

## INTRODUCTION

# *Toward the Consolidation of the G20: From Crisis Committee to Global Steering Committee*

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The Republic of Korea hosted the fifth G20 summit on November 11–12, 2010. As Paul Martin, the former prime minister of Canada, emphasizes in chapter 1 of this book, it was a historic moment in summitry, when a non-G8, recently developing country chaired an “apex summit” for the first time. G7/8 summits, consisting of four European nations (France, Germany, Italy, and the United Kingdom), two North American nations (Canada and the United States), Japan, and Russia, have met yearly from 1975 to the present. There has been increasing dissatisfaction with the G8 in recent years due to the fact that it represented less than 1 billion people of a world population of roughly 6 billion at the turn of the millennium and that the eight countries, except for Japan, were Western, industrial countries in a world in which dynamic non-Western emerging economies were becoming increasingly important.

The G8 responded to the new realities through “outreach” efforts, by inviting selected non-G8 countries to G8 summits to discuss specific topics or for specific segments, such as breakfast, lunch, or dinner. For a short period following the Heiligendamm G8 summit in Germany in June 2007, the G8 included five emerging market economies (Brazil, China, India, Mexico, and South Africa) in parts of the summit meetings. As a result, one issue that presented itself was whether to make the G8 Plus 5 the new apex summit grouping (see chapter 2 by John Kirton).

During those years, a substantial number of people in major countries were pushing for reform to make summits both more representative and more

effective than G8 summits. One of the options proposed for future summits was that the G20 grouping of finance ministers and central bank presidents created at the time of the 1997–98 Asian financial crisis become an L20 or leaders-level summit that would replace the G8. Despite the growing dissatisfaction with both the substantive performance and the representativeness of the G8, it took the global financial crisis of 2008–09 to trigger the transition from the G8 to the G20 at the leaders' level, which began with the first G20 summit, in Washington on November 15, 2008 (see chapter 3 by Ngaire Woods).

Next, the London G20 summit (April 2, 2009) constituted an unprecedented effort by major economies to stimulate their economies together through expansionary fiscal and monetary policies; to put in motion domestic and international efforts to strengthen the oversight, supervision, and regulation of financial markets and institutions; and to fund and reform the International Monetary Fund to put it back in the center of the international monetary system.

The Pittsburgh G20 summit in September 2009 put in place its new and challenging Framework for Strong, Sustainable, and Balanced Growth in order to place the macroeconomic policies of major economies within a medium-term context and to achieve “collective consistency” among them. At Pittsburgh, G20 leaders declared G20 summits and ministerial meetings to be “the premier forum for international economic cooperation,” upstaging the G8 if not replacing it. (See chapter 4 by Gordon Smith and chapter 5 by Lan Xue and Yanbing Zhang.)

## Challenges for the Seoul G20 Summit

Since late 2009, when Korea's responsibilities for the 2010 G20 summit became clear, the Korean government began to encourage efforts to address multiple challenges to make the G20 a more enduring, inclusive, and credible form of summity for the twenty-first century.

The first set of challenges is to make the G20 an enduring body for providing strategic direction for the world even after the global financial crisis abates. There is great concern, expressed by Il SaKong in his preface to this volume, that the G20 may fade away as a significant forum for global leadership as the global financial crisis subsides and the current focus on financial and macroeconomic issues increasingly shifts to technical matters unsuitable for discussion at the leadership level (see parts 2 and 3 of this volume, respectively); or that the G20 will become overwhelmed by expanding its agenda to include global poverty and development (see part 4), energy and climate change, and health and human security, for example, thereby reducing its focus and impact. Either scenario would be unfortunate because globalization is producing an increasing number of cross-border and cross-sectoral issues that must be addressed by the global community.

This force field defines the trade-off between focus and delivery on one hand and relevance and continuity on the other. The challenge is one of identifying policy innovations for the G20 that are intrinsically inclusive in their scope and specific in their reach and impact to address challenges of high consequence for the public interest.

The second set of challenges is to address the trade-off between achieving legitimacy as a representative body and achieving legitimacy as an effective body. The truth of it is that it is easier to reach agreement and forge conclusions in smaller rather than larger groups, especially if those groups are limited to like-minded countries. However, the evidence of recent G8 summits has been that a small like-minded group like the G8 does not have legitimacy in the rest of the world, which is not represented in it. Moreover, the increasing importance of dynamic emerging economies implies that the effectiveness of a small like-minded group in addressing global problems is likely to decline over time. That said, a large summit grouping that provides wide scope for inclusiveness, such as the United Nations climate change conference in Copenhagen, Denmark, in December 2009, demonstrates the perils in terms of effectiveness of taking representativeness to its logical extreme by including all nations.

It remains to be seen if the G20 is “the golden mean” between the G8 and G192. (See chapter 22 by Colin Bradford and chapter 23 by Stewart Patrick on the new dynamics of summitry.) Even though the G20 is significantly more representative than the G8, the question of inclusiveness remains alive for the many countries, regions, and peoples that feel left out of direct representation. The G20, even though more inclusive than the G8, still is a self-selected group based on size, wealth, and power. In the eyes of the rest of the world, it still has a representativeness deficit. At the same time, the increased diversity in the membership of the G20 calls for a more systematic and structured approach to summit preparation and implementation. So the challenge is to come up with institutional as well as policy innovations for the G20 that enhance its legitimacy in terms of both representativeness and effectiveness. (See part 5 as well as chapter 24 by Andrew Cooper and chapter 25 by Barry Carin in part 6.)

Finally, the third set of challenges for the G20 concern leadership and communication. They arise from the fact that the current crisis is essentially a triple crisis: a crisis of confidence in markets, a crisis of faith in the capacity of domestic and international institutions to avoid and manage financial instability, and a crisis in public trust in political leadership. What that means is that while it is absolutely essential for the G20 to generate institutional and policy reforms and innovations to address the current crisis, it must also restore public trust in national and global political leadership. Therefore, greater emphasis, consciousness, and intentionality with regard to political innovations for the G20 are a vital part of the agenda to transform summitry. (See part 7.)

More deliberate efforts need to be made by G20 leaders and officials to focus more clearly on connecting the actions and messages of G20 summits to the broad public concerns of their people. The forging and delivery of effective policy outcomes by summits are crucial. But, in addition, the articulation of the meaning of these policy results for their people and the linking of policy actions to public anxieties about jobs, secure incomes and pensions, and personal security are as vital for successful summits as the policies themselves. To make the G20 successful in managing the ongoing financial crisis, restoring trust in political leaders is as important as renewing confidence in markets.

G20 chairs need to use their leadership and membership in the G20 troika over three years to bring about changes in summitry that can make the G20 both more inclusive and more effective than the G8. Such innovations can enable the G20 to become the global steering committee for the world economy beyond the financial crisis.

## Multiple Dimensions of Global Leadership

The G20's biggest challenge is to define itself as the global leadership forum to make globalization work in the twenty-first century. Hence, in the overview of the issues facing the G20 discussed in this book, the multiple dimensions of leadership are taken up to situate the G20 in the political context between leaders and their publics. Viewing the G20 from the perspective of leadership challenges embraces the institutional and policy challenges and makes vivid the complexity of the daunting task of leadership facing the heads of state and government who constitute the G20 summit grouping.

### *Strategic Leadership*

The primary function of the G20 is to provide strategic guidance, vision, and a sense of direction for the global economy. The G20 is an informal mechanism, not a "decider." Nor is it an authority with legal powers to generate final decisions or instructions for action. Rather, it is a strategic guidance mechanism acting as a steering committee for the global economy to provide vision for the general direction for the world and policy frameworks and recommendations for national officials, especially officials of the G20 nations, and for international organizations that have their own decisionmaking bodies and procedures.

As a consequence, the G20 provides vital strategic leadership for the global economy, which is crucial to its functioning as a complex system of national and supranational economic interactions. At the same time, the G20 is limited by its informality, its lack of authority, its periodicity, and its essential nature as a steering or coordinating committee rather than as a formal institution per se.

The current financial crisis has made clear that the absence of strategic leadership creates unacceptable risks in the new global economy. The institutionalization of the G20 becomes critically important in providing a means to fill the void in strategic leadership left by the G8, which was inadequate to the task of global leadership of the global economy because of its lack of representativeness and effectiveness and hence its lack of legitimacy.

### *Political Leadership*

As indicated, the current crisis is simultaneously an economic crisis, an institutional crisis, and a political crisis. What has been revealed for all to see is that there is a crisis of confidence in markets, a crisis of capacity of the international institutional system to cope with the global dimensions of the financial crisis, and a crisis of trust in political leadership. If the void revealed by the inadequacy of the G8 to cope with the financial crisis also manifests an inability to answer the fundamental strategic question—"Where are we going?"—the political crisis casts in high relief the question "Who is in charge?" The answer in the case of the financial crisis seems to be that no one "was minding the store," especially when it came to oversight, supervision, and regulation of financial institutions and markets.

The public perception of the failure of public responsibility for outcomes generated by markets makes it imperative to fill this void in the public square by consciously reasserting public responsibility over markets and restoring public trust in national leaders and governments. Summits, then, provide an opportunity not only to set strategic directions in the global economy but also to consciously and visibly assert political leadership on behalf of the public for economic outcomes.

Financial markets have failed to protect the public interest because political leaders failed to assert public responsibility for them. Part of the agenda of political innovations for the G20 becomes generating conscious attention by leaders and their senior advisers to the manifestation of both national and global leadership by heads of state and government in G20 summits in order to deliberately address the fundamental issue of public trust in political leaders and public institutions as a critical part of the economic crisis itself.

### *Integrative Leadership*

The challenges presented in the twenty-first century are fundamentally different from the challenges of the twentieth century. Whereas the new realities are driven by spillover effects from one domain to another, in the twentieth century progress was made by considering challenges within domains through specialization, focused expertise, and depth. In economics, insights were based on the

assumption of the autonomy of economic actors from one another, which permitted competitive markets to act as allocators and mediators. In international relations, autonomous national entities related to each other at arm's length through "foreign policy," diplomacy, and external relations. Now, globalization presents a new reality: the interpenetration of domestic forces, which means that we are all present in each other's worlds in terms of products, people, culture, and information.

Spillover effects reveal fundamentally new dynamics that require horizontality to balance verticality, coordination to supplement competition, and integration to enhance specialization. Instead of problems being managed by "specialized" agencies, institutions, and ministries, global challenges and the linkages among them require communications, concertation, cooperation, and coordination. Competitive markets, the adjudicators and allocators of the twentieth century, must be supplemented now by integrated approaches involving intersectoral, interministerial, and interinstitutional strategies rather than stove-piped management. Global challenges today are fundamentally characterized by their interconnectedness as well as their internal complexity. As Paul Martin points out in chapter 6, the very idea of sovereignty itself needs to be understood in new ways when actions in one country have drastic effects on domestic conditions in other countries.

Of all national officials, national leaders are unique in having overall responsibility for society as a whole, in all its interrelated dimensions. All other senior officials have partial responsibilities. Most governments and the international institutional system itself are organized around specific sectors and issues. In the global age, summit leaders face the additional challenge of providing integrative leadership across issues and domains that must explicitly address the spillover effects and linkages to be effective.

These are new challenges that manifest themselves both domestically and globally. The institutionalization of G20 summits, as a twenty-first-century forum, must squarely face and deal with this new dynamic of the twenty-first century in order to be effective in addressing the global challenges that are the summits' primary mandate.

### *Institutional Reform Leadership*

Filling the void in strategic leadership at the global level, restoring trust in political leaders at the national level, and providing integrative leadership in addressing the interlinked issues of today are prerequisites for achieving institutional reforms to deal with current challenges. Domestically, there has been an institutional failure in relation to financial institutions and markets whereby the invisible hand of the market was assumed to relieve the public hand of the government of responsibility. In addition, most national governments are better

organized vertically to deal with sectoral challenges than they are horizontally to deal with today's interconnected challenges. By extension, the system of international institutions also is organized to deal with problems by separating energy from agriculture, from health, from environment, and from security when in fact at all levels the determining forces of social outcomes now lie as much in the links between sectors as they lie within them.

G20 leaders, in their role of providing strategic guidance for the global economy, have already begun focusing on the need for institutional innovations at the domestic, national, and international levels to strengthen the capacity of public institutions to exercise guidance, oversight, supervision, and regulation of markets and societal challenges. G20 governments are each reviewing, strengthening, and reforming their financial regulatory institutions. They are establishing greater global supervision and surveillance by establishing the Financial Stability Board in Basel, with expanded membership, and by reforming and redefining the role of the International Monetary Fund in the global financial system. Finally, G20 summits have given significant attention to providing adequate financial resources to the IMF, the World Bank, and the regional multilateral development banks as instruments for the prevention of future financial crises.

Not only are the mandates, missions, and operations of international institutions outdated and outstripped by current global challenges, but their power structures also are better equipped to reflect the mid-twentieth century dominance of Western industrial countries than the world population's current geopolitical and economic weights and those in the anticipated future. Therefore, G20 leaders already have given impetus to governance reforms in international economic institutions—especially the Financial Stability Board, the IMF, and the World Bank—but significant shifts in voting shares and chairs in these institutions have yet to be realized.

Substantial international leadership on behalf of institutional reform remains to be taken to reduce the dominance of Europe and the United States in the IMF and the World Bank and thereby to transform them from essentially transatlantic institutions into truly global institutions. As reform occurs, there will be a delicate balance to strike between increasing the alignment of power in the World Bank and the IMF with G20 realities—without allowing the G20 leadership in both institutions to overexert itself against the universal membership—and creating more inclusive power arrangements in them. (See chapter 19 by Thomas A. Bernes and chapter 20 by Johannes F. Linn.)

### *Pragmatic Leadership*

Much of the twentieth century was driven by ideological conflicts between democracy and authoritarianism, capitalism and communism, and the market versus the state. Twenty-first-century relationships are characterized by a more

complex set of forces and factors. Global challenges have imprinted themselves on the fabric of the twenty-first century in indelible ways, forcing new behaviors, norms, and orientations. Ideological lenses are less dominant, and more pragmatic leadership is required to reach agreements and to make progress collectively. Pragmatic leadership is more focused on substance, functionality, effectiveness, and public outcomes than on values, narrow constructs of national interest, posturing, and use of the international arena for domestic partisan political gain. The urgency of the problems, challenges, and approaches is becoming dominant over ideological articulations, value constructs, abstractions of like-mindedness, and a priori alliances.

One of the great challenges for G20 leaders is to deal sequentially with global challenges by pragmatically aligning substantive policy positions on different issues in varying country groupings. This approach would be far better than resorting to breaking countries down on all issues into blocs of East versus West, North versus South, industrial countries versus emerging market economies, G8 versus the rest, or the West and “the Rest” or other rigid configurations (see chapter 23 by Stewart Patrick). The great promise of the G20, because of its ample and diverse membership, is that varying alignments could predominate over a priori alliances and that shifting coalitions of consensus could develop as the agenda evolves. If a G20 leadership culture could evolve in this pragmatic, undogmatic, flexible, and substantive fashion, it would be an immense step forward for international understanding and cooperation that would demonstrate to the larger world a form of institutionalized leadership that could hold promise for other forums.

Part of what is at issue here is a new balance between individualism, autonomy, and competition on one hand and social cohesion, solidarity, community, and cooperation on the other. Excessive market fundamentalism based on individualism and competition is being harnessed by the current reform effort to ensure that private interests do not again harm the larger public interest. Pragmatic rather than ideologically driven leadership as the basis for a new culture of cooperation in G20 summits could be a major institutional innovation in global relations.

The stakes are high. As Paul Martin states in chapter 6, on financial reform and the G20: “More and more the issue is whether the markets are going to dictate a country’s economic and social policy or whether national governments are going to recognize their duty to their own citizens to adhere to international norms and to work with other countries so that the fear of contagion ceases to be a sword of Damocles hanging over an increasingly integrated global system.”

### *Inclusive Leadership*

Global leadership needs to be exercised on behalf of the world, not just the G20. The four G20 summits that took place before the Seoul summit had focused



on the global financial crisis and economic recovery, where the size, weight, and clout of the G20 countries had been crucial to the successful policy effort and reform agenda forged to that point. Questions arise now about whether and how to broaden the agenda of the G20 beyond the crisis to include other related issues, such as climate change and energy security, in which the rest of the world also has an enormous stake.

In this context, despite the significant leap forward in achieving representative legitimacy by moving from the G8 to the G20 as “the premier forum for international economic cooperation,” potentially divisive issues remain regarding whether the G20 is fully representative of the rest of the world and whether it has the right to assert itself as the global steering committee for the global economy given the self-selected nature of its members. For the G20 to be successful, it must demonstrate that it is representing more than the interests of the nineteen countries composing it, both in its agenda and in its process of considering policy ideas and actions. For that to happen, G20 leaders will need to be open to representing more than their own interests at future G20 summits and to make specific efforts to include the perspectives and views of non-G20 countries in its deliberations (see chapter 24 by Andrew Cooper.)

The G20 will need to consider how issues central to the rest of the world can be brought into the framework of G20 strategic leadership without offending other countries by seeming to govern for them, without them. On the other hand, beginning now to discuss questions of membership, composition, and broader representation in G20 summits could threaten the ability of the G20 to deliver the better public outcomes and tangible improvements in economic conditions that are both expected and urgently needed.

## Concluding Remarks

The emergence of the G20 as the steering committee for the global economy, possibly replacing the G8, poses an opportunity not only to have a larger and more representative summit grouping but to have a qualitatively better form of summitry. For that to occur, the confluence of the economic, political, and institutional aspects of the current crisis would have to compel a transformative approach to the institutionalization of the G20. Such an approach to the G20 is necessary to make it different from the G8, not only in size and representativeness but also in effectiveness and in the way that it functions. Viewing summitry as a multidimensional process based on new forms of strategic, political, integrative, institutional, pragmatic, and inclusive leadership defines the focal points for institutional innovations for the G20 discussed in this book.

The transformation of G20 summitry put forth here involves a fluid, flexible, evolving set of processes and institutional innovations meant to move forward

continuously as additional G20 summits occur. The thirty-year history of the G8 is characterized by continuous change and adaptation to changes in circumstances. Such evolutionary transformation entails a search for new forms, modalities, processes, interactions, and procedures to strengthen the effectiveness of summits as complex events in which important consequences are at stake. The G8 summits not only became increasingly anomalous but also increasingly ineffective because the dynamics were stale and stultifying (see chapter 2 by John Kirton and chapter 3 by Ngaire Woods.)

The goal of innovations for G20 summits is *not* to be interpreted as an attempt to consolidate G20 summitry into a rigid set of rules and procedures so that G20 summits will endure and the twenty members that now compose it will prevail as permanent members for the next thirty years. Rather, the intent is to be conscious and intentional about the leadership, process, and institutional aspects in an attempt to avoid letting this transformative moment pass when innovations could be made that would enhance the productivity, meaning, and impact of summitry for the international community as a whole. (For a summary of innovations discussed in this volume, see the conclusion.)

The hope is that G20 summits will not be just annual events but opportunities through time for global guidance, policy innovation, and reform with enduring real consequences for people and nations everywhere. Then, the G20 will have made the transition from crisis committee to global steering committee and in the process transformed itself into a more representative, more effective, and hence more legitimate mechanism for global leadership than the G8 that preceded it.