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## The G20: Panacea or window-dressing?

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>> The short answer to this question is: neither. Much ink has been spilled over the last two years on the role and potential of the Group of 20 leading economies meeting at leaders' level. Since its launch, the relative success of the G20 in fighting the global financial crisis and averting a long economic recession has grabbed the headlines. Unregulated markets and reckless national policies had created unsustainable imbalances that sparked the crisis, but a new summit prototype had been designed; able to trigger collective action, coordinate stimulus packages and regulate finance. The G20 has indeed proven to be an effective crisis-management mechanism.

One year after its launch, as danger of a global financial meltdown receded and economic recovery picked up notably in emerging markets, the G20 boldly established itself at the 2009 Pittsburgh summit as the 'premier forum for our international economic cooperation'. This self-appointment simultaneously raised expectations and scepticism regarding the ability of the new format to achieve the tall order it had set for itself. After the Toronto summit of June 2010, the expectations-reservations gap has narrowed: the former have fallen and the latter have risen. The modest Summit Declaration has been treated as evidence that it is not the G20, but its main stakeholders, that make the difference. In other words, a crisis response committee is not necessarily fit to steer the course of global economic governance.

In fact, it would be inaccurate to portray the G20 as the panacea of deep-rooted structural problems; just as it would be ill-advised to dismiss it as a window-dressing exercise. A balanced assessment of the role of the G20 requires a distancing from summit meetings and setting the new format in the broader, evolving framework of global governance – the collective management of common problems.

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»»»»» **THE INTERNATIONAL SYSTEM:  
A MOVING TARGET**

Far-reaching change in the international system requires the adaptation and innovation of global governance frameworks. Two fundamental trends are driving change, namely power shifts and existential interdependence. First, power is shifting away from the West to the rest of the world – notably the East – as well as spreading to a range of non-state actors including business, civil society and epistemic communities. In a more heterogeneous system, where old and new power centres assert diverse world views, norms are often contested. A deficit of authority and responsibility looms ahead in setting the international agenda and the priorities therein.

Second, deepening interdependence is generating a new set of interconnected challenges. The emergence of economic powerhouses including China, India and Brazil has altered trade and investment patterns and contributed to global economic growth, but it has also aggravated the imbalances between deficit and surplus countries. Interdependence goes well beyond the economic dimension to encompass energy, environmental and resource issues. The struggle for resources and the impact of climate change compound security challenges such as state fragility, organised crime and nuclear proliferation. In short, the interconnection of transnational risks is a core feature of contemporary interdependence, which threatens the security and prosperity of large countries and of the international community alike.

The conjunction of these two momentous trends on a global scale has triggered the transition towards a new configuration of the international system. The emerging international system can correctly be defined as multipolar, as a growing number of states are acquiring major power assets. However the definition is partial, given that nothing is said about the nature of relations between these countries. There is some evidence that the ongoing transition will lead to an inter-polar system, where deepening interdependence shapes multipolarity in unprecedented ways. Under such a

configuration, major powers may compete and differ on a range of issues, but do not regard their strategic interests as fundamentally different to those of others. Instead, they accept the imperative of cooperation in preserving global public goods and global commons, as well as in responding to transnational asymmetric threats.

**GLOBAL GOVERNANCE:  
WORK IN PROGRESS**

An inter-polar system engenders demand for the collective management of common problems. Global governance has entered a stage of incremental adaptation to a changing international agenda and balance of power. Effectiveness and legitimacy are the two terms of the new equation that global governance reform needs to resolve. In a world of interconnected risks, segmented institutions will not suffice. In a system where the growing power of emerging countries amplifies their influence, frameworks where they are not adequately represented will lose relevance.

However, agreement on the process and substance of international cooperation is increasingly hard to achieve and is likely to remain so for the foreseeable future. First, in a post-hegemonic world, no individual country or coalition is in a position to lead the reform of the multilateral architecture and for it to embody their values and interests, as was largely the case for the US and its Western allies after World War II. Instead, it will be a matter of permanent compromise between countries with different historical experiences, levels of socio-economic development and internal political systems.

Second, domestic politics impose growing constraints on multilateral negotiations. Advanced and emerging economies alike are turning inwards as they deal with the impact of the financial and economic crisis or focus on sustaining high rates of economic growth and poverty reduction. Limited progress in adopting relevant legislation at the national level – for example on reducing CO<sub>2</sub> emissions – narrows the scope for compromise at the multilateral level.

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Third, most powers vocally uphold, to a greater or lesser extent, the principles of sovereignty and of non-interference in domestic affairs. They are reluctant to delegate powers to multilateral institutions, take a selective approach to cooperative frameworks and favour the loose coordination of national policies over the adoption of common binding rules.

Under these circumstances, the reform of global governance frameworks is more likely to proceed by means of small steps, including a reasonable amount of trial and error, than by grand deals or designs. At the same time, the need for effective management of common challenges is perhaps greater than ever. It is therefore essential that progress to strengthen the

multilateral order consistently pursues intersecting methods for effective cooperation. These include trust and confidence-building among leaders and officials; promoting awareness of the common challenges and a shared diagnosis of the priorities in addressing them; knowledge-based decision making grounded on

improved data collection and information exchange; and stronger monitoring and verification of national measures applying common rules or guidelines.

## The G20 exhibits some of the serious limitations that have undermined the performance of other informal groupings in the past, including the G7/8

### THE G20: CHARTING A NEW PATH

The G20 is an eminent example of the efforts to adjust cooperative frameworks to fit a new global context and deliver results. It responds to the pragmatic approach of the current US administration and other major actors to set up different formats to bring together those countries that matter in the solution of distinctive challenges, from nuclear security to climate change. In the face of the clear and present danger of global financial meltdown, gathering the countries representing over 85 per cent of

global GDP, 75 per cent of global trade and 66 per cent of global population made sense and, up to a point, worked.

The broader point is that, if the G20 and other instances of 'informal unilateralism' constitute part of the answer to the challenges of interdependence, they can hardly provide lasting solutions on their own. Instead, they should be regarded as a new, major component of the larger multilateral system. This is a matter of both legitimacy and effectiveness. Even a grouping as large as the G20 is unlikely to win the allegiance of the G172 of outsiders, including some pivotal regional players. Additionally, the G20 is already exhibiting the serious limitations that have undermined the performance of other informal groupings in the past, including the G7/8. It cannot take binding decisions and it has no tools to ensure the implementation of its recommendations.

In short, the G20 cannot aspire to take the driving seat of global economic governance and even less so of other critical domains of collective action, such as development or climate change. The vocation of the G20 is not to sideline traditional multilateral institutions such as the UN, its agencies and the international financial institutions, but rather to complement their work. Informal groupings of leading countries can bring considerable added value to multilateral undertakings as lynchpins of collective action, pathfinders of new policy options and engines of reform in broader multilateral frameworks.

As noted above, the Toronto summit has helped to check excessive expectations of the G20's ability to overcome deep-seated political divides. The members of the club have agreed to paper over their differences on the merits of 'growth-friendly plans to deliver fiscal sustainability'. However, summit dynamics have failed to engender a significant convergence of national positions on the issue of the day – how to sustain fragile growth without wrecking public finances. With a view to the forthcoming summits in South Korea and France, such a standstill can be converted into an opportunity to better link the G20 to other dimensions of global gover-



»»»»» nance and of reform therein, while drawing on its comparative advantages.

In an inter-polar world, the strategic objectives of major powers – among others, sustaining growth, benefiting from globalisation, mitigating climate change, enhancing energy security but also promoting development and improving global health – do not essentially diverge, although their tactics occasionally clash. Pursuing these goals cannot be realistically framed as a zero-sum game. Cooperation is a critical condition for success, and the engagement of major powers is a key factor, albeit not the only one, to make or break cooperation. There lies the unique contribution of the G20 and of other informal clubs. In charting new paths for multilateral cooperation, an indicative ‘code of conduct’ for these informal groupings can be sketched out, including six main guidelines:

- Establish a two-way street outreach process to broader constituencies of countries and to cooperative frameworks;
- Develop structural links with existing multilateral institutions and, where relevant, consistently support their reform;
- In setting the summit agenda and during implementation, focus on the links between connected issues so as to rationalise global governance mechanisms and enhance systemic coherence without encroaching upon the competences of others;
- Perform as a knowledge-leader and a policy venture-capitalist: command authority through the quality of your statements, grounded on the best data and on inter-institutional reports addressing complex risks;
- Engage non-state actors on a regular basis, in particular networks of expertise and public-private partnerships. Where possible, unlock resources to support them and foster their structural links with multilateral institutions;

- Strengthen the process underpinning summit meetings. Build the capacity to manage more information and a larger agenda, as well as multiple linkages with other bodies and the structured coordination of members of the club. Instead of setting up a permanent secretariat, the creation of small support units embedded in existing international bodies to oversee separate initiatives could be a viable option.

## CONCLUSION

Global governance is approaching a critical juncture. As the international agenda is growing more complex and demanding; the resources of multilateral bodies are dwindling and the redistribution of power engenders competing narratives on respective priorities and responsibilities. And yet, the launch of the G20 and the proliferation of other informal groupings and coalitions prove that all key stakeholders accept the imperative of cooperation to manage risks and anticipate crises. Power shifts and interdependence are arguably shaping an inter-polar system.

In this new context, there is no quick fix for global governance. Cooperation is – and will remain for the foreseeable future – a question of ‘learning by doing’. The overarching purpose, however, should be to build mutual trust, bring more coherence to what has been defined as ‘messy’ multilateralism and harness the political capital and resources of major powers while doing so. The G20 has a major role to play to this end. It is neither a panacea nor a mere window-dressing exercise. If its members invest the necessary political will, it can become the lynchpin of collective action on global economic issues and related matters, in structured cooperation with multilateral bodies and networks of non-state actors. Innovation will lie at the interface between these different dimensions of global governance rather than in the isolated reform of any one of them.

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