

The G20 as an improvised crisis committee and/or a contested 'steering committee' for the world

ANDREW F. COOPER

As a direct consequence of the 'Great Recession' of 2008–2009 and the continuing financial instability left in its wake, the G20 has moved into the putative position of premier forum for global economic governance. The immediate impact of the G20 as a 'crisis breaker' has been palpable. From the initial leaders' summit in Washington DC (November 2008) to the second in London (April 2009) and the third in Pittsburgh (September 2009), the G20 served as an effective catalyst for generating both big domestic stimulus packages and promises of new resources for the International Monetary Fund (IMF), the World Bank and other multilateral development banks. Between the first two G20 summits nations raised their commitment to spending up to a combined 1.8 per cent of GDP.¹ London added the largest pledge in history, over \$1 trillion. The collective desire to prevent a repeat of the crisis also produced additional reforms in the international institutional architecture, most notably through the move to a reconfigured Financial Stability Board (FSB).

Beyond its immediate role as the primary locus for concerted initiatives on the crisis, the G20 attracts attention as a new form of reordering in global governance. This view gives priority to the G20's ability to act as a new form of 'steering committee' with a membership reaching beyond the countries at the helm of the post-1945 settlement and those incorporated in the 1970s (through the creation of the G5 and then the G7) and the post-Cold War era (the G8). To the old establishment—previously restricted to North America, Western Europe and Japan—key emerging powers are added.

The innovative quality of the G20, therefore, rests on two very distinct strands of activity and tests of accomplishment. The first test of the G20 is as the proverbial 'recession-buster', now and in the immediate future. A vital focus of this effort will continue to be on keeping the momentum of the stimulus packages up and then winding them down through a coordinated exit strategy. But, as detailed in the contributions to this special issue by Helleiner, Persaud and Baker, another related test lies in getting the reconfigured regulatory regime right. For, though

¹ Steve LeVine and Theo Francis, 'Obama team lays groundwork for G20 success', *Business Week*, 28 March 2009, http://www.businessweek.com/blogs/money_politics/archives/2009/03/obama_team_lays.html, accessed 11 Feb. 2010.

the crisis was exposed after severe market failure, it was brought on by successive policy and regulatory failures.

Proving its credentials as a crisis committee, however, is not the only test before the G20. Well before the economic shocks of September–October 2008, a deeper structural crisis was inherent in the existing international political system. Credibility in the pattern of global governance has waned, in terms of both who sets the rules of the game and why these rules are in place.² The gap between rule-makers and rule-takers—as well as the cohesion between those perceived to have benefited or lost out through this transformation—has widened. In terms of legitimacy, there was an appreciable decline in the perception of the system as fair—and in the willingness to work by its deep organizing principles.³

Accentuating these difficulties, instrumental defects in the system became more visible. The capacity to get things done—not in procedural terms but in fulfilling goals—in the international system has been eroded.⁴ The array of institutions commonly thought to be a prerequisite for the emergence of an advanced mode of global governance proved to be part of the problem, not the solution. Not only was the G7/8 deemed the club of the rich; it came to be viewed increasingly as an ineffective steering committee, a talking shop rather than a vital site for policy delivery.

The G20 as both a contested and a necessary vehicle for change

To highlight the G20's value is not to overlook its contested nature. The G20 has several built-in defects of its own. As Anthony Payne notes in his article in this issue, the G20 is as much a self-selected forum as the G7/8. There is an explicit bias towards big members at the expense of other countries in the global system. Moreover, the G20 has the embedded characteristics of what Michael Zurn terms 'executive multilateralism'.⁵ On the one hand, the G20 can be reproached for being a classical expression of elite or top-down multilateralism (or, more precisely, plurilateralism); it is, after all, 'reforming from the top'.⁶ On the other hand, the composition of the G20 around the old and new 'big's' is faulted for its exclusionary principle and practices. It represents not a new form of expanded inclusion so much as an embedded form of institutional exclusion, with distinctive privileges of membership.

Searching for perfection in terms of international institutions, however, is the enemy of finding the good. At a time of crisis the G20 was able to make a seamless

² Anthony Payne, 'The G8 in a changing global economic order', *International Affairs* 84: 3, May 2008, pp. 519–33.

³ John G. Ruggie, 'Multilateralism: the anatomy of an institution', *International Organization* 46: 3, Summer 1992, p. 567.

⁴ Robert Keohane and Joseph S. Nye, Jr, 'Introduction', in Joseph S. Nye, Jr and John D. Donahue, eds, *Governance in a globalizing world* (Washington DC: Brookings Institution, 2000), pp. 1–40.

⁵ Michael Zurn, 'Introduction: law and compliance at different levels', in Michael Zurn and Christian Joerges, eds, *Law and governance in postnational Europe: compliance beyond the nation-state* (Cambridge: Cambridge University Press, 2005), p. 37.

⁶ John English, Ramesh Thakur and Andrew F. Cooper, eds, *Reforming from the top: a leaders' 20 summit* (Tokyo: United Nations University Press, 2005).

transition from a forum of finance ministers (established in the aftermath of the last major wave of financial shocks during the Asian crisis of the late 1990s) to a summit of leaders. Its wider composition—inclusive of China, India and Brazil as well as other significant countries from the global South—was deemed superior to the composition of the G7/8 for systemic problem-solving.

In terms of conceptual frameworks, the G20's approach and degree of success are defined through either liberal internationalist or realist perspectives. Through a liberal internationalist lens, the focus is on the ability of the international system to adapt, with particular emphasis on how the old establishment needs to re-create the post-1945/1975/1990 orders by 'bringing in' China and other emerging powers such as India and Brazil.⁷

Seen through a realist lens, the G20 has other instrumental benefits, namely the formation of a new and updated concentration of power.⁸ One of the most intriguing elements of the G20 is how this rationale is contested at the intellectual level as well as within the membership of the old (G7/8) establishment. The core issue is whether size and power should be the tickets to a place at the global high table, or whether a sense of like-mindedness is also necessary. This is not, it must be recognized, a completely novel debate. Assessments of the original Vienna settlement of 1814–15 diverge in their emphasis on how much priority should be given respectively to power politics (the division of spoils through a distribution of the territory Napoleon had conquered) and like-mindedness (a conservative bias with a fear of revolutionary regimes). What is different about the dynamics of the G20 is the degree of the divergence in comparative historical experiences (including the scars of colonialism), regime types and conceptualization of global order.

If the G7/8 embodies the geographical power of the older trilateral world, a key positive feature of the G20 is its cross-regional reach. While it may be too bold to see this initiative as an enterprise that operates (and allows discussion) as a cosmopolitan channel across 'civilizational' divides prevalent in global politics,⁹ the G20 does have both symbolic and instrumental advantages in its 'bridging' function between the established North and the 'rising' powerhouses of the global South. Notwithstanding its elite design, with connotations of 'self-aggrandizement' by a new concert of the powerful,¹⁰ the G20 breaks out of the grip of the G8 and the status quo,¹¹ and points towards a structure that mirrors the global and regional realities of the twenty-first century.

⁷ See G. John Ikenberry, 'The rise of China and the future of the West: can the liberal system survive?', *Foreign Affairs* 87: 1, Jan.–Feb. 2008, pp. 23–37; G. John Ikenberry, 'Liberal internationalism 3.0: America and the dilemmas of liberal world order', *Perspectives on Politics* 7: 1, March 2009, pp. 71–87.

⁸ Arthur A. Stein, *Why nations cooperate: circumstance and choice in international relations* (Ithaca, NY: Cornell University Press, 1990).

⁹ For the maximalist project, see David Held, 'From executive to cosmopolitan multilateralism', in David Held and Mathias Koenig-Archibugi, *Taming globalization: frontiers of governance* (Malden, MA: Blackwell, 2003), pp. 160–86. On the need for a mechanism to promote a 'common ground' between civilizations, see Robert W. Cox, 'Civilizations: encounters and transformations', in Robert W. Cox with Michael G. Schechter, *The political economy of a plural world: critical reflections on power, morals and civilization* (London: Routledge, 2002), pp. 139–56.

¹⁰ Anders Åslund, 'The Group of 20 must be stopped', *Financial Times*, 26 Nov. 2009.

¹¹ Klaus Schwab, 'Disband G8 order: WEF chief', Business Standard Corporate Bureau in New Delhi, 7 Feb. 2004.

The premier standing of the G20 at the moment of crisis in practical policy terms meshed with the need for a fundamental redistribution of the shares and stakes in global political and diplomatic power. The core of the G20's attraction—and also the raising of the stakes for its institutional performance—came with the recognition that the two tests (as crisis committee and hub of economic global governance) were inevitably connected. As John Lipsky, the deputy managing director of the International Monetary Fund, put it at the time of the Pittsburgh summit: 'This movement to the G20 and away from the G7 is recognizing economic realities. You can't talk about the global economy without having the major dynamic emerging economies at the table.'¹² By setting expectations high across a wide range of situational and structural objectives, the G20 sets a very difficult task for itself in retaining its image of success. Yet, conversely, it is because of these contours of aspiration that a comprehensive and ongoing analysis of the project is required. The G20 is very much a work in progress, not only in its technical dimensions (the focus of other articles in this special issue) but in terms of its impact on the architecture of the global order.

The privileging of process and delivery

Unlike traditional 'we' or like-minded groups—bound together, shared 'collective images'¹³—the logic of the G20 is bound up not so much with norms as with process and delivery. At one level it stresses the need for diplomatic and procedural skill in terms of the G20's dynamics. Particularly salient here is the hybrid quality of the project. In many ways the G20 is a stereotypical state-centric project, at odds with the impression that global diplomacy has opened up to a plurality of actors. As in classic forms of new 'settlements' from the past, the public image of the G20 is that of leaders sitting at a table alongside their counterparts from other big countries, with their advisers behind them. This image also chimes with the view that the financial crisis has brought about the return of the state.¹⁴ Yet, although in its core composition the G20 is a concentrated club of states, central to its role both as crisis committee and as steering committee are some features of the networked approach, apparent in its links to not only the international financial institutions (IFIs), including the FSB, but other layers of technical experts in both the public and the private domains.

The intensity of the G20's style presents a mixed picture as well. The technical orientation of the G20 necessitates a painstaking and detailed approach, with participation through a number of working groups that require impressive expertise and stamina. Certainly this side of the G20 is important, both in its own work and through 'outsourcing' to the IMF and the FSB. At the same time, though, the G20 dynamic contains striking new elements, with state officials no longer

¹² Quoted in 'Global crisis battle a success says G20', *Gulf Daily News*, 26 Sept. 2009.

¹³ Robert W. Cox, ed., *The new realism: perspectives on multilateralism and world order* (London, and Tokyo: Macmillan and United Nations University Press, 1997).

¹⁴ Roger C. Altman, 'Globalization in retreat', *Foreign Affairs* 88: 4, July–Aug. 2009, pp. 2–9.

trapped into traditional scripts. Indeed, one of the most striking things about the G20 process is the degree of improvisation taking place. To be sure, these techniques sometimes go hand in hand with quiet (or closed) diplomacy. But this is not to detract from the levels of hyperactivity characteristic of the G20. In contrast to past eras of financial/economic crisis, the speed at which things have happened through this project is remarkable.

Diplomacy in turn cannot be divorced from global governance.¹⁵ Intertwining the G20 in this way with a larger shift in the rules of the game puts considerable weight on a function of rebalancing between North and South. No less than on the diplomatic dynamic, this theme points away from structure to agency. Does the coordination achieved on the stimulus packages spill over to cooperation on other global problems? What degree of buy-in is there not only from the 'rising' states but from the traditional supporters of the G7/8?

In this sense, debates on diplomacy and governance turn to explications of who won and who lost in the G20 dynamics. Postwar settlements make this definition clear. States gain territory or lose territory; states win access to the negotiation table (and/or negotiated institutions such as the UN Security Council, whose five permanent members hold veto powers). Diverging from this script, the G20 differs in that it was formed as a response to an immediate economic crisis rather than in the aftermath of war. Yet the exclusionary practices used to create its membership entail the creation of winners and losers.

At first glance it is this familiar element that is dominant. A leaders' G20 implies the presence of 20 members around the table, as in the G20 of finance ministers/central bankers. A closer look, however, reveals that this model is eroded if not completely broken. Rather than being strictly limited to 20, the seats at the table have increased to over 30. Moreover, the status of many actors around the table is highly ambiguous, both at the state level (Spain moving into a position of 'permanent guest') and with respect to the presence (or absence) of international organizations.

It is necessary, then, to think of winners and losers in more nuanced terms in the G20 project. In keeping with a focus on process, it is the major actors across the North–South constellation that attract the bulk of attention. In the North this brings the debate back to the contradictory role of the US. At first glance, the opening of the 'concert' to the big countries of the global South would indicate that the US is the biggest loser. After all, the US was the prime underwriter or even the hegemon of the older order. The 'made in the US' characterization of the economic crisis—via the subprime mortgage meltdown and the collapse of Lehman Brothers—reinforces this declinist representation.

This view, though, is blurred by the degree of American diplomatic leadership involved in the G20 process. As will be elaborated on below, even as a 'lame duck' President, George W. Bush acted as an effective convener of the G20. Furthermore, amid all his domestic preoccupations, President Barack Obama orchestrated

¹⁵ Andrew F. Cooper, Brian Hocking and William Maley, eds, *Global governance and diplomacy: worlds apart?* (Basingstoke: Palgrave Macmillan, 2008).

the major moves on the consolidated design of the G20 prior to the Pittsburgh summit.

Conversely, China appeared to be the big winner of the G20 ascendancy, which even lent credence to the notion that China was part of a new informal G2 inside the G20 project.¹⁶ Yet, as in the case of the US, any simplistic conclusion must be tempered. Viewed within the realist framework, Beijing's moves inside the 'concert' have accentuated the image of China as a demandeur inside the system, either by itself or in combination with India and Brazil.¹⁷ As detailed by Paola Subacchi in this issue, these moves have included demands on reforming the IFIs, on alternatives to the US dollar as the chief global reserve currency and on trade negotiations (the topic of the article by Amrita Narlikar).

Contradicting the representation of China as a demandeur is the alternative image of China in a reactive position, responding to demands by other countries in the G20. Having been brought deeper into the system, in keeping with liberal internationalist tenets, China faces enhanced obligations as a system insider. From the perspective of the G20 as a crisis committee, this pressure comes in areas such as regulatory adherence. Alternatively, from the perspective of the G20 as a steering committee, the focus is on China's willingness to negotiate in an expanded set of areas such as climate change in the post-Copenhagen context, with special reference not only to emissions targets but also to the financing of adaptation and mitigation.

The number of countries involved in the G20 is highly salient to the question of winners and losers. The Vienna settlement of 1814–15 was mainly negotiated by Great Britain, Austria, Prussia and Russia, although 'lesser' powers also played some part. The Paris peace conference of 1919 played to a similar formula, with a big three or four (according to whether Italy is included with the US, Great Britain and France). Yalta and Potsdam in 1945 were owned completely by a big three: the US, Great Britain and the Soviet Union. If it is true that the other major meetings were open to a wider cast, the decision to institutionalize the permanent five members in the Security Council revealed the power equation.

From this point of view, the G20 is quite different. The sense of equality among the core members allows for some distribution of convening/hosting functions. Significantly, within the G20 there is a second tier of states that can be considered 'rising' as well. One of the key elements of the Obama administration's strategic vision before the Pittsburgh summit was to be seen as rewarding regional allies. In geopolitical terms this meant including countries such as South Korea, Indonesia, Australia, Turkey and Saudi Arabia in the forum, instead of leaving them out in the G14 constellation proposed by President Nicolas Sarkozy of France. Functionally, it allowed a composition that included a 'major economies' grouping, vital to President Obama's original approach to tackling the climate change agenda.

¹⁶ Gu Jing, John Humphrey and Dirk Messner, 'Global governance and developing countries: the implications of the rise of China', *World Development* 36: 2, February 2008, pp. 274–92; Robert Zoellick and Justin Yifu Lin, 'Recovery rides on the "G-2"', *Washington Post*, 6 March 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/03/05/AR2009030502887.html>, accessed 2 Nov. 2009.

¹⁷ Gregory T. Chin addresses this theme in his contribution to this issue.

Improvised crisis diplomacy

What stands out about the 'crisis committee' accent put on the G20 process is the speed of the project. Certainly it is the improvised nature of the G20 that distinguishes it from other forms of collective action during earlier moments of crisis. The London World Monetary and Economic Conference in the midst of the Great Depression did not take place until June 1933, long after the start of the Great Crash on Wall Street in October 1929. Likewise, the Cancún International Meeting on Cooperation and Development (or the first North–South summit) took over a year to get off the ground, from early consultations in May 1980 to the actual summit in October 1981.

Specific expressions of leadership are crucial in galvanizing concerted effort. A good deal of this ability to provide leadership depends on specific forms of capabilities and assets. But it also depends on the willingness to lead. In the 1930s, to paraphrase Charles Kindleberger's famous words, the United Kingdom couldn't lead and the United States wouldn't.¹⁸ The UK could convene the London conference in the summer of 1933; however, it could not induce other countries—most notably the US—to make it a priority. On the contrary, as some writings from the Council on Foreign Relations aptly remind us, the US was quite content to undermine the conference.¹⁹ The decision by Franklin Delano Roosevelt, the newly inaugurated US President, to 'torpedo' the summit sent an explicit message about his lack of support for this type of forum.

There are of course limits to how closely the historical comparisons between London in 1933 and Washington in 2008 can be drawn. Structurally, the G20 finance forum (along with the G8 summit process and outreach sessions with the new G5 of China, India, Brazil, South Africa and Mexico) had established a system in which ministers and officials were used to meeting with each other on a regular basis.²⁰ Although there is a history of leaders' advisers playing a major role at international conferences, the institutionalization of the 'sherpa' (leader's personal representative) was established only in the 1970s.

The other big difference is the embedded nature of the international institutional architecture facilitating the G20 process. One of the unanticipated results of the G20 upgrade is the revival of the IMF.²¹ In the week before the G20 leaders' summit, Bush, along with Hank Paulson, sat down with IMF delegates at their annual meeting.²² Not only did the IMF dramatically move back into lending

¹⁸ Charles P. Kindleberger, *The world in depression, 1929–1939* (Berkeley: University of California Press, 1986).

¹⁹ See Walter Russell Mead, 'A warning that stimulus could undermine US foreign policy: an interview by Bernard Gwertzman', Council on Foreign Relations, 3 Feb. 2009, http://www.cfr.org/publication/18445/warning_that_stimulus_plan_could_undermine_us_foreign_policy.html, accessed 1 March 2010; Amity Shales, 'G-20: ghosts of conferences past', *Forbes*, 23 March 2009, <http://www.cfr.org/publication/18915/>, accessed 1 March 2010.

²⁰ Andrew F. Cooper and Agata Antkiewicz, eds, *Emerging powers in global governance: lessons from the Heiligendamm process* (Waterloo, Ont.: Wilfrid Laurier University Press, 2008).

²¹ For a more detailed analysis of IMF reforms in the context of the G20 and rising states, see Paolo Guerrieri's contribution to this issue.

²² Henry M. Paulson, Jr., *On the brink: inside the race to stop the collapse of the global financial system* (New York: Business Plus, 2010), pp. 334–35.

activity, it was also deemed the most appropriate body to establish an early warning system for crises, with the argument that the Fund would do a better job than private sector analysts and forecasters (including ratings agencies), which have severe conflicts of interest.

Nonetheless, the basic point that needs to be made is that when the crisis came in 2008, the established institutionalized format was deemed to be inadequate by the US and by other pivotal countries. This sense of inadequacy is captured by the remarks of Guido Mantega, finance minister of Brazil and chairman of the G20, in October 2008. Rather than suggesting that the G20 finance forum, which Brazil was to host in the coming weeks, served as the best vehicle for dealing with the financial crisis, Mantega called for a new form of improvisation:

there is no agile structure prepared to deal with emergency economic problems. That is what we have seen at this time ... We have to turn this G-20 into a forum or a tool of some kind that can provide answers to immediate problems and coordinate its actions better amongst many countries. We are facing the most serious financial crisis perhaps since the crisis of 1929, and as this crisis is getting more serious it demands quick answers, immediate answers. It must be monitored day by day, hour by hour, so that the necessary measures can be taken to handle the problems that arise. So, there must be very agile instruments available for that to happen.²³

It was this sort of improvised action, albeit with greater output in declaratory statements as opposed to tangible operational activity, that the Bush administration produced in November 2008. In contrast to the US stance in 1933, America's hosting such a meeting indicated that international cooperation was not to be completely subordinated to national self-help. In this 'near death' scenario, localized response mechanisms were not going to be enough to stop the haemorrhaging set off by the combination of market and policy failures.

President Obama's subsequent endorsement consolidated the project. This sense of continuity amid all the attention to 'change' is made apparent by the extended utilization of improvised techniques. This style, to be sure, was muted at the London G20 where Obama was content to let Gordon Brown make most of the substantive running as host for the event. Still, Obama's constructive contribution on specific issues, most notably his behind-the-scenes mediation work on the sensitive issue of whether or not Macao should be included on a list of 'tax havens', should not be overlooked. After some one-to-one meetings, Obama was able to get the parties to agree to use the word 'note' rather than 'recognize' with respect to the list of tax havens drawn up by the OECD and endorsed by the G20.²⁴

The high-water mark for Obama's improvised style, though, came in the run-up to the Pittsburgh summit in September 2009. By that time, the intensity of

²³ Guido Mantega, transcript of a press briefing by Guido Mantega, finance minister of Brazil and chairman of the G-20, Washington DC, 11 Oct. 2008, <http://www.imf.org/external/np/tr/2008/tr081011.htm>, accessed 11 Feb. 2010.

²⁴ Patrick Wintour, Nicholas Watt and Julian Borger, 'G20 summit: late night hotel peace talks that rescued deal', *Guardian*, 3 April 2009, <http://www.guardian.co.uk/world/2009/apr/03/g20-sarkozy-obama-hotel-talks>, accessed 2 March 2010.

the G20 process since it began in November 2008 was leading to a sense of summit fatigue—and yet there was no end in sight to summitry *à la carte*. South Korea was pushing for another summit in quick succession, and France was contemplating a G14 instead of a G20. What the Obama team—led by Michael Froman as G20 sherpa and deputy national security adviser for international economic affairs—did, therefore, was to push for a rationalization of the process.²⁵ Another G20 meeting was paired up with the regular G8 summit to be held in Canada in the summer of 2010. South Korea was pushed back in terms of its hosting ambitions, but received ample compensation by being appointed co-host with Canada of the summer G20, with a stand-alone event promised in November 2010.

Competing interpretations of global governance

While its perceived value as a crisis committee brought the G20 into being, ideational pressure for the establishment of a new 'steering committee' for global governance had been mounting.²⁶ The former Prime Minister of Canada, Paul Martin, vigorously championed the idea of shifting the G20 finance forum into a leaders' summit or 'L20'.²⁷ Others in the think-tank/policy world contemplated a new steering committee but provided various means of achieving it, stretching across the spectrum from a G2, G3 or G4 to a F16 or G192. What was fixed, nonetheless, was a growing consensus that the momentum had moved inexorably from the G8 to the G20 as the hub of global economic governance. In Barry Eichengreen's words:

No one who is serious about coordinating a global monetary and fiscal response to the deepest recession since World War II thinks that this is something that the G7 can engineer. Whether the task is developing ideas, reaching consensus on their desirability, or moving from ideas to implementation, the G20 which has working groups active in all these areas is where the action is.²⁸

Supportive references stating either implicitly or explicitly that the G20 should serve as a steering committee became commonplace in the post-crisis atmosphere. Gordon Brown, host to the G20 in London, was one strong advocate of this design. Talking to the media before the Pittsburgh summit, as he was about to address the UN General Assembly, Brown declared: 'We've got this one chance to make a huge success of international economic cooperation.'²⁹

²⁵ See Andrew F. Cooper and Andrew Schrumm, 'One year on: the G20 and economic leadership', *e-International Relations.com*, 21 Oct. 2009, <http://www.cigionline.org/articles/2009/10/one-year-g20-and-economic-leadership>, accessed 2 March 2010.

²⁶ C. Fred Bergsten, 'A new steering committee for the world economy?', in Edwin M. Truman, ed., *Reforming the IMF for the 21st century*, special report no. 19 (Washington DC: Peterson Institute for International Economics, 2006), pp. 279–92.

²⁷ Paul Martin, 'A global answer to global problems', *Foreign Affairs* 84: 3, May–June 2005, pp. 2–6, http://www.l2o.org/news/qjb2_PaulMartinForeignAffairsMagazine.pdf, accessed 11 Feb. 2010.

²⁸ Barry Eichengreen, 'The G20 and the crisis', *VoxEU.org*, 2 March 2009, <http://www.voxeu.org/index.php?q=node/3160>, accessed 2 March 2010.

²⁹ Quoted in Sumeet Desai, Darren Ennis and David Ljunggren, 'Old world fault lines evident as G20 chiefs meet', *Reuters*, 25 Sept. 2009, <http://www.reuters.com/article/idUSTRE58N5SJ20090925>, accessed 1 March 2010.

American think-tankers made the point just as keenly. C. Fred Bergsten, director of the Peterson Institute for International Economics, stated that the G20 had become 'an effective steering committee for the world economy'.³⁰ Stewart Patrick, at the Council on Foreign Relations, revisited the theme of 'present at the creation' in terms of a big moment of institutional reform, with the G20 on the cusp of a 'new economic order'.³¹ And Colin Bradford, at the Brookings Institution, interpreted the G20 as filling a crucial gap of governance between states and markets: 'Not having a global steering committee means that the world's free market is the only governance mechanism. And that has already failed the people.'³²

The key ingredient in all of these positive interpretations is adaptability. The G7 leaders' summit held some core merit beyond its role as an informal steering group for the world economy. Such advantages hinged on the G7's like-mindedness, connecting in a single club not just 'rich' countries but countries that shared common attributes in political systems and values.³³ In the galvanizing circumstances of the financial/economic crisis, these characteristics were subordinated to other attributes, most prominently size and stake in the economic system. Right of entry into the 'steering committee' was based not on political acceptability but on economic weight.

This fundamental reorientation was itself based on a number of basic assumptions. The first was that big rising states (China in particular, but also India and Brazil above the rest of the G20 members from the global South) were reformist and not revisionist states.³⁴ The second was that, this being the case, these big three could be trusted to be 'responsible stakeholders' in the system.³⁵ Such an approach played down like-mindedness as the determinant for club membership with respect to economic global governance. In its place the G20 privileges pragmatism. The reasoning is that, if accorded the status of club insiders, the rising states will not act in a zero-sum manner but will allow 'deal-making' negotiations with tradeoffs.

This faith in pragmatism will be keenly tested as the G20 attempts to meet its goal of ensuring the delivery of 'strong, sustainable and balanced growth' as advocated in Pittsburgh. The economic trauma surrounding the planning for the November 2008 summit concentrated minds, and cut down the blame game about who or what caused the crisis. However, amid various though uneven signs of recovery, disagreements between the members of the G20 have surfaced. These include divisions on specific issues (bankers' remuneration being the prime example) within the old establishment, especially between the 'Anglo' world and continental Europe.

³⁰ Quoted in Richard Wolf, 'Obama G-20 unite on recovery package', *USA Today*, 3 April 2009, http://www.usatoday.com/news/world/2009-04-02-g20-summit_N.htm, accessed 1 March 2010.

³¹ Stewart Patrick, 'G20: present at the creation of a new economic order', *Council on Foreign Relations: First Take*, 25 Sept. 2009, <http://www.cfr.org/publication/20296/g20.html?breadcrumb>, accessed 1 March 2010.

³² Quoted in Dennis B. Roddy, 'G-20 objectors promoting varied agendas', *Pittsburgh Post-Gazette*, 23 Aug. 2009.

³³ See Cesare Merlini, 'The G-7 and the need for reform', *International Spectator* 29: 2, April 1994, pp. 5–25.

³⁴ See Alan Alexandroff and Andrew F. Cooper, eds, *Rising states, rising institutions: the challenge of global governance* (Washington DC: Brookings Institution, 2010).

³⁵ See Daniel W. Drezner, 'The new new world order', *Foreign Affairs* 86: 2, March/April 1997, pp. 34–46.

Still, the range and intensity of possible tensions are much greater not only between the US and China but between the US and India and Brazil. For as Gideon Rachman of the *Financial Times* has rehearsed, some basic differences persist on matters such as development and the definition of 'democracy' in international affairs.³⁶ Some informal bargains occurred before the Pittsburgh summit, most notably in the acceptance that both IFI reform and 'imbalances' would be put on the table. This sort of deal-making is far more difficult when there is some degree of a return to normality. Under pressure to modify their domestic policies, the big countries from the global South take on the role of blockers, with an eye to baulking initiatives that harm their interests.

Another means of interpreting the rise of the G20 returns to the contested nature of the project. Through an idealistic lens, the move of the G20 to become a revamped 'steering committee' comes at the expense of the UN and universalism. Without question, the US avoided going through the UN at the launch of the G20. The UN Secretary General Ban Ki-moon offered to turn a UN Financing for Development summit scheduled for Doha into a UN summit on the financial crisis at UN headquarters in New York in early December. He implied that this move would boost the legitimacy of the summit enterprise: 'I strongly believe that holding the summit at the United Nations, the symbol of multilateralism, will lend universal legitimacy to this endeavour and demonstrate a collective will to face this serious global challenge.'³⁷ Denied this hosting function, and reduced to a marginal position in the G20 process (a position accentuated by the 'return' of the IFIs), the UN turned up its resistance to the G20. In a news conference on 11 November 2008 (just days before the G20 summit) Secretary General Ban focused his attention on the need for 'inclusive multilateralism' to protect the well-being of the developing countries, as well as major UN development goals. Rather than working more systematically to integrate its agenda into that of the G20, the UN General Assembly became the main site of organizational resistance to the G20. Ideationally, the main source of contestation came in the move by the General Assembly's president to convene a high-level task force, chaired by Nobel Economics laureate Joseph Stiglitz, with the aim of suggesting steps 'to secure a more stable global economic order'.³⁸ Organizationally, the main alternative focal point became the UN Conference on the Global Economic Crisis at the end of June 2009.

Through another lens, the rise of the G20 constituted a power grab by the 'big' club insiders at the expense of the smaller non-members. Anders Åslund, in one scathing commentary, argues that by arrogating decision-making power to itself, the G20 'emasculates the sovereign rights of small countries that have long been the prime defenders of multilateralism and international law as well as the

³⁶ Gideon Rachman, 'America is losing the free world', *Financial Times*, 4 Jan. 2010.

³⁷ Quoted in Alex Evans, 'Summits, panels everywhere—but to what end?', *Global Dashboard*, 24 Oct. 2008, <http://www.globaldashboard.org/2008/10/24/summits-panels-everywhere-but-to-what-end/>, accessed 2 March 2010.

³⁸ 'General Assembly President unveils details of panel probing global financial system', UN News Centre, 14 Nov. 2008.

foremost policy innovators. The rule of the big powers over the rest is in danger of becoming unjust and reactionary.³⁹ Through some of its issue-specific targeting the G20 reinforces this impression, as highlighted by Payne in this special issue. The classic case goes back to the 'tax haven' controversy. Without representation, small states concentrating on this type of offshore (or, in some cases, onshore) activity found themselves in the firing lines of efforts to name and shame. Thus, for both symbolic (exclusion) and instrumental (eroding competitive advantage) reasons, a number of small states began to combine in rival enterprises.

Signs of mobilization along this line may be apparent in groupings such as the Global Redesign Initiative sponsored by Qatar, Singapore and Switzerland within the World Economic Forum, as well as the Singapore-driven Global Governance Group or 3G. Both tap into a palpable sense of frustration that the G20 is not adequately reflecting the concerns of small states which are not its members, even though these states face the same challenges. Notably, the 3G scheme is made up of middle-sized and small states from a wide variety of regions, initially Singapore, Malaysia, Brunei, the Philippines, Vietnam, Bahrain, Qatar, United Arab Emirates (UAE), Sweden, Belgium, Ireland, Luxembourg, Switzerland, Liechtenstein, Monaco, San Marino, New Zealand, Chile, Uruguay, Costa Rica, Guatemala, Panama, Jamaica, Barbados, Bahamas, Rwanda, Senegal and Botswana.

The two critiques—universalism and the exclusion of small states—intersect through signs that the UN Secretary General supported mobilization against the G20 not just in the form of the 192 initiative but in smaller groups. George Yeo, Singapore's foreign minister, commented during a well-publicized visit to Davos:

The UN secretary-general Ban Ki Moon supports our initiative and I think he [Ban] should play a bigger role in those [G-20] meetings because he represents all of us. The G-20 should not be exclusivist in its approach when it convenes meetings on particular areas of interest and must include other countries by using variable geometry for different subjects so that different countries can attend.⁴⁰

Variable or eroding forms of leadership

The image of the G20 has been that of a pivot of concerted global cooperation. In structure this forum appears to have the character of a 'constructed focal point' by which policy direction is coordinated among key actors at the hub of decision-making.⁴¹ Some observers have emphasized the thickness in the degree of control and command that the G20 exerts throughout the world. Åslund, for example, sees the G20 as a new form of centralized control and command with a high degree of global authority. At odds with this representation, however, are some important gaps in the G20 that reflect an incompleteness of design. Rather than being a

³⁹ Åslund, 'The Group of 20 must be stopped'.

⁴⁰ Quoted in Ravi Kanth, 'S'pore to host 3G group during WEF Informal coalition to discuss how it can strengthen, support global governance', *Business Times* (Singapore), 3 Feb. 2010.

⁴¹ Geoffrey Garrett and Barry R. Weingast, 'Ideas, interests and institutions: constructing the European Community's internal market', in Judith Goldstein and Robert O. Keohane, eds, *Ideas and foreign policy: beliefs, institutions and political change* (Ithaca, NY: Cornell University Press, 1993), p. 176.

thick, finished project, this forum displays in many ways an open plan (and some degree of contestation) that projects institutional thinness and fragility.

Much of the success of the G20 has continued to hinge on US leadership. Yet the space for this type of internationally oriented and concerted effort is increasingly constrained, as over time the locus of control of policy initiatives, especially in the regulatory domain, has shifted back to the national level. A key turning point comes with the decision of the Obama administration on the 'Financial Crisis Responsibility Fee' bill, designed to recoup taxpayer funds and reduce risk-taking at banks. This unilateral US initiative complicated joint action through the G20 for an insurance levy or tax on banks, especially as some other countries also opposed such initiatives. Significantly, albeit with mixed motivations of their own, some prominent voices in the private sector have criticized the US for pushing ahead with its own regulatory reform at the expense of concerted action. John Varley, chief executive of Barclays plc, stated: 'The language of G20 was that we will move in convoy ... now what's happened is a big member of the convoy has left it and gone in its own direction. That is bad for the world, struggling as it is to create consensus around a package of reforms that the world needs.'⁴²

Nor have any other of the big rising states moved into to fill this leadership vacuum. China continues to play the long game in the G20, playing up the symbolism of its membership but maintaining a flexible position by hedging its bets on instrumental outcomes. It is comfortable in the G20 as it never was in the context of the G8 'outreach'. But (unlike India and Brazil) it is also a permanent member of the UN Security Council, with the associated prerogatives. On top of this, it is also comfortable in alternative (and potentially competitive) institutional arrangements such as the Shanghai Cooperation Organization (SCO) and the BRICs (Brazil, Russia, India, China).⁴³

This hedging approach allows China to deal constructively with the US on specific arrangements for the G20. What it precludes is China over-promising about what it intends to deliver. There are some areas where China, along with the other rising powers, has shown leadership, even in the context of the outreach group (for instance on food security). And when it wants to, as in its announcement of its massive stimulus package (\$586 billion) ahead of the Washington G20, it can compel attention by the sheer scale of its ability to act on its own behalf. Yet China's hybrid status as both a rising and a developing state restricts the range of overt leadership activities it is willing to take on, a disinclination that may be reinforced by the more domestic orientation of its growth model.

Brazil's approach echoed China's hedging strategy to an extent in that it reflected a level of comfort with its rising status in the G20 that it never could obtain through the 'outreach' process with the G8. Far more rapidly and vocally than China, however, Brazil combined its ambition with a scathing critique of the pre-crisis rules of the game. Brazil was prepared to promote an upgrade of the G20 as a problem-solving mechanism; but it also continued to push for this type

⁴² Cited in Steve Slater, 'US reform plan hurts global effort—Barclays CEO', Reuters, 9 Feb. 2010.

⁴³ Naazneen Barma, Ely Ratner and Steven Weber, 'A world without the West', *The National Interest*, 1 July 2007.

of reform on grounds of equity. This more normative stance was based on legitimacy, in that the G7/8 was not a representative body. No longer was Brazil willing to be part of a subordinate process—as Guido Mantega put it, as ‘coffee drinkers’, either in the first part of the meeting or in secondary parts of the discussions.⁴⁴ To this critique was now added the efficiency argument. The crisis was ‘made in the US’, a situation exacerbated by the hand of the US on the tiller of the Washington Consensus—dishing out stern advice to other countries on how to manage their economies.

Are other countries willing or capable of taking on innovative forms of leadership? European leaders, notably France’s President Sarkozy, were the primary demandeurs for a summit to combat the financial crisis. On top of the G7/8 club members (including the EU Commission president), Europe gained two other seats at the table for the initial Washington meeting for Spain and the Netherlands, mainly due to the diplomatic skills of the French. There is also a more recent push for the euro-zone to be granted its own seat.

In terms of longer-term influence, nonetheless, the position of Europe appears weaker. The EU pushed with some considerable success the assault on tax havens. It did so, though, with the support of the US. The other issues at the top of the European agenda (notably remuneration for bankers) remain a political sideshow to the core regulatory agenda. And it is on those main regulatory issues that Europe has demonstrated most palpably a form of non-leadership, with national cultures and interests trumping collective action. Moreover, the success of the EU in gaining multiple seats at the G20 has rebounded to Europe’s detriment in two ways. The first is that other European states (most notably Poland) want seats as well. The other is that a reaction has set in about overrepresentation. As on IMF reform, pressure will grow for European membership in the G20 to shrink, not expand.⁴⁵

Where there may be the will and the capacity to fill the gaps in leadership is among states below the top tier. To some extent this is leadership through the extended provision of a convening power. A prime illustration is the role of South Korea. Notwithstanding a structural weight below that of not only China but Japan and India, Korea has raced ahead to grab the right to host the first G20 outside the ‘Anglo’ world. In doing so it has played up its ‘bridging’ role with respect to its evolution from a developing to a developed (OECD) state. Korea’s unique brand is important here (characterized by the close relationship between the Korean state and corporate giants such as Samsung).

Still, one of the unanticipated trends of the G20 has been its catalytic effect in terms of reshaping diplomatic relationships. Increased attention is being paid to the significant role of the so-called ‘KIA’ states within the G20 (Korea, Indonesia and Australia). As some recent research showcases, all three of these states have shown not only the ambition but the capability to influence multilateral

⁴⁴ Quoted in Gabriel Elizondo, ‘Rising power of the G20’, *Al Jazeera English*, 15 Nov. 2008, <http://english.aljazeera.net/news/americas/2008/11/20081114212953385599.html>, accessed 2 March 2010.

⁴⁵ See ‘Eurozone bid for G20 seat “unrealistic”’, *EU Business*, 19 Jan. 2010.

institution-building. Korea's President Lee Myung-bak has launched a New Asia Initiative that focuses on strengthening both Korea in Asia and Asia's global voice. The other KIA reveal signs of a similar trajectory. The influential Jakarta-based think-tank CSIS has been arguing for an E8 (China, Japan, India, Russia, Korea, Australia, US and Indonesia) as an informal forum to connect key countries from the Asia-Pacific region with the G20. Australia is not at what Prime Minister Kevin Rudd likes to call the global 'high table' but has tried to gain influence at the multilateral level through the proposal for an Asia-Pacific Community (APC).⁴⁶ However, while salient, these forms of leadership will not be able to tackle either individually or collectively the main issues with which the G20 is concerned, especially with respect to the regulation of banks. To these 'rising' middle states must be added others that have traditionally been labelled in a similar manner. Canada is the prime example here. Evidence that the current Canadian government wants to project a robust image can be garnered by the 'Enlightened Sovereignty' speech by Prime Minister Stephen Harper at Davos in January 2010. Placed in a position of strength by the performance of Canadian banks (and Canadian regulators), Canada had some diplomatic and reputational space to make a call that the G20 members and the world as a whole play by the rules agreed to at Washington, London and Pittsburgh.

The complicating feature for Canada is getting the balance right between leveraging its reputational advantage through the G20 process and holding onto its comfort zone of like-mindedness through the G7/8. With its dual hosting functions in 2010 Canada is propelled in both directions. Canada wants to ensure that the G7/8 still has relevance both on the hard security (Iran/nuclear issues/terrorism) agenda and on social concerns (the Millennium Development Goals and maternal health have moved up the list). It also has a huge incentive to make the G20 work in terms of its core functions.

Looking into the future of the G20

The G20 passed the first (stress) tests in synchronized fashion. Despite debates about definitional issues, a striking degree of coordination was established concerning national and international stimulus packages. Notwithstanding the protectionist flavour of 'Buy America' and other types of procurement programmes, borders were kept open with no return to the beggar-thy-neighbour/autarkic 'solutions' of the 1930s. Notwithstanding the intensity of the diplomatic process, it took at least a year for any signs of summit fatigue to set in.

Passing these first tests, however, is no guarantee of comprehensive success. On the contrary, some degree of backtracking on the G20 promises is apparent, whether because of exhaustion, complacency or ideological/policy concerns. This 'politics as usual' mentality, with a keen eye on what is considered best for individual sectors in the national economy, is most evident in the growing divisions between contradictory proposals to regulate the banking system. Such

⁴⁶ See Jonas Parelló-Plesner, 'KIA: Asia's middle powers on the rise?', *East Asia Forum*, 10 Aug. 2009.

divisions will inevitably be exacerbated if exit strategies are put into place without synchronization.

Amid these disagreements, however, there is no sign of any form of diplomatic exit strategy. No leader has signalled unwillingness to attend. No leader has suggested that the G20 return to its original form as a meeting of finance ministers and central bankers. If the devil is increasingly in the detail, the G20 is not going through any existential crisis similar to that besetting the G7/8. While there is strong sentiment among key leaders from both North and South that the G8 is 'obsolete',⁴⁷ there is no indication of any sentiment that fatigue within the G20 is fatal to the project.

On the contrary, what is striking is the degree to which opposition to the G20 is based not on principle but on the fact that it does not provide space for additional members. This is true for individual states, such as those taking part in the 3G initiative; it is also true, moreover, for regional entities. With the EU included there will be pressure for a sustained presence for the African Union and ASEAN. So far this form of representation has been achieved on a summit-by-summit basis. Once organizations are invited, though, it must be recognized that it will be very difficult to exclude them in the future.

What, then, does that future hold? Arguably the most attractive scenario is for the G20 to become at the very least a sounding board where leaders of big countries can meet relatively informally, if not an explicit steering committee. This type of summit, by its very nature, would tend to widen (not deepen) the agenda. After all, most leaders are not technical experts: their preference is to site themselves as strategic 'steerers' not as tactical 'doers'.

Such a scenario retains some considerable attractions for global governance. Crises of many sorts (from geopolitical security issues to health pandemics) could be addressed. Though the level of ambition of the concerted agenda may fall, this shift in focus would allow the G20 to build on the important elements of trust established via this form of collective action. Such a focus would pull the G20 back from trying to establish a one-size-fits-all recipe for its crisis committee activities. The ongoing coordination effort would allow considerable space for national and regional variations. Such an approach would also allow for an explicit recognition of the extent of decentralization and outsourcing built into this project. Going wider rather than deeper would not eliminate the quality increasingly located within the G20 of, to borrow Richard Haas's term, 'messy multilateralism'.⁴⁸ But it would reinforce the catalytic attributes of the G20 project. Fighting the economic crisis in such an improvised fashion has given the G20 a track record of success notwithstanding its awkwardness and incompleteness. Rather than expending all of its diplomatic capital in working out the details on this side of its dual personality, the G20 must now concentrate on

⁴⁷ See Anita Rice, 'Sarkozy brands the G8 "obsolete"', *Al Jazeera English*, 5 Dec. 2008, <http://english.aljazeera.net/news/middleeast/2008/11/20081129105933828111.html>, accessed 5 April 2010.

⁴⁸ Richard N. Haas, 'The case for messy multilateralism', *Financial Times*, 5 Jan. 2010, http://www.cfr.org/publication/21132/case_for_messy_multilateralism.html?breadcrumb=%2Fbios%2F3350%2Frichard_n_haas, accessed 2 March 2010.

accelerating concerted action on a much bigger set of issues. Henry Kissinger is quoted as saying that any new conceptualization of world order is not designed as an emergency measure, but that such a redesign needs an emergency.⁴⁹ The G20 project still contains enormous possibilities for showing the validity of this understanding. Rather than viewing its future role primarily through the lens of its function as a crisis committee, it needs to take far more seriously what its functions as a steering committee are to be. Downplaying its 'club' as opposed to its networked functions, it is time for the G20 to tilt more explicitly away from its concentration on a detailed but technical agenda and towards taking itself far more seriously as the hub of economic global governance, with a greater and more sustained sense of purpose.

⁴⁹ Cited in John Thornhill, 'EU struggles to establish new economic order', *Financial Times*, 28 March 2010.