Brookings/CIGI Seminar Series
Reviewing the Los Cabos G-20 Summit[1]
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On June 25, 2012, the Brookings Institution and the Centre for International Governance Innovation (CIGI) co-hosted a seminar in Washington, D.C. with the purpose of reviewing the recent G-20 Summit in Los Cabos, Mexico. This year's summit took place against a backdrop of enduring fragility in the global economy, an ongoing crisis in the eurozone and continued challenges in the Middle East. Participants discussed the implications of these issues, as well as the preparation and outcomes of the Summit and broader considerations for the future of the G-20.

Effectiveness versus Representativeness
One of the core issues discussed by participants during the seminar was the ongoing tension between effectiveness and legitimacy within the G-20. While traditional arguments of exclusion and country representation were briefly acknowledged, deliberations focused more on the inclusion of ideas. Experts suggested that sufficient space exists in the G-20 for outside ideas to be "brought to the table" in the presence of adequate political support. While the size and dynamism of the G-20 process uniquely facilitates the communication of issues and ideas, whether or not these ideas will be considered and adopted is dependent on the political weight and consensus behind them.

This issue directly connected with the discussion on agenda expansion within the G-20. Participants had mixed views on the value of agenda expansion, with some arguing for a narrowing of the agenda to preserve the credibility and efficacy of the body. Others, however, suggested that the G-20's unique position as a repository of political will as well as its role as a platform for negotiation make it aptly suited to consider important global issues.

The G-20 and External Engagement

<u>*The G-20 and the B-20*</u>
Under the Mexican presidency, there has been a concerted effort to bring together the G-20 with the business community by facilitating interactions with the B-20. Participants discussed the existence and extent of these efforts of the latter and considered whether the B-20 represents an ornament of the G-20 process or whether it is a legitimate process of itself. It was pointed out that in Los Cabos, the B-20 had a significant presence and took definitive steps to reach consensus and make recommendations to strengthen the links with the G-20. One such example was the efforts on green growth, with the B-20 announcing the Green Growth Action Alliance (G2A2), a partnership initiative aiming to promote private investment in green infrastructure. Endeavors such as the G2A2 will not only serve to ensure that green growth receives continued attention and action, but will provide the B-20 with a platform for continued meaningful engagement with the G-20 on important agenda items in the years ahead.

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The G-20 and Civil Society

In contrast, participants lamented the decidedly less influential role of civil society in the lead up to the Los Cabos summit. Despite a calendar of engagement outlined by the Mexican government, interaction with civil society was more formal than substantive, burdened by inopportune timing of consultations and lacking clear policy outcomes, all of which diminish the potential for a meaningful engagement of civil society organizations (CSOs). While participants noted that CSO participation was more substantial than at the recent G-8 Summit, they also called for increasing efforts by local, host-country CSOs to become involved.

Green Growth & The Development Agenda

Green Growth

Green growth has become a critical issue in recent years and was elevated to the core G-20 agenda under the Mexican presidency. Participants discussed the importance of green growth, noting that the enormous need for universal access to energy and electricity by 2050 may require transformational change in moving towards sustainable energy systems. Experts suggested that an energy-centric view of green growth —as outlined in Jeremy Rifkin's five pillars of the Third Industrial Revolution— would enable creation of transformational energy systems through a bottom-up approach to scaling up infrastructure. While this approach was not adopted at the leaders' level, the issue of green growth nevertheless featured in the communiqué, with experts emphasizing the importance of achieving development and economic goals through inclusive green growth as a feature of sustainable development and poverty eradication.

The Development Agenda

Development has been gaining increasing attention as an agenda item for the G-20 summits since its selection by the Koreans as a key issue in 2010. While not at the forefront of the agenda this year, development was nevertheless an important issue of consideration, and the Development Working Group identified a number of areas in which progress by the G-20 could be made. In particular, the group highlighted infrastructure investment because it is closely linked to the green growth agenda, having recently been referred to as the "heart" of inclusive green growth by the World Bank. In the final leaders' declaration there were 11 references to infrastructure (excluding financial infrastructure). However, some participants were concerned that the six criteria outlined by the G-20 High Level Panel on Infrastructure Investment may actually represent a step backwards and should be viewed with caution. However, it was noted that, while infrastructure isn't a magic bullet, the biggest contribution that can be made to infrastructure development lies in addressing underinvestment in project preparation and feasibility studies.

Participants expressed disappointment regarding the G-20's work on food security and fossil fuel subsidies, yet recognized that the Summit evoked positive initiatives, such as the announcement of agriculture "pull" mechanisms aiming to incentivize agricultural innovation in developing countries.

Increased IMF Resources and the BRICS

Discussion moved on to the international monetary system—one of the more 'traditional' areas of G-20 engagement— and the additional resources pledged to the International Monetary Fund (IMF). The increased funds enable the IMF to almost double its forward commitment capacity, increasing its ability to provide assistance and potentially easing global financial difficulties. Participants noted certain artificiality to the exercise vis-à-vis the European Union: The substantial EU pledges coupled with Europe's outstanding credit may creates the situation where Europeans help Europeans. This idea led to a discussion about what the non-European countries were "asking of the Europeans" in return for increased IMF support. On this issue, the relative lack of consensus amongst participants reflected the wider lack of coherence amongst non-European parties and the consequent collective action problem.

Despite stated commitments, the actual funds will not become available until bilateral contracts are signed between the IMF and the creditor countries. Nevertheless, the immediate symbolic value of the pledges is significant: They demonstrate a willingness among dynamic emerging markets and developing countries (EMDCs) to contribute resources that will likely be used by advanced economies. It was suggested that this might help to engender political capital for resource mobilization by the EMDCs in the future.

Central to these additional pledges were the BRICS (Brazil, Russia, India, China and South Africa) nations, which collectively contributed $75 billion ($43 billion of which came from China alone) in increased resources. In a communiqué issued on June 18, the BRICS nations outlined two conditions for resource increases. First, an understanding that the $75 billion in resources would only form a "second line of defense" to be used after the existing resources are substantially utilized ensures equity among IMF creditors, particularly given the absence of certain key creditors (namely the U.S. and Canada) from the new arrangements. Second, the contributions were made in anticipation of all the agreed-upon IMF quota formula and timely implementation of governance reforms. While participants acknowledged the difficulty of both conditions, they also noted that positive steps were taken at Los Cabos. Mexico has sought to increase transparency in the Quota Formula Reform (QFR) process during its presidency: Specifically, it clearly outlined and published each country's progress towards meeting its commitments, which served to discourage inaction. Additionally, the leaders' communiqué in Los Cabos explicitly acknowledged the deficiencies and weaknesses in the current IMF quota formula and referenced "GDP growth" with respect to relative weights among members.

Alongside the efforts to increase IMF contributions at the BRICS summit, BRICS leaders also formalized discussions regarding a network of bilateral swap agreements and a reserve pooling arrangement. Participants expressed a frustration with the slow pace of the institutional reform process within the IMF. The significance of these talks lies in the fact that they represent the first consideration of a plurilateral trans-regional reserve pooling arrangement. The BRICS Summit in March 2013 will provide the platform for more serious discussion of this endeavor.

The Value of G-20 Summits

Since its elevation to the leaders' level in 2008, the G-20's collaborative focus was facilitated by the existence of a common threat—the global financial crisis. However, over time, the unity engendered by a collective risk has diminished, as has the ability of the G-20 to act collaboratively and cohesively. While the crisis certainly poses a challenge to collective action, it does not entirely negate the value of G-20 summits. Rather, participants discussed the shift in priorities, efforts, actions and expected outcomes among the group.

Participants acknowledged the challenges of the presidency especially the short period of leadership that provides insufficient time to resolve large problems and maintain appropriate continuity. Nevertheless, the Los Cabos Summit demonstrated that meaningful progress can be made if ambitions of the presidency are responsibly calibrated: In this case, important, although not groundbreaking, achievements occurred in areas such as financial inclusion and disaster risk management. Aiming too high, participants noted, runs the risk of creating rushed deliverables that lack the necessary political traction. While not all issues were successful—notably the Framework for Strong, Sustainable and Balanced Growth, which was described as having descended into an exercise in finger pointing—progress was not absent.

Nevertheless, the recent lack of groundbreaking collective actions seen in the early years of the G-20 leaders' summits has led to a growing sense that the group is "losing steam" and no longer adding the same degree of value to the international community. The global governance challenges that characterized the early period have been replaced by seemingly intractable obstacles of national governance and domestic politics, particularly in industrialized democracies. While such difficulties will certainly impede progress in the short- to medium-term, potential for the G-20 to take action still exists.

In this regard, participants pointed out that, when it comes to measuring the success of the G-20, the lack of counterfactual poses a challenge. The achievements and potential of the G-20 should be compared to what would occur in the absence of such a Group. While many of the issues that the G-20 confronts are "always ugly and always protracted," this does not negate the need to address them by whatever means available. Participants concluded by agreeing that the G-20 process continues to evolve and has potential to be open and responsive enough to account for new ideas and address global challenges. Whether this translates into meaningful action in the lead up to the Russian Summit in St Petersburg in 2013 remains to be seen.