G20: Its Role in Providing Global Solutions

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Examination of the role of the G20 as a locus for generating solutions for global problems flows naturally from the immediately preceding two agenda items on the current crisis afflicting the European Union and the issue of longer term responses to the challenges of managing the global economic and financial space effectively. This background paper seeks to provide a framework for discussion through a quick reminder of the original rationale for adopting the G20 summit structure, an assessment of current conditions as they affect the work, and more particularly, the success of the G20, and a look ahead to some of the more salient challenges which the G20 faces.

The G20's Past
With six Summits under its belt in the past three years, the G20 can fairly lay claim to having become an accepted part of the international landscape. At the same time, it is also undeniable that within that relatively short period the group may have already fallen somewhat short of the original hopes attached to it by an expectant world community. To gauge the fairness of this sense of disappointment, it is worth re-visiting some of the major rationales for the group’s existence in the first place.

Context is key – by the fall of 2008, the global financial community had reached a state of disarray bordering on panic. The collapse of the US housing market had caused havoc in a succession of American financial institutions, and the rest of the world was discovering to its extreme discomfort that a central characteristic of globalization was the notion of contagion. Not since the nineteen thirties had the reality of the economic interdependence of nations been driven home with such force. Existing institutions and processes seemed incapable of addressing, let alone remedying, the weakness rapidly metastasizing throughout global financial networks. The direct link between the sometimes obscure (and largely unregulated) machinations of financial technicians and the real economy was being made disquietingly clear.

To his credit, even the convinced unilateralist George W. Bush recognized that a new approach was required. Urged on by French President Sarkozy, among other past and present leaders, President Bush convoked the first G20 meeting at summit level in November 2008, and the
world began to hope that this more representative group of governments could begin to promote economic order. Among the assumptions underlying the G20 were the following.

- The group would be leader–led. It was assumed that only government leaders could bring sufficient credibility to the table to make hard, politically-freighted decisions and to make the appropriate (often cross-sectoral) trade-offs needed to break deadlocks.
- The work of the group would proceed informally. Experience with earlier summits (and their counterpart meetings at Ministerial level, for that matter) strongly suggested that the most progress would be made if leaders could exchange views freely and directly, unencumbered by overly structured, pre-cooked agendas and attendant speechifying.
- The group would be more representative than earlier summit gatherings, notably the G7/8. Specifically, the G20 would include the emerging giants China, India and Brazil, among others. No longer would the developed countries act alone to “manage” the global economy – to deal with an increasingly desperate situation, those countries now needed the dynamic “developing” economies at the table if solutions were to be found.
- The group would provide focus singularly on critical financial and economic problems, and would act to re-energize a collection of international institutions, most of which had been established over fifty years previously under very different circumstances. Leaders would commit to actions themselves and agree to work together in other forums to achieve agreed-upon results.

The G20's Present

So, how are we doing so far, three years and six summits later? Broadly speaking, the first three summits produced positive outcomes in the face of significant economic peril. The Washington summit signalled a clear commitment to specific forms of cooperation (which included a renewed role for the International Monetary Fund), and the London summit five months later put meat on the rhetorical bones (in particular through the transformation of the Financial Stability Forum into a Financial Stability Board which would oversee the evolution of the international banking system). The subsequent Pittsburgh meeting in the fall of 2009 added some institutional elements (notably the commitment to a Framework for Strong, Sustainable and Balanced Growth and the related Mutual Assessment Process aimed at providing the basis for more effective macro-economic policy coordination) and the politically important confirmation that G20 participants regarded the group as the “premier forum for our international cooperation”. Overall, these three summits succeeded in stabilizing the global economy through coordinated fiscal stimulus, additional resources for the IMF and an attempt to encourage more integrated transnational financial regulation.

The work program laid down through these three summits was considerable, and subsequent meetings in Toronto and Seoul laboured, less spectacularly, to convert the leaders’ intentions
Enterprisingly, South Korea took advantage of the Chair’s agenda-setting prerogative to broaden the G20’s economic focus to include development issues.

In the months leading up to the November 2011 Cannes summit, President Sarkozy was fond of promising a “New Bretton Woods” as the likely outcome. The French priorities were fulsome, and included the following general (and ambitious) headings -- reforming the international monetary system, strengthening financial regulation, combating commodity price volatility, supporting employment and strengthening the social dimension of globalization, fighting corruption, and working on behalf of development. In the event, although during preparations for the meeting officials and Ministers moved matters along in most of these six areas, the summit was high-jacked by the need to confront the incipient collapse of the Greek government. Instead of charting the way ahead for the global economy as a whole, the French presided over a frenzied fire-fighting operation aimed at preserving the integrity of the Euro and indeed of the European Union itself. The impression was reinforced that the G20 had lost focus and momentum, and returned (albeit inadvertently) to its European roots. The G20’s relevance to Main Street and to the aspirations of the newer members of the “club” seemed at least questionable.

Reflecting on these recent developments, some judgments can be made about the aforementioned underlying assumptions which caused the G20 countries to come together in 2008.

- The G20’s greatest comparative advantage compared to other international processes remains the direct and personal engagement of government leaders. Leaders after all represent the court of last resort in breaking international deadlocks, and expectations are high when they meet. Unfortunately, the converse is also true – if leaders do not succeed, the alternatives are few and worrying. Precisely because of the risks attached to failure, of course, officials go to great lengths to build in “wins” for their leaders and to minimize the possibility of uncontrollable surprises. The Cannes experience, however, simply highlighted the degree to which leaders often find themselves at the mercy of events, with few pat answers and no magic solutions. Indeed, it could be argued that the unedifying spectacle of European Union leaders having repeatedly tried and failed over the past year to deal effectively with issues of sovereign debt, budget deficits and monetary management has had the effect of devaluing summits as an activity. If European Union leaders with their common patrimony of economic cooperation and cultural familiarity could not work out their differences, what chance would there be for the G20, which now encompasses much more diversity and many fewer shared interests. That being said, government leaders have not given up on the G20, and there are no signs that they plan to. The market test of the process’ vitality is the consistent turn-out by leaders.
The desideratum of informal exchange seems to have receded as a characteristic of the G20 meetings. The determined G20 focus on economic and financial issues has proven quite effective, but debate around these technical subjects often requires the presence of subject experts, or at least personages such as central bank governors. Even the addition of a Finance Minister and a bank governor per delegation means that at least 60 people are in the room (if not actually “at the table”), and the logistics of encouraging personal exchanges among leaders under these circumstances are challenging. Meals and coffee breaks help in terms of fostering personal contact, but the opportunity to speak personally and frankly has fallen away since the days of the G7.

More positively, the full implications of the G20’s character as a more representative process are only now starting to emerge. Of the first six G20 summits, only one (in Seoul) was chaired by a non-G7 country. By contrast, from Seoul in 2010 to Turkey in 2015, five out of six summits will have been held in non-G7 countries. It is extremely unlikely that new concerns and perspectives will not make their way onto the G20 agenda in these circumstances (and the proof of this can be seen in the innovative ways in which the Koreans approached their chairmanship).

The financial and economic subjects which G20 leaders originally set out to deal with have turned out to be at least as difficult as expected. Public impatience (and/or bored incomprehension) is to be expected, but in fact the G20 track record is fundamentally encouraging. Work remains, but refurbishment of the institutional framework governing the international financial system is well underway. Less encouraging is the progress made in promoting more efficient and effective coordination of macro-economic policies across countries. That being said, while the media may prefer headline breakthroughs, the relatively lower profile of steady spadework does not make it any less real or valuable, and the habit of working together, once acquired, is not easily forgotten.

The G20’s Future
One of the more insightful recent contributions to the debate over the G20’s future has come from UK Prime Minister David Cameron. President Sarkozy had asked Cameron to report on global governance issues for the Cannes summit, and the Prime Minister’s comments provide a clear indication of where at least one of the major principals in the G20 sees the process going. Cameron highlighted three areas he thought critical to G20 effectiveness in the short term.

First, he emphasized the need to maintain the “power of informality” and the leader-driven nature of the G20’s activities. In addition, he urged more consistent outreach to non-members, international institutions and other actors, coupled with improved working practices (notably the formalization of the “troika” of past, present and future Presidencies to manage the G20’s work program). The Cannes summit accepted this general approach, and specifically the recommendations about the troika.
Second, Cameron suggested prioritizing the areas where improvements of governance could matter most. These included taking immediate steps to strengthen the capacities of the Financial Stability Board, reinforcing the role of the World Trade Organization, and making economic policy coordination more effective (in part through strengthening the IMF’s surveillance functions).

Third, he maintained that the G20 countries needed common principles to guide the development of the standards that govern the international economy. These would cover such areas as tax transparency, anti-corruption and sustainable development. In particular, Cameron saw merit in the G20 leaders emphasizing the need for established institutions to work together in cross-cutting areas such as energy, the environment and development. His view was that the provision of clear mandates to existing bodies would be more useful than the invention of new organizations.

The Cameron report reflects the overall progress which the G20 has achieved, while offering a realistic reminder that the next stages in the group’s evolution may not always generate “breakthrough” headlines. The day-to-day of fashioning new instruments of international governance will need more persistence than flash.

Questions for consideration.

- How can G20 summits deal more effectively with transient events? Will the formalization of the troika arrangement help in this regard?
- How can summit meetings return to a more personal, informal model? Should agendas be framed with this sort of discussion more in mind? Can summit expectations be managed down? Should more G20 sessions be limited to leaders plus one, and should summits as a whole be of longer duration to allow for more intensive conversations?
- Should the G7/8 finally be retired – don’t we have enough summits?
- How can the G20 make its work more relevant to electorates?
- How can the G20 improve its ability to “look over the horizon” as opposed to simply “fight fires”?  
- How can G20 members better engage non-G20 members (especially developing countries) and key non-state actors? Is more systematic outreach likely to engender greater legitimacy?
- The received wisdom is that the G20 should continue to focus on successful completion of the extensive work-plan which the first three G20 summits laid down. In terms of future agendas, however, is it useful for leaders to tackle in a practical, problem-solving way some of the larger questions facing the global community? This might include discussion of –
  - the impacts of the growing inequalities within and among states which globalization seems to have promoted;
• the inter-generational aspects of economic decision-making;
• the ways in which governments’ differing approaches to maintaining (or managing) free markets can be reconciled;
• more effective ways for countries and their leaders to analyze and develop solutions for massive, long-term, multi-dimensional problems such as climate change.