Managing Global Order MGO

The G8 and the Threat of Bloc Politics in the International System

A Managing Global Order Summitry Report

Bruce D. Jones and Richard Gowan, with Emily O'Brien¹

¹ Dr. Bruce D. Jones is Senior Fellow and Director of the Managing Global Order Initiative at the Brookings Institution, and Director of the Center on International Cooperation at NYU. Richard Gowan is an Associate Director and Senior Fellow at CIC. Emily O'Brien is a Program Officer at CIC. The authors thank Toni Harmer, Priscilla Enner, Andrew Hart and Camino Kavanagh for their advice and Ben Judah for conversations about Russia's perceptions of the G8 and G20.

Executive Summary

On May 26 and 27, France hosts the annual G8 Summit. Although the French have prepared a wide-ranging agenda – covering everything from internet security to the Arab Spring – there is skepticism that the G8 remains relevant in the post-financial crisis world. The G20 has eclipsed it as the primary forum for financial diplomacy, while talks between G8 foreign ministers on Libya this March delivered little.

There are, however, two recurrent arguments for maintaining the G8:

- * It acts as an insurance policy for its members against the failure of the G20, a risk highlighted by ill-tempered exchanges over currency issues at the last year's G20 summit in Seoul.
- * It is a useful political club for liberal Western democracies (plus or minus Russia), whereas the G20 contains a less ideologically coherent group of major powers.

This paper argues that neither of these arguments is fully convincing. Although the G20 has lost some of its early momentum as the financial crisis has receded, it has still engineered progress on International Monetary Fund (IMF) reform, monitoring global imbalances and financial regulation. Progress has rarely been smooth, but the overall level of international cooperation involved is still greater than might have been predicted before 2008.

The political argument for the G8 is also problematic. It is not clear that the forum is fully effective in either (i) handling dramatic political events such as those of the Arab Spring or (ii) persuading Russia to deepen its alignment with the Western political system. The persistence of the G8 has been cited as a stimulus for the BRICS (Brazil, Russia, India, China and South Africa) countries to form an alternative caucus of their own. At a summit this April, the BRICS leaders mounted a thinly-veiled attack on NATO's Libya campaign.

Some Western leaders believe that shifts in the balance of global power actually reinforce the case for a largely Western political forum such as the G8. The most pressing issue is not, in fact, whether to maintain or discontinue the G8, but instead to identify ways to draw non-Western powers into security cooperation. Options for doing so include a more serious American-led push for U.N. Security Council reform, the creation of a forum for G20 foreign ministers to discuss joint threats informally, or issue-specific configurations that bring western and non-western actors together based on interests.

The Deauville Summit: A Non-event with a Packed Agenda?

The G8 summit in Deauville, France on May 26 and 27 was once widely expected to be a non-event. Since the G20 leapt to prominence at the start of the financial crisis, the smaller group's role has been precarious. With economic power shifting to China, India and Brazil, the Western-dominated G8 inevitably looks anachronistic. When Italy hosted the G8 in 2009, it invited all G20 members to its summit in L'Aquila. Last year, Canada hosted the G8 in rural Muskoka before a G20 meeting in the more cosmopolitan Toronto. Both these arrangements highlighted the G8's limitations.

France is adopting a different approach to its G8 presidency. It is also the G20 president in 2011, and will host the larger grouping in Cannes in early November. French officials have always underlined that Cannes is the more important of the two summits, and President Nicolas Sarkozy has expressed uncertainty that the G8 has a long-term future. In this context, France has tried to keep the Deauville summit small. In addition to the G8 leaders, a number of African heads of state will be present to discuss development issues (now an established part of the G8 leaders' agenda), and France has also invited Egypt and Tunisia to send representatives. But Asian leaders like Chinese President Hu Jintao and Indian Prime Minister Manmohan Singh won't be present.

While France initially promised to keep the summit's agenda short and focused, it has struggled to do so. Paris made internet security a top priority and invited the CEOs of internet firms including Facebook and Google to a meeting on the topic immediately before the G8 proper. In the run-up to the summit, the French interior minister convened a meeting involving officials from the G8 and twenty other countries on drug trafficking, part of a broader drive by France to step up multilateral counter-narcotic efforts.ⁱⁱⁱ

Outside events have intervened. Russia has proposed a discussion of nuclear safety after the Fukushima crisis, and, as the invitations to Egypt and Tunisia make clear, the Arab Spring is likely to dominate the political agenda. In his May 19 speech on U.S. policy towards the Middle East, President Barack Obama highlighted that the World Bank and International Monetary Fund would offer the G8 a plan for assistance to Cairo and Tunis. Deauville may be saved from "non-event" status by these developments.

It is natural that the G8 should discuss events arising from the shocks in Japan and the Arab world. The G8 – or more specifically the G7, excluding Russia – has a good story to tell about its role in the Japanese crisis. In March, G7 finance ministers intervened to stop a rapid appreciation of the yen while the earthquake, tsunami and nuclear crisis

left Tokyo reeling. This was a useful reminder that, when a rapid response is required, the major Western economies do still have a lot of financial leverage left.

By contrast, the G8's record on handling events in the Arab world in recent months is less impressive. In mid-March, G8 foreign ministers met in Paris to discuss French proposals for a no-fly zone over Libya. At this stage, NATO was still divided over the issue and the United States was opposed to tabling a resolution on the issue at the U.N. Security Council. The foreign ministers' discussions failed to generate progress on the problem (as did NATO consultations a few days later), and it was only the rebels' near-collapse that precipitated American and U.N. action. It would be foolish to claim that the lack of progress in Paris stemmed from the format of the talks, but it demonstrated the G8's limits as a platform for the West.

It is possible that G8 promises of aid to emerging Arab democracies will help erase memories of these earlier disagreements. However, the G8 has an ambiguous record as a clearing house for foreign aid. G8 members have made significant aid commitments in the past, notably at the 2005 Gleneagles summit in the United Kingdom. But a new G8 aid reporting mechanism – initiated during last year's Canadian presidency – has shown that most members of the group are underperforming. A G8 report released last week has been accused over over-reporting governments' aid disbursements. South Korea initiated a G20 development group last year to include non-Western donors, which has an obvious political appeal (but both G8 *and* G20 exclude important donors such as the Nordic countries).

If the Arab Spring and development aid will be high on the agenda at Deauville, other topics will inevitably loom large in informal discussions. One will surely be the downfall of Dominique Strauss-Kahn, and the competition to replace him at the head of the IMF. Yet there will be a double irony in this. First, Strauss-Kahn staked a great deal of his reputation during the financial crisis on linking the IMF to the G20, such that the IMF acts as a de facto G20 secretariat.

Secondly, the main political question arising from Mr. Strauss-Kahn's resignation has been whether or not he should be replaced (as is the custom) by another European. This is in itself a sign of the declining weight of the G8's core membership, now facing a struggle for influence over the international financial institutions. The Strauss-Kahn affair plainly had nothing to do directly with the G8, but one tangential consequence has been to provide reminders of why the G20 has taken the G8's place since 2008.

Two Arguments for the G8

Does this all add up to proof of the G8's irrelevance? Not necessarily. There are two basic arguments in favor of sustaining the G8. One is that the G20 has not proven itself as an effective forum in the post-financial crisis world and that keeping the G8 is a useful insurance policy if the larger group goes under.

The second is that the G8 leaders, representing a reasonably homogenous bloc of liberal states (plus or minus Russia) are still able to have political conversations that the G20 cannot. Iran's nuclear program has, for example, been raised by the G8 in every leaders' summit since 2003 and will doubtless be addressed again in Deauville. French officials have emphasized this second case for the G8's relevance.

Both arguments for the G8 are based on one assumption: that there are fundamental obstacles to Western powers and the emerging economies collaborating in shared forums, at least when there is no huge crisis to force collaboration. Ill-tempered diplomatic exchanges prior to the last G20 summit in Seoul over American and Chinese currency policies have convinced skeptics that the larger forum's members have insufficient shared interests to cooperate. Ian Bremmer and Nouriel Roubini have argued that "the G20 has gone from a modestly effective international institution to an active arena of conflict." They predict that no combination of states can overcome economic differences, ushering in a "G Zero" world. This is an excellent phrase, but greatly overstates the difficulties the G20 has faced.

In the next sections of the paper we briefly review these two arguments. We conclude that reports of the G20's death are exaggerated. Conversely, we identify new dangers for the G8 in projecting itself as a political forum at a time when emerging powers are willing and able to balance it through bloc-building of their own – a phenomenon that has been seen very clearly in the ongoing Libyan crisis.

The G8 as Insurance Against G20 Failure

Is the G20 in trouble? It is certainly true that, as British Prime Minister David Cameron argued, the G20 had finished its "heroic phase" by the time of the Seoul summit. There are also clear differences among its members over how far the G20 should go in terms of regulating financial affairs rather than just discussing them. It is also arguable that President Sarkozy gave a number of hostages to fortune by laying out an exceptionally broad agenda for France's G20 agenda as early as mid-2010 (before the South Korean summit in Seoul, undiplomatically) and has inevitably had to dial back his ambitions.

Nonetheless, the claim that the G20 has entirely run out of usefulness is hard to defend. Last year, for example, a G20 finance ministers' meeting prior to the Seoul summit finally produced a long-delayed deal on shifting some voting power at the IMF from European governments to rising Asian economies. This agreement also guaranteed a flow of new capital to the IMF. This spring, G20 finance ministers agreed on a set of early warning indicators to monitor emerging financial imbalances and set themselves the goal of agreeing upon new rules for capital safeguards for banks by the time of this November's summit.^{ix}

Many of these agreements have taken longer than their advocates hoped – there were stalled efforts to resolve the capital safeguards issue last year, for example. The proposals to monitor potential financial imbalances had to be watered down before they could be accepted by skeptical governments, including China and Germany.^x Many European policy experts feel that the IMF reform deal was (at best) an embarrassment, as it was effectively forced on EU member states by an exasperated U.S. Treasury.

But nobody ever said that global financial governance was pretty. Even if the G20 has lost the momentum of 2008-2009, it is still acting as midwife to a remarkable degree of cooperation on financial regulation that would have been hard to conceive of before the financial crisis. The Financial Stability Board, mandated by the G20, is still going strong and has had positive reviews. It is striking that many of the most important advances have been made in finance ministers' meetings, whereas major disagreements blow up (at least in public) around leaders' summits. This reflects both that the G20 had existed at the finance ministers' level since the Asian financial crisis – creating some habits of cooperation that may not yet affect heads-of-state – as well as the media's preference for bad news.

Some of the G20's most significant successes may be exactly those the media has missed. G20 discussions have quietly led to important internal reforms in China and India, as discussions between sectoral ministries have given rise to functionalist pressures to meet the highest global standard. xii

So in the financial sphere, the case that the G20 is bust is simply not proven. Neither France nor other members of the G8 would argue against the G20's primacy in the financial sphere – and the U.S. and China are particularly invested in the G20's ascent. The G8 is no longer a credible alternative on financial policy.

This does not mean that G8 ministers and leaders cannot use the smaller forum to coordinate their positions on financial questions before the G20. Some commentators

in non-Western members of the G20 remain convinced that there is some sort of G8 plot to dominate the G20 by these means. The evidence for this plot is rather elusive, as 2010 saw significant splits between G8 members over policy at the G20. The U.S. actually sided with China and India against European governments in defense of continued stimulus spending in early 2010. A similar coalition came together to pressure the EU on sorting out IMF reform. Prior to the Seoul summit, Germany sided with China in the currency debate.

If Western leaders did want to plot to dominate the G20, doing so through the formal mechanisms of the G8 would be madness anyway. There are quite enough other West-West summits at which to do so. It is also important to remember that the non-G8 members of the G20 often disagree among themselves on economic issues, a fact underscored by Brazil's fierce criticisms of China's currency policy this year. xvi

If non-Westerners resent the persistence of the G8, therefore, it has arguably more to do with the *political* symbolism of its continued existence. And, in this context, the claim that the G8's primary role in the post-crisis world is to provide a political forum for Western policy discussions is potentially problematic.

The G8: Political Forum or Political Problem?

The G8 has always had an obvious political dimension, going back to its days as a leaders' club for big Western powers in the 1970s. In the 1990s, bringing post-Soviet Russia into the G8 was identified by the Clinton administration and Western European governments as a way to affirm its friendship with the West. But the G8 has at times shifted from supporting general political ideas to dealing with specific political crises: the most urgent recent example came in 2006, when the Israeli invasion of Lebanon seized the attention of G8 leaders, trapped at an otherwise turgid G8 summit in St. Petersburg. European leaders at the time, including France's Jacques Chirac, Britain's Tony Blair and Italy's Romano Prodi, discussed a peacekeeping force for southern Lebanon, laying the way for the expanded U.N. force that was eventually deployed.

As we have noted, the Arab Spring and conflict in Libyan provide a similarly dramatic backdrop for the Deauville summit, and the leaders present will surely respond with joint statements and offers of cash. The prospect that the Arab Spring has strengthened Iran's position in the Middle East will probably give an additional sense of urgency to the G8's standard statements on Tehran's nuclear program as well.

The effectiveness of the G8 as a political forum is open to question, however. This is not only true of its role in short-term crisis management, but also in bringing Russia into the Western club in the last decade. Vladimir Putin hardly tempered his nationalism at G8 meetings, while Russia has shown a lack of initiative in the G8 *and* G20 in the Medvedev era, although its nuclear safety initiative is an exception.^{xvii}

G7 coordination may be useful behind the scenes. It has, for example, been reported that the Obama administration coordinated meetings of G7 members and the Gulf Cooperation Council in early 2010 to plan for new sanctions on Iran if no new U.N. resolution on the issue could be agreed.**

But, as in the financial realm, it is hard to see how the G7/8 mechanism offered tools that an *ad hoc* coalition could not have.

In the Libyan case this year, we have seen that the G8 underperformed relative to the much-maligned U.N. Security Council, where divisions over how to deal with Col. Moammar Gaddafi did not stop the passage of Resolution 1973 authorizing the use of force. This episode underlined the lack of political cohesion within the G8 as Germany joined Brazil, Russia, India and China (the original BRIC bloc) in abstaining on the resolution. By contrast South Africa, newly inducted into the BRICS this year, voted in favor. xix

Yet, in spite of the fact that the 1973 vote did not take place along "West versus the Rest" lines, it may prove to have important implications for the G8 as a political entity vis-à-vis the BRICS. This is because all the BRICS began to criticize the scale and goals of NATO's air campaign over Libya very shortly after it began. South Africa, which has favored a negotiated settlement, has been particularly forthright. This newfound unity of purpose crystallized during April's BRICS summit in Sanya, China, where the participants affirmed their commitment to "the principle that the use of force should be avoided." xxx

This was widely seen as one more rebuke to NATO for the way it is conducting its Libyan operation. As W.P.S. Sidhu has pointed out, there is a certain irony in that India and Russia have been willing to use force against problematic neighbors in recent memory, as China was some decades ago. India and China have actually increased their military presences on their mutual borders last year. The emerging powers are divided over political as economic issues, but clearly see the BRICS summits as a useful mechanism to distinguish themselves from the Western powers. Russia, the only BRICS member in the G8, lacks the heft (or apparent will) to bridge this divide between them. Indeed, it's decidedly odd in global governance terms that Russia is the only country to sit in all three forums – G8, G20 and BRICS.

These developments have important potential implications for the G8 as a political forum. On one argument, the emergence of the BRICS as a quasi-cohesive bloc recreates something akin to the Cold War logic that underpinned the original G5 meetings in the 1970s. British Prime Minister David Cameron, for example, is said to believe that the G8 should return to its origins in the 1970s (when it actually consisted of a mere G5 of the U.S., Britain, France, Germany, and Japan) when leaders got together for informal chats on the issues of the day. This is in contrast to his predecessor Gordon Brown, who invested heavily in the 2009 London G20 summit as a mechanism to halt the financial crisis.

A counter-argument is that the persistence of the G8 actually encourages the BRICS to build themselves up as "counterweight" in the global system. Some friends of the G20 believe that the G8 members should opt for "unilateral disarmament", closing down the smaller club in the hope that this will persuade the BRICS members not to caucus together, although this could be overly optimistic (and, as in the financial sphere, it is odd to imagine that shuttering the G8 would stop West-West coordination.)

Whichever perspective is correct, it does seem safe to conclude that there is a risk of increasing G8-BRICS block-politicking in the international system. Members of both blocs will continue to collaborate across party lines in the G20, the U.N. and (most importantly) through bilateral channels. Nonetheless, the Libyan crisis does raise important questions. Are there ways to avoid similar public rows in future crises, either through reshaping existing international frameworks or developing new mechanisms?

We believe that there are three potential methods for resolving this challenge, which we have discussed in previous publications for the Brookings Institution. Unsurprisingly, none center on the G8:

1. A more serious American-led drive for Security Council reform - The Libyan crisis has shown that the Security Council can function effectively under pressure, but that many emerging powers still view its decisions and their implementation with suspicion. Having already signaled support for India's bid for a permanent Security Council seat, the U.S. should start laying the groundwork for a serious push on this issue. That means real negotiations with aspiring powers both about the formula by which Council reform would occur, but more importantly about the policies emerging powers will pursue if and when reform occurs.xxiv

- 2. **A G20 Foreign Ministers' forum** While G20 finance ministers meet frequently, and are more productive than skeptics suggest, and France is bringing together G20 agriculture ministers to discuss food security, there are no comparable independent foreign ministers' meetings. These could provide a framework for sharing information, and calming nerves, on cases like Libya. xxv
- 3. **G20**+/- **forums on specific security issues** As an alternative to regular G20 foreign ministers' meetings, G20 leaders could mandate specific working groups of ministers to link the economic and security implications of situations like that in the Middle East to shared interests. These groups could also take up transnational challenges such as energy security or space security. Some could be "G20+", bringing in other powers on a case-by-case basis. Others could be "G20-", involving selected powers with specific expertise or concerns to address. The Nuclear Security Summit, which started as a one-off but is turning into a standing mechanism, sets a useful precedent.

Some "G20-" minus groupings might not look too much unlike the G8. The point here is that, while the status of the G8 as a political forum may have both benefits and problems, the key to creating more effective political coordination on complex crises and transnational threats almost certainly involves adapting U.N. and G20 mechanisms. Fighting to defend or trying to destroy the G8 are both peripheral.

The G8: American Choices

The Deauville summit takes place at a dramatic moment, but its impact is unlikely to be huge. By the end of May, the town will be returning to its usual existence as a Parisian summer resort, while France will be turning to the bigger business of the G20. At this point, the G8 will become an American problem. The U.S. holds the presidency of the G8 in 2012 (Mexico holds the parallel G20 presidency).

The Obama administration will thus have an opportunity to reshape the G8, but at a moment when it will be heavily distracted by electoral concerns. Some fans of the G20 hope that the administration will decide to drop the G8 altogether, but this might create undesirable friction with Republican challengers (during the last presidential campaign, Senator and candidate John McCain argued that Russia could be excluded from the G8).

The U.S. should certainly think about how to get as much as possible done in its G8 presidency, especially through coordinating with Mexico on shared priorities. However, if the Obama administration wishes to show concrete results from multilateral cooperation and avoid the danger of international bloc politics it should focus less on the G8 than what it can achieve through the G20 and through U.N. reform.

MGO is supported by Brookings' Foreign Policy Studies and Global Economy and Development programs, and is undertaken in cooperation with the NYU Center on International Cooperation and Stanford's Freeman Spogli Institute on International Studies.

For more information about MGO, please visit: http://www.brookings.edu/projects/mgo.aspx

Endnotes

For example, during his yearly speech to French ambassadors at the Elysée palace in 2010, Sarkozy stated that "...some have said [the G8] is condemned. Others believe it has a rosy future if it refocuses on security issues and its partnership with Africa. The future will decide." Nicolas Sarkozy, "Address to the 18th Ambassador's Conference", 25 August 2010, Elysée Palace, Paris.

"France invites Tunisia, Egypt to participate in G8 summit", *Xinhua News*, 3 May 2011, available at: http://news.xinhuanet.com/english2010/world/2011-05/04/c 13857462.htm.

iii "G8 Ministers Target Africa Cocaine Route", AFP, 10 May 2011.

iv Steven Erlanger, "G-8 Ministers Fail to Agree on Libya No-Flight Zone", *The New York Times*, 15 March 2011, available at:

http://www.nytimes.com/2011/03/16/world/africa/16g8.html?ref=groupofeight.

V Deauville Accountability Report: G8 Commitments on Health and Food Security: State of Delivery and Results, G8 France 2011, available at:

http://www.g20-g8.com/g8-g20/root/bank_objects/Rapport_G8_GB.pdf.

vi Chris Giles, "G8 accused of cover-up on aid targets", *The Financial Times*. 16 May 2011, available at: http://www.ft.com/intl/cms/s/0/51ed97ce-7f12-11e0-b239-00144feabdc0.html#axzz1Mo1IMcEH.

vii Ian Bremmer, and Nouriel Roubini, "A G-Zero World", *Foreign Affairs* 90, no. 2 (March 2011): 2-7.

viii "Uncharacteristic modesty: The French president's more limited plans for running the G20 club", *The Economist*, 27 January 2011.

ix "G20 vows to agree big bank safeguards in November", *Reuters*, 19 February 2011, available at: http://us.mobile.reuters.com/article/businessNews/idUSTRE71I35Z20110219.

^x Chris Giles, "G20 agrees on criteria for IMF scrutiny of countries", *The Financial Times*, 15 April 2011, available at: http://www.ft.com/intl/cms/s/0/96d3ca1a-6794-11e0-9138-00144feab49a.html - axzz1Mo1IMcEH.

xi Susannah Hammond, "Is the Financial Stability Board the regulator to rule them all?", *Thomson Reuters Accelus*, 9 May 2011, available at:

 $\underline{http://blogs.reuters.com/financial-regulatory-forum/2011/05/10/is-the-financial-stability-board-the-regulator-to-rule-them-all/.}$

xii Author interviews, U.S. National Security Staff, Washington, D.C., March 2011.

xiii Colin Bradford, "Seven New Laws of the G-20 Era", *Foreign Policy*, 14 March 2011, available at:

http://www.foreignpolicy.com/articles/2011/03/29/seven_new_laws_for_the_g_20_era.

xiv Judy Dempsey, "France and Germany resist US calls for more aid", *The New York Times*, 13 March 2009.

xv Alan Beattie, "China tees up G20 showdown with US", *The Financial Times*, 5 November 2010, available at: http://www.ft.com/intl/cms/s/0/03567a28-e8a3-11df-a383-00144feab49a.html#axzz1Mo1IMcEH.

xvi John Lyons, and Matthew Cowley, "Brazil Is Poised to Pressure Beijing on Currency Policy", *The Wall Street Journal*, 4 January 2011.

xvii Andrew Kramer, "Russia Is Set to Propose Stricter Rules for Reactors", *The New York Times*, 28 April 2011, available at:

http://www.nytimes.com/2011/04/29/business/global/29nuke.html?ref=groupofeight.

xviii "And the price of nuclear power; Sanctions on Iran", *The Economist*, 25 February 2010.

Managing Global Order MGO

xix "All over the place: South Africa is joining the BRICs without much straw", *The Economist*, 24 March 2011.

xx "Full Text of Sanya Declaration of the BRICS Leaders Meeting", *Xinhua News*, 14 April 2011, available at: http://news.xinhuanet.com/english2010/china/2011-04/14/c_13829453.htm.

xxi W.P.S. Sidhu, "BRICS can't be turned into a wall", *Livemint*, 18 April 2011, available at: http://www.livemint.com/2011/04/17194644/BRICS-can8217t-be-turned-in.html?atype=tp.

xxii Matias Spektor, "G20: Matias Spektor on the continuing role of the G8", *Centre for International Governance Innovation*, 6 May 2011, available at:

http://www.cigionline.org/articles/2011/05/g20-matias-spektor-continuing-role-g8.

xxiii Comments by participants at a conference on "The New Geometry of Global Summitry" at the Centre for International Governance Innovation, Waterloo, Ontario, on 2 to 4 May 2011.

xxiv Bruce Jones, and Richard Gowan, "The United Nations' Reformer-in-Chief", Brookings Institution Up Front Blog, 21 September, 2010, available at:

http://www.brookings.edu/opinions/2010/0921 united nations jones.aspx.

xxv Bruce Jones, and Richard Gowan, "New Threats Demand a New Global Security Forum", Brookings Institution, 5 November 2010, available at:

http://www.brookings.edu/opinions/2010/1105 global security forum.aspx.