Canada to preside over the two summits in Canada.

THE GLOBAL GOVERNANCE 'JUMBLE'

South Korean officials have put a lot of effort into shaping the agenda for the Seoul summit and organizing various events to enhance its overall impact. The government even established a



Presidential Committee for the G-20 Summit. The prestigious committee is a central coordinating mechanism made up of ministry officials and senior secretaries to the president. Besides facilitating critical internal coordination, the committee is also working with relevant international organizations and experts in and outside Korea to develop the summit agenda.

The Seoul agenda is very clear. First, South Korean officials, like their Canadian predecessors, called on G-20 leaders to follow through on their prior summit commitments. These include ensuring the success of the global recovery, achieving fiscal consolidation and strong, sustainable and balanced growth; building a stronger international financial regulatory system; and strengthening international financial institutions to avoid collapse in a future financial crisis.

South Korea also added issues that resonate with the country's own experiences in the global economy. It formally placed on the G-20 agenda the issue of development, where Koreans can draw on their own example. South Korea's transformation from a struggling developing country into one of the world's leading economies in a matter of several decades gives it unique knowledge that can help bridge the divide between developed and developing countries. The South Koreans hope to formalize the sharing of this knowledge to help promote economic growth in developing countries. These measures are being prepared by the Working Group on Development (co-chaired by South Korea and South Africa), which was created at the Toronto G-20 summit.

Finally, South Korea hopes to advance plans for a global financial safety net — national, regional and international — that will counter capital-flow volatility and financial fragility to prevent the spread of future financial crises. The G-20 finance ministers have been asked to report policy options to strengthen the global economy and

hold capital volatility in check. South Korean officials are hoping such policy options will provide an alternative to the continuing trend in many countries of building large foreign reserves as a hedge against volatility.

All these initiatives, however, may not be enough to ensure the success of the Seoul summit or the G-20 generally. The waning of the global financial crisis could undermine collective action as countries become distracted by their own economic circumstances. The US may remain ambivalent about any changes to the global leadership architecture, while China may continue to exercise only part-time global leadership. The G-20 summit, therefore, may remain stuck in transition with its ultimate future unclear.

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