
THE G-20: A PATHWAY TO EFFECTIVE MULTILATERALISM?

Juha Jokela

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The author

Juha Jokela is the Programme Director of the European Union research programme at the Finnish Institute of International Affairs (FIIA). He was a Senior Visiting Research Fellow at the European Union Institute for Security Studies from September 2009 to March 2010. Prior to this he was advisor at the Ministry for Foreign Affairs of Finland (2009), and Director of the University of Helsinki Network for European Studies (2008). At the FIIA, his research focuses on the role of the G-20 in global governance, regionalism and the EU's relations with Asia. His previous publications and research projects include *The Role of the European Union in Asia: China and India as Strategic Partners* (Ashgate, 2009 – co-edited with Bart Gaens and Eija Limnell) and *Europeanization and Foreign Policy: State Identity in Finland and Britain* (Routledge, 2010).

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Director: Álvaro de Vasconcelos

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Preface

Álvaro de Vasconcelos

The G-20 is the first expression of the recognition by leading powers that global governance needs to adapt to the new landscape of the altered distribution of world power. The United States and the European Union are coming to terms with a harsh reality: despite their combined strengths, the so-called 'West' is powerless to tackle major challenges, particularly when it comes to dealing with (and preventing future) financial crises. Given that throughout the twentieth century Western hegemony was based on its stewardship of the financial system and world trade, it is even more important for this new order to be acknowledged. It was no longer tenable or, indeed, reasonable to keep China, India or Brazil in the waiting room, depending on the magnanimity of the Western powers to be allowed to sit in as guests at the odd G-8 meeting. In this sense, the G-20 represents a first step in the right direction and signals the beginning of an adjustment of global initiatives and institutions to the realities of the twenty-first century.

Juha Jokela's *Chaillot Paper* is a pioneering study of the history of the G-20. It provides an extensive account of the G-20's first steps and an insightful exploration of the forum's scope for potentially taking on vaster spheres of competence, as well as an in-depth analysis of the challenges it represents to the European Union's international strategy. The paper convincingly argues that the G-20 and other forms of informal cooperation at global level constitute an important trend of the present international system that will persist well beyond the current financial crisis. In order to contribute to the 'multilateralisation' of the existing multipolar order, Juha Jokela's analysis suggests that the EU should support the further institutionalisation of such forums, and in particular the G-20, with the aim of strengthening norms- rather than interest-based multilateralism.

Going beyond its original role of dealing with economic and financial issues, the G-20 will almost certainly broaden its agenda to include climate change and development. However, the G-20 will not deal with security matters, which will remain the preserve of the UN Security Council. It is equally clear that the G-20 can neither replace the central role of international institutions like the WTO nor substitute for the in-depth reform of the IMF and the World Bank that is essential in

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order to reflect the shift in the configuration of power that has already taken place.

For the European Union, it is vital that an international order based on norms and rules takes root leading to a universal multilateral system that can accommodate all states, and not only the major powers. This requires a strategy for effective multilateralism that goes beyond a fixation on the role of the big powers. There are 192 UN member states, which means that 172 are excluded from the G-20. For an effective multilateral strategy, it is necessary to involve all states relevant to dealing with a given issue and this is only possible through the UN system. So the key question is how the G-20 dynamics will be reflected in the reform of the multilateral institutions necessary to adapt them to the power shifts that have taken place since the Second World War.

The G20 is also an initiative that can be considered as an instrument of effective multilateralism since it is clearly oriented towards the resolution of global challenges. As I have written elsewhere, 'effective multilateralism is ... a system designed to enable the states that form the international community to act together in confronting challenges, tackling and resolving problems. It is not a tool for mutual containment and resulting paralysis.'^{*} However, the G-20 cannot act as coordinator of all the contributions needed for an effective multilateral order to be set in place. That must be the role of a reformed United Nations. This process should start by recognising that the Security Council must be reformed so that at least India, Brazil and Africa have a permanent seat. The European Union should also seek representation in a reformed UN Security Council. Until such a time as the UN system can be meaningfully reformed, *ad hoc* initiatives like the G-20 will remain essential to ensure that the powers that have emerged and will continue to do so in the coming decade have a stake in global governance.

The question remains whether the European Union can have a real impact on the G-20 in the next few years, beyond the circumstance of one of its member states holding the presidency, without carefully rethinking the thorny issue of representation. It is debatable whether 'strength in numbers' is preferable to unified representation as a way of enhancing the EU's presence and coordinating role.

Paris, April 2011

^{*}Alvaro de Vasconcelos, "'Multilateralising" multipolarity', in Giovanni Grevi and Alvaro de Vasconcelos (eds.), 'Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia', *Chaillot Paper* no. 109, EU Institute for Security Studies, Paris, May 2008, p. 26.

Executive Summary

This *Chaillot Paper* focuses on the role of the Group of Twenty (G-20) in forging global governance based on multilateralism. The relevance of the paper is highlighted by two current and conflicting trends. On the one hand, global problems and crises require global solutions. No individual state or regional grouping is in a position to tackle interconnected challenges related to climate change, development and poverty reduction or financial and economic crises alone. On the other hand, global action and response has proven difficult to achieve partly because the number of important players on the world stage is increasing. Instead of US or European hegemony, world politics is marked by increasing multipolarity and it is clear that no individual actor is in a position to provide a global response to the current economic crisis or to restructure global governance.

These tendencies have been associated with the failure of multilateralism to tackle global challenges and crises. States have been rather reluctant to implement existing, or to create new, binding multilateral arrangements. Recurring examples of this include the failure to establish a post-Kyoto global climate regime, problems in promoting trade liberalisation within the World Trade Organization (WTO) framework, the hesitancy of major states to join the International Criminal Court (ICC) and agree on the principle of the 'Responsibility to Protect', the stagnation of United Nation reforms, and difficulties in reforming the global financial and economic governance institutions.

In the light of all this, the birth of the G-20 is a significant development in world politics. It reflects the emergence of new powerful states and a multipolar order as well as the recognition of increasing interdependence among the key actors. Although the group mirrors informal great power summitry rather than traditional multilateral arrangements, it has been portrayed as a forum within which major states can forge consensus on tackling global challenges, and inaugurate reforms of the global multilateral framework. Nevertheless, the emergence of the G-20 can also be seen as a defining moment in the development of global governance towards looser and informal cooperation frameworks. As

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such it may mark a departure from traditional legally-binding multilateral arrangements and strong global governance institutions.

Consequently, the G-20 is of central importance for the European Union's aim to forge an international order based on effective multilateralism. This strategic aim draws on the EU's own development based on deepening and expanding regional multilateral arrangements and strong European institutions with supranational features. While the experiences of European integration can indeed open up avenues to strengthen regional and global governance, an effective multilateral world order is clearly in the interest of the EU. It is seen to constitute a more favourable external environment for the EU. Conversely, a shift towards more informal global cooperation frameworks highlighting great powers politics would be counterproductive for the EU's developing external action.

This *Chaillot Paper* deals with these two possible developments and analyses both the opportunities and challenges confronting the G-20 in enhancing effective multilateralism. To this end it will focus on three dimensions of the G-20: (i) its origins and development; (ii) its role with respect to the development of multilateralism and (iii) the way in which both old and new key actors engage with this new forum.

The first two chapters discuss the emergence of the group at ministerial level in 1999, and at head-of-state and government level in 2008. The first chapter suggests that the decision to upgrade the group to a summit at leaders' level resulted in a rather lengthy process to bring G-summitry up to date with the changing realities of the world economy and politics, namely the increasing interdependency of states and the advent of emerging economies and powers. This process was punctuated by the Asian financial crisis in 1997 and the global financial crisis in 2008. While the former highlighted the increasing interdependence among the highly industrialised and emerging economies, the latter demonstrated the extent of the transition in the world order and forced the key stakeholders to come to terms with the changed reality of the world economy.

However, one of the key conclusions of the chapter is that the composition of the group raised serious political considerations regarding its representativeness and legitimacy, quite apart from its economic agenda. The economic indicators suggesting systemic importance of the G-20 members were surely important, but the debate over the membership largely focused on political aspects of the process such as influence and fairness within the G-summitry as well as multilateral global arrangements. While the newcomers were increasingly able to voice their concerns, the formation of the group in 1999 was heavily shaped by the G-7. Moreover, the decision to upgrade the group to leaders' level

in 2008 was initiated by the Europeans and the US administration. Arguably, this enabled them to postpone questions related to the reform of the G-8 and steer the development of the G-20 towards financial and economic governance.

The second chapter argues that, while the development of the group has been crisis-driven, it now occupies a central position in the arena of financial and economic global governance, and there are attempts to further consolidate the forum's standing in the post-crisis environment. Relatedly, there is some evidence that its agenda is broadening to the other fields of global governance. This is not surprising as many of the current global challenges are interconnected and formal multilateral arrangements have proven rather ineffective in tackling global problems.

It is however argued that while the group has taken some cautious steps towards including development-related issues, energy security and climate change funding on its agenda, the high hopes vested in the group as the new engine of global governance have not materialised. On the contrary, the group seems to have lost at least some of its momentum and currently its performance, even in the domain of its core policy fields, indicates only limited success. In terms of multilateralism, the group's informal and complementary character has been further highlighted. Indeed its further institutionalisation and relationship with the existing multilateral global architecture have proven to be rather contentious and has raised divisive questions both within and outside the group. Consequently, faith in its reformative power in the light of the 'crisis of multilateralism' has proven to be premature.

The third chapter analyses developments in multilateralism as it relates to global governance more generally in the face of the ongoing transformation of the world order. The chapter argues that the type of multilateralism envisaged by the G-20 process may indeed imply a further departure from traditional norms-based multilateralism and a move towards an interests-based notion of multilateral cooperation. While there is some evidence that lighter and informal forms of multilateral cooperation (such as the G-groups) can enhance the efficiency of global problem-solving and help the key stakeholders recognise their deep interdependency and act accordingly, these can also turn out to be rather toxic for some key features of multilateralism. They can highlight the interests of the most powerful and undermine the trust of the weaker states in the binding nature of common norms and rules.

To analyse this trend, the fourth chapter of the paper examines the way in which both old and new global players engage with the G-20 in order to further elucidate the direction of global governance and multilateralism forged by the G-20.

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The analysis provides very little evidence of the ability of the G-20 to gear global governance towards deeper and norms-based multilateralism. Rather it suggests that currently the G-20 process points towards an opposite development. It highlights interests-based and rather limited notions of multilateralism, which at times seem to be merely an extension of great power politics. The chapter also finds only limited evidence for the group's ability to make global governance institutions stronger or promote new arrangements such as a global climate regime. Indeed the forum establishes a pivotal platform for global cooperation which is nevertheless external to the formal multilateral architecture.

This being said, the lively debate over the group's legitimacy and relationship with the formal international financial institutions and the UN system has opened up some avenues towards enhancing the multilateral order. The birth of this new important global governance structure could speed up the reform processes of the formal institutions. An element of healthy rivalry can give new impetus to these stagnated processes and strengthen the support for them among the more than 170 countries not included in the G-20.

Against this background, it is clear that the G-20 represents some significant challenges for the EU even if it is also true that it might yet open up some possibilities to enhance effective multilateralism. As the locus of the EU's influence, predicated on 'soft power', lies elsewhere than in the sphere of traditional power politics, it clearly has difficulties in shaping the G-20 process. Moreover, the G-20 may weaken the EU's own multilateral system and make its attempt to streamline its external action increasingly difficult.

The paper concludes that the EU and its Member States should fully take account of the challenges facing multilateralism. The EU's strategy to enhance global governance based on both effective and norms-based multilateralism would benefit from a clear vision on how to work to this end within informal global governance fora such as the G-20. Its strategy should continue to reflect a strong commitment to the founding principles of European integration, i.e. to norms-based multilateralism and strong European institutions.

CHAPTER 1

The history of the G-20

Introduction

The emergence of the G-20 as the primary forum of world economic cooperation is one of the most significant developments in global governance in the twenty-first century. It is linked to the ongoing transformation of the world order as well as the recognised need to find global solutions to problems which are progressively acquiring global dimensions. Against this background, the emergence of the G-20 has been seen as providing further evidence of the increasingly multipolar order and signalling the end of the West's domination of the world economy and politics. On the other hand, it has been viewed as a response to the increasing interdependence forged by globalisation. Relatedly, its development has been associated with a poorly functioning global governance system.

While the future of the G-20 is still unknown, an analysis of its evolution is useful to assess its importance and impact for global governance and multilateralism. To do that, this chapter will analyse the major steps of its development. It will set the scene for discussion by briefly analysing the development of 'G-summitry' in the post-war era. It will then outline and analyse the formation of the G-20 at ministerial and central bank chief executive level in 1999 as well as the group's functioning prior to the leaders' level summit in 2008. Finally, it will discuss the process which led to the establishment of the leaders' level G-20.

The chapter concludes with three key observations. First the establishment of the G-20 at leaders' level did not come out of the blue. Rather, it resulted from a rather lengthy process, reflecting the transformation of the world economic and political order. Second, the debate over its membership suggests significant political considerations related to the group's representativeness and legitimacy. This is hardly surprising. However, this chapter's analysis envisages that the composition of the membership was accompanied by far more extensive political debate than is commonly supposed. Third, while the group is clearly informal in character and is not officially linked with the formal global governance

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institutions, the linkage was explicitly discussed and indeed highlighted by the G-7 and membership candidate countries' deputies during the formative period. Moreover, options to link it directly with the Bretton Woods system were on the table in 1999. The decision to establish the group at the leaders' level has further consolidated its standing and the future of the group is currently the subject of lively debate.

The birth of the G-20

The G-20 was established in 1999 with the initial aim of fostering global financial stability through enhanced cooperation among the systemically important economies as well as through reform of the global financial governance architecture including the key institutions. A broader group comprising finance ministers and central bank governors from major developing, and emerging economies, as well as from the major industrialised countries and the EU, was deemed necessary not only due to the increasing importance of the emerging markets but also because of the increased interdependency among systemically important economies.

Before the formation of the G-20, the financial ministers and central bank governors of the key developed and emerging markets as well as the representatives of the International Monetary Fund (IMF) and the World Bank met four times in different assemblages: twice in 1998 in the form of the G-22 and twice in 1999 in the form of the G-33. According to the stakeholders, the proposals made at these meetings to reduce instabilities in the world economy demonstrated the potential benefits of 'a regular international consultative forum embracing the emerging market-countries.'¹ However, and despite broad agreement, the number of members, the membership criteria as well as the new forums' links to the formal multilateral financial and economic governance institutions gave rise to considerable debate.

It is important to note that the formation of the G-20 and the debates surrounding it have a rather long history. The role of G-summitry has been discussed among policy-makers and scholars ever since the first informal meeting among major powers foreshadowed its present-day incarnation in the 1960s. A brief summary of the development of G-summitry is helpful to set the scene for the 1999 and 2008 developments.

Development of the present-day G-summitry

From the 1960s, cooperation among major states began to emerge to complement and to some extent replace the formal organisations that had hitherto drawn up the guidelines of international financial

1. See 'About G-20' (n.d). Available online at: http://www.g20.org/about_what_is_g20.aspx.

management, the first one being the Group of Ten (G-10), which included eleven leading Western industrial countries.²

The G-10 held several ministerial-level meetings from 1963 onwards aimed at rescuing the Bretton Woods fixed exchange rate system and in this capacity arguably replaced the role of the Board of Executive Directors of the International Monetary Fund (IMF). It also played a key role in ‘the agreement which terminated the dollar-gold convertibility that had been the basis of the post-war international monetary system’.³ Moreover, the G-10 established the Basel Committee on Banking Supervision (BCBS) in 1974 to set up recommendations for banking standards.

The G-10 was replaced in the mid-1970s by the G-7, which was convened by France at leaders’ level to solve problems related to currency stability after the first oil crisis in 1973.⁴ Initial meetings only included five countries, namely France, Japan, the UK, the US and West Germany. By 1976 Canada and Italy had also been invited to join the club and the European Commission was also represented in the meetings.

Initially the G-7 focused rather exclusively on exchange rate policies and related issues, but over time the agenda was broadened to include any topical problem of the world economy. The G-7 established the Financial Action Task Force on Money Laundering (FATF) to combat money laundering and financing of terrorist groups in 1989. The Financial Stability Forum (FSF) was established by the G-7 in 1999 to promote cooperation among national and international financial institutions and supervisory bodies. Moreover, over time the G-7 has become a key forum for addressing development issues.

The G-7 has also addressed political and security challenges and transnational issues such as the environment, terrorism and illegal drugs. Moreover, observers have suggested, contrary to what was asserted in official documentation, that already at the Rambouillet Summit in 1975 several political and security issues were addressed. These included Spain’s development after Franco’s death, the US-Soviet SALT negotiations and the West’s relations with China.⁵

The 1976 meeting discussed nuclear energy while aircraft hijacking was on the agenda of the 1977 Bonn summit. In Venice in 1980 leaders addressed the Soviet invasion of Afghanistan and the occupation of the US embassy in Teheran as additional issues. At the 1981 Ottawa meeting they addressed aid to developing countries, East-West trade relations and terrorism alongside economic issues. Following meetings addressed the Israeli invasion of Lebanon, US cruise and Pershing II missiles in Europe, democratic values and the Iran-Iraq war. Over the years the political and security agenda has become increasingly important and it has included issues ranging from Soviet withdrawal

2. These were eight countries represented in the Board of Directors of the Bank for International Settlements (BIS) – the UK, France, West Germany, Italy, Belgium, the Netherlands, Sweden and Switzerland – as well as the US, Canada and Japan. See Tapani Paavonen, ‘A New World Economic Order: Overhauling the Global Economic Governance as a Result of the Financial Crisis, 2008-2009’, *FIIA Report 24*, The Finnish Institute of International Affairs, 2010, pp. 33-4.
3. See Paavonen, op. cit. in note 2.
4. The group continued to work also at ministerial and central bank governors’ level.
5. See James Callaghan, *Time and Change* (London: Collins, 1987), p. 480.

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from Eastern Europe, climate change, UN reforms and human rights among others.⁶

As an informal forum, the membership and purpose of the G-7 has been under constant evaluation. At the beginning of the 1990s, many observers expressed concerns about the functioning of the group. Some pondered whether it should be abolished altogether due to its lacklustre performance and retreat from its original functioning principles.⁷ While some of its members were concerned that the G-7 meetings were losing their original personal character and becoming institutional and bureaucratic, the usefulness of some kind of informal talks among the leaders of the key economies was seen as necessary to discuss post-Cold War challenges and to forge consensus among the most important states on shaping the world order. Therefore the actual debate focused mostly on the functioning principles, further institutionalisation and the agenda of the group. The issue of the group's representativeness was also addressed to some extent.

While the members of the G-7 highlighted the informal character of the forum enabling personal and frank discussions among ministers and heads of state and governments as a source of its effectiveness and added value in global governance, some suggested further institutionalisation as a way forward. This included proposals for a secretariat and an institutionalised council of ministers (including foreign and financial ministers).⁸

The question of the agenda of the G-7 and the priorities on which it should concentrate was linked to its membership and functioning principles. It was suggested that a revitalised G-7 process should focus on the core macroeconomic issues, keeping the membership small and the summit proceedings simple and flexible. Yet it should develop relations with other countries and groups of countries.

An alternative scenario envisaged an incremental process of expanding both the membership – including states and international organisations – and agenda of the group which would increase in complexity and lead to 'creeping institutionalism'.⁹

These scenarios were also discussed in the light of G-summitry's role in global governance and its links with other more formal institutions set up by multilateral agreements. Observers pointed out that Germany, for instance, resisted attempts to establish a G-7 secretariat and would rather see other international organisations such as the OECD, the IMF and the World Bank assume follow-up and monitoring of summit proposals.¹⁰

6. For an overview of summit themes and topics, see Peter I. Hajnal, *The G-8 System and the G-20: Evolution, Role and Documentation* (Aldershot: Ashgate, 2007), pp. 55-60.

7. *Ibid.*, p. 159.

8. See Andrea de Guttry, 'The Institutional Configuration of the G-7 Summits', *The International Spectator*, vol. 29, no. 2, Special Issue, April/June 1994, pp. 67-80; and John Ikenberry, 'Salvaging the G-7', *Foreign Affairs*, vol. 72, no. 2, 1993, pp. 132-3, both cited in Hajnal, *op. cit.* in note 6, p. 160.

9. Hajnal, *op. cit.* in note 6, pp. 159-61.

10. Hanns W. Maull, 'Germany at the Summit', in 'The Future of the G-7 Summits', *The International Spectator*, Special Issue, vol. 29, no. 2, 1994, pp. 112-39, cited in Hajnal, *op. cit.* in note 6, p. 160.

Towards the end of the 1990s, broadening of the membership was increasingly discussed by the observers although it did not gain wide support among the G-7 members. It was suggested that the very concept of the G-7 had become compromised as it distorted global realities. In particular, Russia was seen as deserving a seat at the table, but observers also noted the increasing role of China, India and Brazil.

The 1998 Birmingham summit officially integrated Russia into the group and established the G-8. Russia had already participated in the political discussions of the G-7 since 1994. However, and interestingly, the G-7 continued to exist on the ministerial and summit levels alongside the G-8 until 2002.¹¹

Even today the G-7 still exists as a grouping of finance ministers. The recent sovereign debt crisis in Europe affecting the future of the euro-zone has been addressed by the G-7 finance ministers and central banks, through coordinated announcements stating support for the euro.

The continuing salience of the G-7 illustrates the rather fluid nature of G-summitry. The major players use forums which seem most appropriate to tackle the challenges they are facing. On the one hand this reflects rational calculation related to the needed response. On the other hand, it provides a pathway for the most powerful states to give up their influence only when deemed necessary to solve an ongoing or looming crisis.

Alongside Russia's entry, ideas to expand the G-8 to a G-10 possibly including China and India were restated in the late 1990s. To address the problems related to the efficiency and functioning of a larger group (e.g. the loss of the personal contact dimension), some interesting proposals were put forward by scholars and think tankers.

Sylvia Ostry suggested different tiers for the G-process. The innermost would include the US, Germany and Japan and constitute the core of the cooperation. This inner circle would be able to provide leadership and manage key challenges by combining power with responsibility. The second tier would be the existing G-8, perhaps also including China. This tier could potentially deal with geopolitical, security and other global issues. The outer tier would embrace major regional powers such as India, Brazil, Argentina, Australia and South Africa. They would act as representatives of their regions, providing the G-process with legitimacy embedded in wider representation.¹²

The beginning of the 2000s saw one of the most far-reaching reform proposals: the establishment of a G-20 at leaders' level (the proposal is also known as the 'L-20'). The idea of the upgraded G-20 was embraced by Canadian Prime Minister Paul Martin in 2005. He had been the first chair of the finance ministers and central bank governors G-20 (as

11. Hajnal, *op. cit.* in note 6, p. 41.

12. See Sylvia Ostry, 'Globalization and the G8: Could Kananaskis Set a New Direction?', O.D. Skelton Memorial Lecture, Queens University, Department of Foreign Affairs and International Trade, 2002. Available online at: www.utoronto.ca/cis/skeltonlecture_ostry2002.doc. Ostry's model cited in Hajnal, *op. cit.* in note 6, p. 41.

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the former Canadian finance minister). The idea had been previously promoted by some scholars. Wendy Dobson, for instance, noted in 2001 that the challenges to leaders have changed since the Cold War era and that the idea of a G-3 or G-7 as the core of G-cooperation is no longer acceptable: according to her view, what is needed as a basis to govern is consensus among a wider group of countries.¹³

The role of Canada is notable also in analytical terms. Canadian think tanks and research institutions – namely the Centre for International Governance Innovation (CIGI) and Victoria University Centre for Global Studies (CFGS) – have examined in detail the ramifications of the transformation of the G-20 to leaders' level.¹⁴ Other key observers and scholars of global governance joined the discussion and a lively debate took place in the mid-2000s, a couple of years before the 2008 financial crisis and the meltdown of the US economy with its unprecedented global repercussions.

Significantly, analysts widely shared the perceptions that structural change had taken place in the world economy in the light of the increasing importance of the major emerging economies such as China, India, Mexico, Brazil, South Korea and to some extent South Africa. They also suggested that this would inevitably reduce the role of the G-7 and G-8 and require broader forums. Many also noted that this would be both rational and just, as it would help to bridge the legitimacy gap of the G-7/8.¹⁵

Proposals to upgrade the G-20 and renegotiate its relationship with the G-7 and G-8 took several forms. A prominent expert in G-summitry, John Kirton, identified three tendencies and scenarios: (i) the 'rejectionists' took the view that the L-20 would be problematic as it would stretch the group beyond its competences, traditionally embedded in global financial coordination; (ii) the 'reinforcers' suggested that an *ad hoc* or permanent L-20 would complement existing governance institutions; and (iii) the 'replacers' argued that the G-20 should replace the G-7 and G-8. Kirton himself advocated co-existence of the G-8 and G-20.

Anne-Marie Slaughter – a scholar who has been highlighting the importance of government networks in global governance – shared Kirton's view. She argued that the G-20 should be transformed into a more robust institution which deserves a presence in major international organisations. In her view the G-20 could also draw on the other networks in which the members are participants.¹⁶

On a political level plans to upgrade the G-20 to the leaders' level received a generally positive, albeit low-key, response among major emerging powers. On the one hand, the increasing interdependency of world states and economies was noted and changing realities in

13. Hajnal, *op. cit.* in note 6, p. 161.

14. *Ibid.*, p. 41.

15. See Richard Higgot, 'Multilateralism and the Limits of Global Governance', CSGR Working Paper no. 134, May 2004.

16. See Anne-Marie Slaughter, 'Government networks, world order and the L-20', in John English, Ramesh Thakur and Andrew F. Cooper (eds.), *Reforming from the Top: A Leaders' 20 Summit* (New York: United Nations University Press, 2005), pp. 281-95.

terms of the distribution of economic weight and political power were mentioned. Relatedly, the legitimacy question in global governance was frequently raised. On the other hand, and interestingly, the available documentation suggests that the key emerging economies seemed to be somewhat hesitant in claiming seats in the G-groups up until the late 2000s.

Observers noted that Brazil's position on the L-20 was positive though sceptical,¹⁷ while China viewed the suggested upgrade as premature.¹⁸ It was also noted that China did not really wish to become a member of the G-8, although it had entered into dialogue with it. India as well as South Africa saw restructuring as needed, but both emphasised that restructuring of the G-8 must enhance cooperation among developing countries and take into account their potential.¹⁹

The mild reactions could be explained by the relatively low importance of the established ministerial level G-20 and perceptions suggesting an overall diminishing importance of the G-8 and increasing role of the treaty-based multilateral and regional arrangements. The real struggle for global recognition and power was seen to be located within the UN system, Bretton Woods institutions and the World Trade Organisation (WTO), for instance.

Another explanation could be found in these states' international role as the representatives of the developing world (for instance within the UN system). Full inclusion in the informal clubs of the most powerful economies could damage their traditional role and powerbase in global governance.

Against this background, the report by the high-level UN panel on threats, challenges and change published in 2004 is an interesting document. In terms of achieving policy consensus on pressing global challenges, it reasoned that while 'the annual meetings of the G-8 group at head of state and government level fulfil some characteristics required to give greater coherence and impetus to the necessary policies, it would be helpful to have a larger forum bringing together the heads of the major developed and developing countries.'²⁰

The panel noted that one way of moving forward may be to transform the ministerial level G-20 into a leaders' forum that would bring together leaders of key players collectively accounting for 80 percent of the world's population and 90 percent of the world's economic activity. The panel also suggested that in addition to the heads of the IMF, World Bank, WTO and the EU, the group should include the UN Secretary-General and the President of the Economic and Social Council (ECOSOC) of the UN to ensure strong support for the UN programmes and initiatives.

17. See R.U. Sennes and Barbosa de Freitas, 'Brazil's multiple forms of external engagement: Foreign policy dilemmas', in *Reforming from the Top*, op. cit. in note 16, pp.201-29.

18. See Yu Yongding, 'China's evolving global view', in *Reforming from the Top*, op. cit. in note 16.

19. See Yoginder K. Alagh, 'On sherpas and coolies: The L20 and non-Brahmanical futures', in *Reforming from the Top*, op. cit. in note 16, pp. 169-86; Ian Taylor, 'South Africa: Beyond the impasse in global governance', in *ibid.*, pp. 230-59.

20. United Nations, 'A more secure world: our shared responsibility', Report of the High-Level Panel on Threats, Challenges and Change, United Nations, New York, 2004, p. 88.

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The UN high-level panel's rather positive view of the G-20, highlighting complementary aspects of the G-groups, is interesting, as in the immediate aftermath of the 2008 financial crisis the move to upgrade the G-20 to leaders' level sparked several concerns highlighting the competing rather than complementary character of the group *vis-à-vis* formal multilateral arrangements, including the UN. The main concern was that loose and more informal G-groups could weaken and even replace formal multilateral global governance structures and institutions.

Another significant observation is that the idea of the G-20 at leaders' level did not emerge out of the blue. On the contrary, its formation followed an intensive discussion concerning the future of global governance. Key features of the debate were the changing realities of world politics, namely the emergence of the new major economies, increasing global interdependence among various actors and the recognised need to increase governance of the world economy at a global level.

The emergence of the G-20 at ministerial level

The process which led to the formation of the G-20 in 1999 is well-documented by the group itself. In 2007, the forum decided to launch a study group to document and prepare a brief history of the G-20. This initiative was motivated by several considerations, and most of the members of the G-20 took part in the process.

The approaching tenth anniversary was seen as an appropriate time to reflect on and evaluate the G-20's origins, development and performance. Moreover, due to its informal character it was deemed useful to gather the views and perceptions of individuals who were key in the formation of the group before too much time had elapsed and memories fade. Significantly, the initiative was also inspired by deliberations related to its future role in global governance.²¹

According to the documentation the mandate and membership of the proposed new group and its links with other global financial and economic institutions were the subject of intense discussion during 1999.

The idea to set up a forum to facilitate cooperation among systemically important economies was clarified in June 1999 at the Cologne summit of G-7 finance ministers. Their report argued that the new forum should have a role in 'discussions on how to adapt the international financial system to the changing global environment'.²² In practice this meant that a number of non-G-7 members should be taken onboard in steering global financial governance. The G-20's role in promoting wider institutional change was also underlined. This was further emphasised by the fact that, at its birth, the G-7 ministers also agreed to reform the Interim Committee of the IMF. This body was replaced by

21. The documentation is based on 16 interviews, which were conducted with key officials who were involved in the creation of the forum, and who took part in G-20 meetings during its formative years. In addition, members provided their views on the functioning of the group and past chairs supplied summaries of their host years along with supporting documents and communiqués. See G-20 study group, 'The Group of Twenty: A History', 2007, pp.7-8. Available at: <http://www.g20.utoronto.ca>.

22. *Ibid.*, p. 18.

the International Monetary and Financial Committee (IMFC) in what was seen as a move to reinforce and streamline the role of this advisory body to the IMF governors.

Given the Asian financial crisis at the time, the focus of discussion on the mandate were clearly on financial stability issues. By autumn 1999, G-7 ministers and central bank governors decided to propose a rather broad mandate, which included the promotion of ‘cooperation to achieve sustainable world economic growth for all’.²³ This mandate – ratified by the ministers and governors of what became the G-20 at the Berlin summit in 1999 – clearly indicated that the new group would aim to become the key forum of the future financial and economic cooperation.

The new group’s relationship with the Bretton Woods institutions was also discussed and outlined during 1999. Two plans envisaged a direct institutional link between the G-20, the IMF and the World Bank. While the first one would have included the IMF and the World Bank as full participants and linked the presidency of the G-20 with these institutions, the second suggested a presidency headed by the G-7 chair, as well as by the chairs of the IMFC and the Development Committee (of the IMF and the World Bank). The third and adopted option suggested a rotating and separate G-20 chair and *ex officio* status for the two heads of the two Bretton Woods institutions in the group. According to the G-7 deputies, this embedded the G-20 strongly ‘within the structure of the Bretton Woods framework’ and provided a degree of independence.²⁴

While the adopted procedures gave the newcomers the possibility of chairing the group, the independent role of the group also helped to avoid potential controversies related to the procedural and legalistic questions in setting up new official governance bodies and reforming the established ones. While the G-7 and G-20 countries constitute a powerful group within the Bretton Woods institutions, they are not officially part of this framework based on multilateral treaties and officially linked also with the United Nations system. Against this background, linking the G-20 with Bretton Woods institutions and/or taking decisions on the reforms of the framework in G-fora was a politically sensitive question.

Membership

As an informal group of countries there is no codified list of criteria determining the membership of the G-20. As the G-7 assumed a central role in its formation, its deputies played a leading role in drawing up a membership list for the G-20. Given the broader debate on the role

23. *Ibid.*, p. 19.

24. *Ibid.*, p. 20.

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and reform of G-summitry, emerging economies and global governance institutions had some input in the process.

The common understanding of the G-20 stresses the members' economic weight (i.e. 'systemic importance') as the key membership criteria. In this sense the membership can be viewed as being based on objective data such as the commonly accepted economic indicators of a country. However, and as Table 1 suggests, economic weight does not automatically translate into a seat at the G-20. Indeed, the deliberations related to the formation of the new group highlighted the political nature of the process.

Table 1. Top 30 economies in 1998 and 2008 measured by GDP \$billion (PPP*)

Rg**	Country***	GDP	Rg**	Country***	GDP
1	United States	8,793	1	United States	14,441
2	Japan	3,017	↑	China	7,926
3	China	2,492	↓	Japan	4,356
4	Germany	1,987	↑	India	3,298
5	France	1,379	↓	Germany	2,918
6	United Kingdom	1,360	↑	Russia	2,264
7	India	1,300	↓	United Kingdom	2,228
8	Italy	1,281	↓	France	2,130
9	Brazil	1,138	9	Brazil	1,984
10	Russia	926	↓	Italy	1,818
11	Mexico	911	11	Mexico	1,551
12	Spain	890	12	Spain	990
13	Canada	771	↑	Korea	1,344
14	Korea	621	↓	Canada	1,300
15	Turkey	479	15	Turkey	915
16	Australia	461	↑	Indonesia	910
17	Indonesia	456	↑	Islamic Republic of Iran	890
18	Netherlands	400	↓	Australia	799
19	Islamic Republic of Iran	390	↑	Taiwan Province of China	790
20	Taiwan Province of China	380	↓	Netherlands	690
21	Poland	350	21	Poland	600
22	Argentina	341	↑	Saudi Arabia	593
23	Saudi Arabia	327	↓	Argentina	573
24	Thailand	290	24	Thailand	490
25	South Africa	266	25	South Africa	493
26	Belgium	250	↑	Egypt	490
27	Colombia	240	↑	Pakistan	490
28	Pakistan	230	↓	Colombia	490
29	Egypt	220	↓	Belgium	490
30	Saudi Arabia	210	↑	Malaysia	490

*Gross domestic product based on purchasing-power-parity (PPP) valuation of country GDP.

**Rg = Ranking. The arrow ↑ & ↓ indicate whether a country went up or down the ranking between 1998 and 2008.

***Countries in bold are those included in the G-20.

Source: IMF, World Economic Outlook, October 2009
(<http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx>)

First, and in relation to the member candidates' systemic importance, their ability to contribute to world financial and economic stability was emphasised by the G-7. Second, it was agreed that the group must be representative of the global economy and balanced in regional

terms. The third general criteria related to the size of the group. It was accepted that it should be small enough – consisting of a maximum of 20 members – to facilitate open and frank discussion.²⁵

Against this background, some countries, whose GDP in 1998 clearly showed systemic significance, were excluded, and some countries with lower GDP were included. GDP is not however the only economic indicator of countries' systemic importance in the global economy. Systemic importance can also reflect some specific features of major economies such as possession of capital and natural resources, rare materials, key technologies or human resources. Interestingly, discussions related to these aspects were not recorded in the documentation available nor was great significance attached to them in the interviews of the G-7 deputies featured in the G-20's own study of its origins and development. Again, the key to understanding the current composition of the G-20 lies in the political debates related to the groups' representativeness and legitimacy.

One of the key issues was the number of European countries. The four European G-7 countries – France, Germany, Italy and the UK – secured a seat in the G-20. However, granting membership to non-G-7 major developed or emerging European economies with systemic importance such as Spain, Netherlands and Poland was ruled out. The G-7 did, however, agree to invite the EU, represented by the finance minister of the country holding the EU presidency and the European Central Bank, to join the group. It was argued that the inclusion of the EU provided all the EU members with indirect representation in the group²⁶ and therefore opened up the possibility of vacant seats being offered to others.

The European economies were still eager to join the club and they restated their aspirations when the group was upgraded to the leaders' level. Spain and the Netherlands were both invited to attend summits in Washington (2008), London (2009) and Toronto (2010). However, only Spain received an invitation to attend the second summit in 2010 in Seoul.

Another reason for the EU's representation in the G-20, often mentioned by EU officials, derives from practical considerations related to the G-20's effectiveness. The supranational features of monetary union and the European single market make EU membership rational in the light of the effective implementation of the G-20's decisions.

In terms of balanced regional representation, extending membership to a number of African candidate countries was discussed during the formative period. However, ultimately only South Africa received an invitation. Observers have suggested that the under-representation of Africa in the group constitutes a challenge. Although the original mandate of the G-20 highlighted financial stability rather than development issues, decisions taken in the group were seen to have a broader impact. Moreover, and

25. *Ibid.*

26. *Ibid.*, p. 21.

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as Table 2 suggests, development issues were addressed in the G-20 meetings already in 2002. Many other items featured on the G-20 agendas from 1999 to 2007 such as reform of the Bretton Woods institutions, demographics and the economic impact of commodity cycles.

Table 2. Major themes discussed in the G20 meetings 1999-2007

Major themes	Year and chair									
	1999 Canada	2000 Canada	2001 Canada	2002 India	2003 Mexico	2004 Germany	2005 China	2006 Australia	2007 S. Africa	
Crisis Prevention & Resolution	X	X	X	X	X	X	-	-	-	
Challenges of Globalization	-	X	X	X	X	X	-	-	-	
Combating Terror Financing	-	-	X	X	X	X	-	-	-	
Development & Aid	-	-	-	X	X	-	X	X	-	
Financial Abuse / Financial Crime	-	-	-	-	X	X	X	-	-	
Institution Building in Financial Sector	-	-	-	-	X	X	-	-	-	
Demographics	-	-	-	-	-	X	X	X	-	
Regional Economic Integration	-	-	-	-	-	X	-	-	-	
Surveillance / Domestic Policies	-	-	-	-	-	X	X	X	X	
BWI Reform	-	-	-	-	-	-	X	X	X	
Commodities & Economic Impact	-	-	-	-	-	-	-	X	X	
Fiscal Policies	-	-	-	-	-	-	-	-	X	

Source: G20 (2008), 'The Group of Twenty: A History' (www.g20.utoronto.ca/docs/g20history.pdf).

Other noted political considerations included political instability in Indonesia, which was regarded as constituting a challenge for the country's effective participation. However, by the time of the Berlin ministerial meeting establishing the G-20, the situation had improved and Indonesia was included in the group. Interestingly, the G-20 documentation does not touch upon the memberships of Iran and Taiwan. While these countries' GDP suggested systemic importance, both countries have been subject to international controversy.

Some of the key personalities in the formation of the group have suggested that the purpose was to set up a forum which would be able to tackle political gridlocks in global governance. Therefore, important players with notable diverging points of view, such as China on global imbalances and India on trade, were brought on board.²⁷ Relatedly, Taiwan's unclear international standing and China's uncompromising position in the debate over Taiwan made it an unlikely candidate for G-20 membership.

Accordingly, while Turkey's membership was based on its economic weight, it also reflected some significant political considerations. As a member of NATO and due to its close ties with Europe, it was seen as a potentially constructive player, but also as 'contributing to the cultural, political and economic diversity' of the group.²⁸ In so doing, Turkey could provide a 'bridging function between Europe and Asia, as well as between advanced industrial economies and emerging markets'.²⁹

Turkey's inclusion may also have paved the way for Iran's exclusion. Lesage and Kaçar suggest that Iran, with greater economic weight and a larger population than Turkey, was too isolated, and as such 'not seen as an asset for the G-20'.³⁰

Nineteen states, the European Union and four *ex officio* members (the chairs of the IMFC and Development Committees, the managing director of the IMF and the president of the World Bank) were invited to the founding meeting of the G-20. Interestingly, in the light of the above debates over membership, the choice of the name of the group was aimed at putting an end to the deliberations. Instead of 'G-19', the name 'G-20' was adopted not only to reflect special recognition of the EU's membership, but also because it was felt that the round number would suggest finality in terms of the membership.³¹

Functioning and evolution of the G-20

In many respects, the new group followed the procedural arrangements of the G-7 at ministerial level. The group was based on the idea of an informal forum for debate and consensus-seeking. It did not adopt a charter or voting rules, and it did not aim to issue legally-binding

27. The first chairperson of the G20 then Canadian finance minister Paul Martin interviewed 24 August 2010 by Lesage and Kaçar (2010: 126).

28. Dries Lesage and Yusuf Kaçar, 'Turkey's profile in the G20: emerging economy, middle power and bridge-builder', in *Studia Diplomatica - The Brussels Journal of International Relations*, vol. LXIII, no. 2, 2010, pp. 125-40; p.126

29. The first chairperson of the G20, Paul Martin, then Canadian finance minister (1993-2002) and subsequently Prime Minister (2003-2008), interviewed 24 August 2010 by Lesage and Kaçar, op. cit. in note 28, p. 126.

30. Ibid, p. 126.

31. Ibid, pp. 22-3.

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decisions in the form of treaties. The group was supported by neither permanent secretariat nor staff. These were provided by the chairing country.

The G-7's role in setting up the procedural practices of the new group was significant. It decided to invite Canada, whose finance minister Paul Martin had considerable expertise in G-summitry, to chair the group for a two-year period. The choice of the following chair country, India, emerged through an extensive consultation process within the group. The tenure of the chair was amended to one year and a troika, consisting of the previous, current and upcoming chairs, was set up to enhance continuity. In this process equal standing of the members and regional balance was considered carefully and the deliberations as well as decisions reflected the aspiration to incorporate emerging economies more adequately in global decision-making.

The agenda of the G-20 evolved during the years 1999-2007, as Table 2 suggests. According to the members' assessment, however, it correlated well with the original mandate of the group. Interestingly, the importance of financial stability faded during the 2000s and focus shifted towards longer-term economic issues. The group also demonstrated reactivity in response to new global challenges. It responded swiftly to the 11 September 2001 terrorist attacks by adopting an Action Plan on Terrorist Financing. Its discussion on development aid resulted from the backdrop of monetary consensus and the Millennium Development Goals. The economic impact of vulnerability to commodity price fluctuations made its way onto its agenda due to increasing concerns over the energy process and supply.

Although the G-20 did not move into the spotlight of world politics until the 2008 financial and economic crisis, the 2007 evaluation based on its members' assessments indicates its relevance and effectiveness. While the members noted that its performance could be further improved in the field of policy coordination, others pointed out that the group's focus was not on policy coordination but cooperation. Against this background Mexico's finance minister, for instance, noted that the G-20 had managed to establish space for interaction among advantaged and emerging economies.³² Against this background the US Treasury paper described the group 'as a key forum for broader dialogue on key international economic and financial issues' and a 'highly valuable... new piece of global architecture.'³³

However, and as the above discussion of the background of G-summitry suggests, observers' and scholars' reaction was mixed. The role and performance of the group have been broadly acknowledged, but its future is uncertain.

32. V. Rubio Márquez, 'The G-20: A Practitioner's Perspective', in Ngaire Woods and Leonardo Martínez-Díaz (eds.), *Networks of Influence? Developing Countries in a Networked Global Order* (Oxford: Oxford University Press, 2009), p. 23.

33. Mark Sobel and Louellen Stedman, 'The Evolution of the G7 and Economic Policy Coordination', *Occasional Paper* no. 3, US Department of the Treasury, Office of International Affairs, July 2006, cited in 'The Group of Twenty: A History', op. cit. in note 21, p. 51.

This reflects concerns related to the launch of the new group in the already crowded field of global governance and its relationship with other institutions and groups. For instance, the ministerial level G-20 did not replace the ministerial level G-7 meetings. The proposals to establish a leaders' level G-20 or to broaden the membership of the leaders' G-8 did not gain traction, given the increasing pressure to incorporate emerging economies in G-summitry.

Moreover, while the G-20 has been successful in promoting reform of the Bretton Woods institutions – namely the quota reforms aimed at giving a greater say to the emerging economies in the decision-making of these bodies – the process has been painfully slow. As the group has no formal link with multilateral bodies or legal standing, its future relevance has been under constant evaluation.

Nevertheless, the G-20 can be viewed as a landmark development in incorporating emerging economies into the global governance architecture. The preoccupation with legitimacy is underscored by some significant interests. The emerging powers were motivated by rational calculations concerning their influence and aspirations to shape the global financial architecture, on which they were increasingly dependent. On the other hand, the motivation behind the advanced economies' efforts to bring the emerging economies on board can be ascribed to their recognition of increased interdependencies and global challenges as well as their desire to increase burden-sharing in tackling joint problems.

Against this background, the decision to upgrade the G-20 to leaders' level and the subsequent announcement that it was being made the primary forum for economic cooperation among world leaders suggests the group's continuing salience as well as broad international commitment to the group in the future.

The emergence of the G-20 at leaders' level

Although the formation of the G-20 in 1999 was supported by many, it remained a rather low-key forum until it was called upon by heads of states and governments to address the rapidly escalating financial crisis in 2008. After leaders' level summits in Washington (2008) and London (2009), the G-20 countries decided to put in place a coordinated support and stimulus package worth USD 5 trillion to prevent the collapse of the global financial system,³⁴ with unprecedented global economic ramifications.

The G-20 states also restated their commitment to keep their markets open and refrain from protectionist tendencies in world trade. They re-articulated their commitment to reforming the global financial

34. Colin I. Bradford and Johannes F. Linn, 'The April 2009 London G-20 Summit in Retrospect', Brookings, 201. Available at: http://www.brookings.edu/opinions/2010/0405_g20_summit_linn.aspx.

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and economic governance structures and institutions, with particular focus on financial market regulation. Relatedly, the meetings signalled reforms which would highlight the influence and responsibilities of the emerging economies in global governance institutions such as the IMF and World Bank.

At the Pittsburgh summit in 2009, the leaders noted that their decisive action had eased the severe economic downturn although the situation remained critical. However, and in order to address the ongoing challenges, they declared that the G-20 would replace the G-8 as the world's main forum for economic cooperation.

Although this major change came about rapidly, it was to some extent anticipated. As suggested above, the role of the G-8 had been called into question for quite some time. On the other hand, the move from the G-8 to the G-20 was not the only solution on the table. Indeed, many had seen the gradual inclusion of the so-called Outreach 5 countries – Brazil, China, India, Mexico and South Africa – into the G-8 and emerging G-14 as a more likely outcome.

Some more radical proposals were also voiced. Dissatisfaction over the development of Russia's market economy and political system culminated after the Georgian war in calls to exclude Russia from the group. The US Republican Presidential candidate John McCain stated, for instance, that the G-8 should again become 'a club of leading market democracies: it should include Brazil and India but exclude Russia.'³⁵ Significantly, China would also have been excluded. Whether McCain's reasoning, if elected, would have translated into US policy is a matter of speculation. However, his statements suggest that some significant concerns existed in the Republican Party on the issue of G-8 expansion.

The G-8 outreach process was initiated in Heiligendamm in Germany (2007) and continued in L'Aquila in Italy (2009). These G-8 summits formally incorporated the Outreach 5 countries with visible support from the European G-8 members, in particular the host countries and France. The UK Prime Minister Tony Blair had expressed his support already in 2006. He stated that 'the G8 now regularly meets as the G8+5. That should be the norm.'³⁶ The newest member of the group, Russia, also supported the expansion plans. On a more general level Russia suggested that the international financial institutions should reflect changes in the global economy. Russian Foreign Minister Sergei Lavrov stated in 2007 that Russia accepted the new multipolar order and actively sought to play a balancing role in global affairs and explicitly aimed to become a bridge builder between the advanced economies and developing world.³⁷

35. Steve Holland, 'McCain would exclude Russia from G-8 nations', Reuters, 15 October 2007. Available at: www.reuters.com.

36. Tony Blair, 'Our Values Are Our Guide', *The Globe and Mail*, 27 May 2006, cited in Hajnal, *op. cit.* in note 6, p. 47.

37. Sergei Lavrov, 'The Foreign Policy of Russia: A New Phase.', in *Expert*, 17 December 2007, accessible on the website of the Russian Ministry of Foreign Affairs at: http://www.mid.ru/Brp_4.nsf/arh/969279EE85A9B046C32573B60048C175. Cited in Pamela A. Jordan, 'A Bridge Between the Global North and Africa? Putin's Russia and G8 Development Commitments', *African Studies Quarterly*, vol. 11, no. 4, pp. 83-115, p. 84.

In L'Aquila Italian Prime Minister Silvio Berlusconi argued: 'We saw that [the] G-8 is no longer a suitable format [...]. Instead, a consolidated G-14 representing 80% of the world economy could help create a real dialogue. We want to see if the G-14 is the best solution for debates which will bring to us unique results.'³⁸

However, while the G-8's efforts were welcomed, the ways in which the Outreach 5 arrangement was conducted was heavily criticised by the emerging economies. Some observers noted that due to strong resistance from non-European members of the G-8 (most notably, Japan, Canada and the US under the Bush administration), the process was steered by the G-8 without much input from or consultation with the emerging economies.³⁹

India was perhaps most vocal in its criticism. It suggested that the plans were half-hearted, with the invitees being denied full rights to participate. It was noted that the G-8 declarations were published even before the Outreach countries had a chance to meet the G-8 countries. On the eve of the Heiligendamm summit, India's Prime Minister Manmohan Singh stated that India wished to participate in the get-togethers of the rich as a partner rather than a petitioner. His protest against the condescending aspects of the Outreach process was echoed by China and Brazil.

Accordingly in L'Aquila the G-8 and Outreach 5 countries jointly prepared the declaration 'Promoting the Global Agenda' signed by leaders of the 14 countries. The first ever jointly-issued declaration sparked headlines such as 'The G-8 is dead, long live the G-14' in major emerging economies.⁴⁰

The course of world events, namely the rapidly escalating financial and economic crisis, geared the G-summitry to an alternative pathway, however. It was the G-20 and not the G-8+5 which was called upon to provide a rapid response to the crisis. While the leaders agreed that the scale of the crisis required a response from a broader forum than the G8, the decision to favour the G-20 over G-8+5 was not explicitly elaborated at the time of the first G-20 leaders' level meeting. This constitutes an interesting puzzle as the crisis surely generated a momentum to transform the G-8.

Even if announced by the White House, the G-20 summit was not President Bush's idea. Significantly, it was very much a European initiative, promoted by French President Sarkozy and UK Prime Minister Gordon Brown. Some officials have also noted German Chancellor Angela Merkel's role in persuading George W. Bush to take the lead in assembling the emergency summit.

38. 'G-8 is dead, long live G-14', *The Times of India*, 12 July 2009.

39. Andrew F. Cooper and Agata Antkiewicz, 'G20 for global governance: lessons from G8 outreach,' in *Studia Diplomatica – The Brussels Journal of International Relations*, vol. LXIII, no. 2, 2010, pp. 91-104; p. 93.

40. 'G-8 is dead, long live G-14', op. cit. in note 38.

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While the European leaders might have seen an opportunity to make political hay domestically by exhibiting strong leadership, some EU officials have noted that there existed a genuine perception that decisive action was needed and that the US as the source of the escalating crisis should take the initiative.⁴¹

The decision to invite the heads of states or governments of the G-20 countries to an emergency summit was a surprise to many. Looking back, it had however two significant advantages to recommend it. Firstly, the fact that the group existed already helped the Bush administration to avoid much of the controversy related to deciding who should be invited and who left out.⁴² Furthermore, the composition of the G-20 seemed adequate to address the 2008 financial and economic crisis. After all, the group saw daylight in the aftermath of the Asian financial meltdown in 1998 with its subsequent global repercussions, and its membership reflected the ongoing transformation of the world's economic order.

Secondly, the decision enabled the US (and other G-8 countries) to avoid taking a decision on the future of the G-8. In the light of the history outlined above, the expansion of the G-8 was not such a straightforward business and an emergency meeting of the G-8+5 could have signalled the full incorporation of the Outreach 5 countries and the birth of the G-14. This would have meant that over time the five new emerging economies would have participated in all G-8 activities, including political cooperation. This would have changed the group fundamentally. It would no longer have been a group of leading democracies with a shared commitment to democracy and the market economy. Moreover, the balance of power would have shifted significantly within the group and consensus on political, security and development issues would have been much more difficult to achieve.

As the G-20's role was initially limited to financial and economic cooperation, there was no immediate pressure to take decisive action on the future of the groups. Indeed the G-8's role as a major forum for key developed economies and a club of democratic powers was highlighted after the 2008 G-20 summit, and there is very little evidence that the G-8 is on the verge of decline.

Conclusion

Seen against the background of the post-Cold War developments in G-summitry, the emergence of the G-20 appears quite logical. The advent of economic globalisation and its attendant crises highlighted interdependence and the need to incorporate emerging economies in global economic governance. Significantly, the establishment of the

41. Authors' interviews with EU officials, Brussels, 2009.

42. Lex Rieffel, 'The G-20 Summit: What's It All About?', The Brookings Institution, 27 October 2008. Available at: http://www.brookings.edu/opinions/2008/1027_governance_rieffel.aspx.

G-20 at leaders' level can be viewed as a further consolidation of the transformation of the world's economic order. However this chapter has suggested that this transformation manifested in the rise of the G-20 also reflects profound political changes in global governance. While the economic weight and systemic importance of the major emerging economies provided the impetus for change, debate over membership (as well as the decisions adopted) reflected significant political considerations related to the group's efficiency, representativeness and legitimacy. Also, the emergence of the G-20 was linked to the perceived inefficiency of the established multilateral global financial governance system in preventing and addressing global crisis. However, the group's relationship with the existing formal international financial institutions was highlighted rather than downplayed. Indeed, some of the proposals on the table suggested establishing a direct link with the Bretton Woods institutions and a more formal standing in the global economic governance arena. While close working relations with the IMF and the World Bank have clearly improved the group's performance, its future position and agenda remain, however, unresolved. Against this background, the 2008 decision to upgrade the forum to the heads of states and governments level marked a significant turning point in the group's development, decisively shaping the future of global (economic) governance.

CHAPTER 2

The G-20 moment and the future development of the group

Introduction

The growing importance of the G-20 in global economic crisis management has attracted a considerable amount of scholarly and political attention. The development has been seen as reflecting the diminishing role of the West (i.e. major developed economies such as the US and the EU) and the increasing importance of China, India and Brazil among other emerging powers in the world economy and politics. For many, the G-20 process has also provided further evidence that the international order has shifted towards an increasingly multipolar world. Its informal character – G-groups are not established by a multilateral treaty – has sparked concerns related to the declining role of formal multilateral arrangements and institutions, including the UN system.

Moreover, the countries not included have been particularly sceptical about the G-20. At the Pittsburgh Summit, the Swedish Premier holding the rotating EU Presidency and therefore representing all EU Member States argued that ‘it should be self-evident that the countries affected by the G-20’s decisions should also be allowed to have their say in making them...’⁴³ A couple of days earlier Norway’s Foreign Minister, Jonas Gahr Støre, suggested creating a joint representation in the G-20 to his Swedish counterpart Carl Bildt and his other Nordic colleagues in Denmark, Finland and Iceland. While Sweden, Denmark and Finland are indirectly represented in the G-20 through the EU, Norway and Iceland do not have a say over the G-20 agenda or its decisions.

On the other hand, many noted that the G-20 provided a voice for the developing world and in so doing could serve as an instrument to make global governance more representative and legitimate. As such the G-20 was also seen to signal some hope after an eight-year period of US unilateralism and widely-perceived lack of faith and interest in multilateral institutions. It was seen to provide a platform for consensus-building among the major players to shape the emerging multipolar order towards multilateral cooperation based on wider support among stakeholders.

43. Fredrik Reinfeldt, ‘Packed agenda for G20 leaders’, Swedish Presidency of the EU, 25 September 2009. Available online at: http://www.se2009.eu/en/meetings_news/2009/9/25/packed_agenda_for_g20_leaders.

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Consequently, analysts and to some extent also policy-makers identified a historical momentum in the G-20 process to respond constructively to recent changes in global governance, collective global interests and the need to reform global governance institutions accordingly. In order to elucidate the role of the G-20 in global governance this chapter will first discuss its performance in the face of the significant expectations vested in the forum. Secondly, the chapter analyses the functioning of the group and its future prospects, including its debated status and relationship with the formal global governance institutions.

The G-20 moment

The G20 moment crystallised in the run-up to and aftermath of the 2009 Pittsburgh summit hosted by the recently elected US president Obama, who was widely seen to represent a change in US foreign policy. The US was seeking a new approach highlighting a constructive and consensus-seeking role in global governance as well as multilateral arrangements and institutions.

Many who welcomed the arrival of the Obama administration saw that the EU's strategic aim to promote world order based on 'effective multilateralism' offered the basis for a constructive US-EU engagement to shape global governance. The major emerging powers highlighted the complementary character of the G-20 in relation to multilateral arrangements and institutions and emphasised the need to reform formal global governance institutions. For instance China argued for a limited role for the G-20 and emphasised the legitimacy of the UN system.

Significantly, the success of the G-20 in addressing the financial and economic crisis has led to discussions of its role in solving other global problems. The forum's role has also been highlighted because many of the current global challenges are intertwined with the world economy.

In the run-up to the Copenhagen climate summit, the G-20 was called upon to facilitate consensus among major emitters and in particular between the developed and developing world. The economic downturn also highlighted problems related to poverty and development and many underlined the group's role in securing the Millennium Development Goals and in particular easing the situation of the most vulnerable countries, which had least to do with the causes of the crisis but which were in danger of being hit hardest by it.

The rapidly deteriorating economic outlook was also linked to some major security concerns related to fragile states with ongoing or potentially explosive conflicts with regional and global ramifications. Accordingly,

the G-20's potential in generating consensus and resources for state-building, peace-building and peacekeeping activities were discussed among think tankers. In addition, some hoped that the G-20 moment would provide momentum for the long-awaited reform of the UN Security Council.

How has the G-20 moment materialised? Has the G-20 consolidated its role as the primary forum for cooperation in the world economy? Has its agenda been broadened to the other topical fields of global governance? How effective has the G-20 been? And how will the group develop in the near future? Finding any definitive answers to these questions is challenging given the novelty and ongoing evolution of the G-20 process. On the other hand, recent developments and debates over the G-20 provide a basis for analysing its role in global governance in the near future.

First, there is broad consensus among the members of the G-20 that the group should focus on global financial and economic governance. Although many topical issues have been and will be discussed among the leaders, concrete decisions or joint action are not currently expected in other fields (see Table 3, p. 34). There is however evidence that the development questions might become an increasingly important part of the G-20 agenda. Second, the birth of the G-20 has not led to a rapid increase in other G-groups. Neither has it reduced the role of existing ones such as the G-8. However, and thirdly, it has highlighted the role of these two forums in global governance. Finally, the G-20 will not wither away, even if there is some evidence that consensus among the major powers is increasingly difficult to achieve due to asymmetric post-crisis economic development. Conversely, there are plans to further institutionalise the forum by establishing a permanent secretariat for it which would take charge of preparatory duties as well as monitor the implementation of the decisions. In addition, some experts have put forward ideas to link the forum more explicitly to the formal global governance architecture.

Table 3. Major themes of the G-20 leaders' summits 2008-2010

Major themes	Year and summit					
	2008 Washington	2009 London	2009 Pittsburgh	2010 Toronto	2010 Seoul	
Development and efficiency of the G-20	-	-	X	-	X	
Stabilising financial system	X	X	-	-	-	
Restoring growth	-	X	X	X	X	
Financial supervision and regulation	X	X	X	X	X	
Reform of global financial institutions	X	X	X	X	X	
Protectionism, global trade and investment	X	X	X	X	X	
Support for most vulnerable & development	X	X	X	-	X	
Energy security & climate change	-	-	X	-	X	
Environmental protection	-	-	-	-	X	
Anti-corruption	-	-	-	-	X	

Source: the G-20 summit statements 2008, 2009a, 2009b, 2010a and 2010b

Financial and economic governance

The G-20 was founded as a key forum in the field of global financial and economic governance. At the Pittsburgh Summit, leaders agreed that it would replace the G-8 as the premier forum for international economic cooperation. This statement rested upon the group's success in tackling the 2008 financial crisis leading to worldwide economic recession and fears of a meltdown of the world economy comparable to the Great Depression of the 1930s.

Historical decisions were made at the Washington (2008) and London (2009) Summits. First and foremost, the leaders declared their commitment to keep their markets open and fight against protectionism. Increasing protectionist tendencies were noted in Europe and North America already prior to the crisis due to large-scale relocation of foreign direct investment and industrial production to countries with lower labour costs and rapidly developing economies. Second and relatedly, the G-20 states and the EU made a coordinated intervention by injecting USD 5 trillion – through the so-called stimulus packages – into the world economy in order to save the financial system and provide stability and restore confidence in the markets. Moreover, they argued that intervention would continue as long as needed, and that the exit-strategies would be managed through G-20 coordination. Third, the leaders agreed to reform the global financial system to prevent or, failing that, better manage future crises.

Policy-makers and observers largely agree that the decisive global action forged by the G-20 managed to stabilise the world economy. Nevertheless several key challenges still lay ahead. These related to the exit-strategies and the reform of the financial architecture and regulation of the financial markets. The sovereign debt crisis, which hit Europe in 2010 with global repercussions, has also required global attention. In addition, macroeconomic imbalances have increased in the post-crisis world economy and their management has become the most pressing item in the G-20 agenda.

Concurrently, the ability of the G-20 to tackle these challenges is increasingly called into question. There is increasing disagreement over the key issues of exit-strategies, financial regulation and macro-economic imbalances, for instance.

First, the return to the path of economic growth has been uneven and shaky. The economic data suggest rapid growth in the emerging markets and continuing difficulties in the developed ones. Second, the sovereign debt crisis in Europe – which has undermined the euro – has highlighted the limits of state intervention. Accordingly, the gap between the economic interests of the emerging and developed markets as well

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as between the EU and the US is widening simultaneously when the immediate pressure for global cooperation and coordination resulting from the 2008 crisis has to some extent eased. Consequently many have suggested it is difficult if not impossible to find common ground for decisive action in the G-20.

Interestingly, some of the key players within the G-20 increasingly highlight their domestic constraints and national needs in the world economy. In the US economic growth is still fragile and the effects of the crisis are an everyday reality for the electorate. President Obama has been perceived as being in a weakened position while the sheer scale of the crisis and the slow and shaky path to recovery has undermined the expectations of change and what was hoped to be the beginning of a new era of American prosperity.

The US political landscape is seen as increasingly unpredictable due to the fact that people are losing their faith in the current administration's ability to secure US economic growth. During the 2010 mid-election campaign, President Obama addressed audiences who were asking whether the American dream is dead for good. The current mindset of the US electorate might change the consensus-seeking thrust of US foreign policy and push it towards a more unilateral policy path.

The Chinese leadership also emphasises domestic interests and needs related to its economy and development. It argues that Chinese people see China as a developing state and as such its special needs must be accommodated in the coordination of global action. This policy line is echoed in Delhi and in other capitals of the emerging countries.

In Europe, national economic interests are also in the spotlight. EU leaders are faced with increasing public dissatisfaction over the economy and prospects for future development. While integration was previously seen as the engine of European prosperity, the bail-outs of Greece and Ireland and the deepening sovereign debt crisis in the EU have resulted in severe austerity measures and led to the added value of European integration being increasingly questioned.

These problems have cast a shadow over the future of the G-20 in terms of its ability to deliver solutions to common problems. On the eve of the Seoul Summit in November 2010, the world economy was on the brink of a 'currency war'. This was partly the result of US dissatisfaction with G-20 members' efforts to tackle growing global macroeconomic imbalances and the US's unilateral decision to pump capital into the US market.

While the summit provided a forum for addressing the increasing US pressure on China over its currency, the key problem remains unsolved.

The resurgence in the US trade deficit combined with the reluctance of China to allow its currency to appreciate indicates that sustaining growth while moving towards rebalancing the global economy will be much more difficult for the G-20 than earlier anticipated.⁴⁴

Moreover, the performance of the G-20 in other areas of financial and economic governance has also been rather modest. Both the regulation of financial markets and further liberalisation of world trade have proven difficult to achieve. Some success can be reported in reforming the IMF. Moreover, under the current French presidency, the G-20 is aiming to tackle the issue of rising commodity prices in critical areas such as food, rare raw materials and energy supply. The volatility of commodity prices has been increasingly recognised as one of the key challenges facing the global economy in the post-crisis environment.

At the height of the global financial and economic crisis there seemed to be a real prospect of extensive financial sector reform and re-regulation. The Washington G-20 Summit in 2008 proposed an ambitious programme for reforms. The declaration noted the global scope of the members' financial markets and called for intensified international cooperation among regulators and strengthening of international standards. In addition to the commitment to reforms, the G-20 also called for consistent implementation to protect against adverse cross-border, regional and global developments.

Two years later, at the eve of the Seoul Summit in 2010 observers noted that the achievements do not measure up to the ambitions. Richard Portes argued that in this sense 'we have wasted the crisis'.⁴⁵ Similarly, Pascal Lamy of the World Trade Organization said in a speech in 2010 that the G-20 has 'not yet, visibly, filled the regulatory gap in international finance that was the main cause, if not "the" cause of the financial explosion'.⁴⁶

The G-20 and its members have managed to tackle tax havens, money laundering and the EU has regulated hedge funds. However, none of these challenges have been identified as a root cause of the 2008 crisis. On the other hand, progress has been rather modest in the light of some of the broadly agreed fundamental causes of the crisis such as regulation of bankers' bonuses, systemically important financial institutions, capital flows and rating agencies.

While the immediate danger of the collapse of the system has faded away, so has political support for extensive reforms. Part of the problem is embedded in key G-20 members' distinct positions regarding re-regulation. Key actors such as the US and the EU have not found sufficient common ground. Moreover, divergent opinions also exist

44. See Gregory Chin, 'The emerging countries and China in the G20: Reshaping global economic governance', *Studia Diplomatica - The Brussels Journal of International Relations*, vol. LXIII, no. 2, pp.105-24; p. 14.

45. Richard Portes, "'Wasting the Crisis:" The G-20's Role in Financial Sector Reform', *Global Asia*, vol. 5, no. 3, pp. 22-27.

46. See Stephen Fidler, 'WTO's Lamy: G-20 Yet to Fill Regulatory Gap', *The Wall Street Journal*, 15 May 2010. Available at: <http://online.wsj.com/article/SB10001424052748703745904575248332861168648.html>.

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within the EU, resulting in a lack of common positions among the EU members in the G-20.

The G-20 can claim some credit for the fact that the global trading system has held up well under the enormous pressure of the financial and economic crisis. Pascal Lamy has noted that the global trading system has 'weathered the crisis' and that there can be 'no backtracking'.⁴⁷ While the director-general of the World Trade Organization has highlighted the role of the formal multilateral arrangements, he has also noted the role of the informal groups and in particular the G-20. He has remarked that while the role of the G-20 'lies in providing leadership to address key economic governance issues', decision-making is the prerogative of formal institutions.⁴⁸

The high hopes that the G-20 could drive the stagnated Doha round forward have not materialised. While there have been some encouraging political statements on the side of the key stakeholders, a momentum for real progress seem to be fading away in the face of increasing completion and asymmetric growth.

The G-20 has however been the key driver in the reform process of the IMF. The reforms have aimed to make this key institution of global financial governance both more effective and legitimate. Reforms related to its efficiency have attempted to streamline its crisis prevention and management tools. IMF surveillance and consultation practices have been under review to enable early warning and action on national economic problems with regional or global ramifications. Experts' views however suggest that members have been reluctant in tackling the problems identified by the IMF⁴⁹ and the G-20 has had some success in underlining the importance of national preventive measures. The group has also played a major role in strengthening the IMF's crisis management mechanisms. The Seoul Summit further increased its 'resources to \$1 trillion, up from the \$750 billion agreed at the London Summit in 2009'.⁵⁰ In the current crisis environment the IMF has also taken steps to enhance the deployment of its resources in tackling crises.

The key reform in the IMF governance structure however relates to its legitimacy in terms of its members' voting quotas. The G-20 has been at the centre of this debate aiming to give greater weight to emerging markets. The process culminated in the Seoul Summit, which agreed a 5 percent transfer of voting quotas in favour of the emerging powers, largely at the expense of the European members. However, the legitimacy of the G-20 calling the shots in the matter of IMF reform has been questioned.

Barry Eichengreen notes that the G-20 itself improves the legitimacy of global economic governance only partially. The low-income countries,

47. Ibid.

48. Ibid.

49. See Barry Eichengreen, 'The G20 and the IMF: An Uneasy relationship', *Global Asia*, vol. 5, no. 3, pp. 28-32; pp. 28-9.

50. Ibid.

with which the IMF does much of its business, do not have a voice in the G-20. Moreover, the group's composition is also somewhat problematic. Europeans occupy a vast number of the seats.

Significantly, the consensus for the IMF reform could have been sought within a more inclusive institution; namely, in 'the IMF's own International Monetary and Financial Committee (IMFC), which mirrors the composition of the fund's Executive Board'.⁵¹ This body has 24 members, some of which represent individual states, and others of which represent groups of countries. Some of these groups rotate their representation among the countries. As a result larger numbers of stakeholders have direct or indirect influence over the IMFC and the IMF's Executive Board. Moreover, these practices are legitimised by the fact that they reflect the IMF's Articles of Agreement signed by 187 states.

In the light of the above, giving the G-20 a key voice in reform of the fund, over that of the IMF's own bodies, might be seen as counter-productive in terms of its legitimacy embedded in traditional multilateralism.

Development

The G-20 leaders also face increasing demands to safeguard development and ease poverty in the post-crisis world. For instance, the World Bank president, Robert Zoellick, has argued that 'Pittsburgh should be a turning point for the poor'.⁵² He has urged the leaders of the G-20 states to set up an ambitious agenda for 'responsible globalisation' that links efforts to promote more balanced growth with financial stability, development and climate change. Observers have suggested that the inclusion of development issues in the agenda for the G-20 Summit in Seoul in November 2010 has marked a new stage in the group's evolution.⁵³

Inclusion of development questions in the G-20 agenda has not however been straightforward, even if this was one of the main goals of the South Korean chairmanship of the G-20 in 2010. The inclusion has been seen as important in the light of the major development challenges and the need to ensure greater attention to global equality. It is believed that a greater role in development would enhance the legitimacy of the G-20 as participation of major developing countries in the G-20 would provide a more visible role for the poor in global governance. The rather limited engagement in development questions is therefore to some extent unexpected, yet not unjustified.

Several factors advocate caution and highlight the necessity for careful consideration in including development within the emerging G-20 governance system. First, as the G-20 is in many ways 'work in progress'

51. *Ibid.* p. 31

52. Robert Zoellick, 'Pittsburgh should be a turning point for the poor', *Financial Times*, 23 September 2009. Available at: <http://www.ft.com/cms/s/0/48a08b1a-a870-11de-9242-00144feabdc0.html#axzzlGejbM15a>.

53. See Rajiv Kumar, 'A development agenda for the G-20', *FRIDE Policy Brief*, 2010. Available at: <http://www.fride.org/publication/801/a-development-agenda-for-the-g20>.

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its ability to deliver is under constant evaluation. The group might not be ready to include another major field of global governance under its steering functions. In addition to its institutional capabilities, development questions might prove to be politically divisive and difficult to agree upon.

Second, the increasing role of the group is not necessarily welcomed without reservations by the existing formal institutions and countries not represented in the group. The G-20's possibility to enhance the visibility and participation of the poorest in the decision-making that affects global development policies is limited in comparison to existing multilateral organisations such as the World Bank, Regional Development Banks and UN agencies. Equally unrepresented are many of the smaller advanced economies (such as the Nordic countries), which are playing a very active role in the field of development.

Finally, the major contributors might not be willing to give up their say in the field for new emerging actors without the adoption of globally accepted norms for channelling aid flows. Relatedly, there is no evidence of the reform of the Development Assistance Committee (DAC) of the OECD or the diminishing role of the G-8 in the field of development.

Against this background, the G-20's engagement in the field of development is likely to remain limited, but by no means unimportant. The G-20 has the potential and political leverage to gear the globalisation and the overall development of the world economy towards more equal development. Restructuring of global financial and economic governance is of key importance for sustainable development and hence the role of the G-20 should not be downplayed. The group could play an important role in setting an example and restating broad-based commitment to the Millennium Development Goals and other development pledges under current economic constraints. Moreover, the forum could take a leading role in shaping the global aid architecture in cooperation with existing bodies and stakeholders. Large emerging economies such as Brazil, China, India and Turkey have become major donors, but they are not party to DAC as they are not OECD members.⁵⁴

Peace and security

Discussion among experts and policy-makers on the potential role of the G-20 in addressing global security challenges is another dimension of the G-20 moment. The area of security is often portrayed as the most sensitive one in terms of international collaboration and the UN is widely seen as the only legitimate source of global security. Paradoxically it is the UN's inability to deal with security challenges which has led states to turn towards other organisations and fora in solving security problems.

54. Ibid, p. 4.

The idea of the G-20 becoming a major global security forum strikes many as radical and unrealistic. However, different kinds of informal groups of key states and other stakeholders have played an important role in the field of security. Indeed, most crises with military implications and regional and global ramifications are nowadays dealt with by different kinds of informal groups. Risto E.J. Penttilä has suggested that this can be ascribed to the fact that informal groups can be more flexible and innovative than formal organisations constrained by strict rules and regulations: he perceives a new pattern in international crisis management, in which informal groups are used as problem-solvers.⁵⁵

Although some of these groups operate outside the UN framework, they often gain their legitimacy from the UN Security Council in the form of a mandate to seek a resolution and/or approval of an UN Security Council resolution retrospectively. Exemplars of the informal groups include *ad hoc* contact groups and the G-8. Currently informal contact groups are fostering peace in Middle East (the quartet formed by the US, Russia, the EU and the UN) and Korean peninsula (the so-called six party talks between North Korea, South Korea, the US, China, Japan and Russia). Also Iranian nuclear ambitions are addressed in the contact group known as P5+1 including permanent members of the UN Security Council and Germany.

Although the G-8 is rarely considered as a security actor, major conflicts and other security issues have been on its agenda. Risto Penttilä notes that the group's role in the Gulf War (1991) and in particular in Kosovo War (1999) has been recognised.⁵⁶ In the latter case a solution between the West and Russia was brokered among the G-8 foreign ministers and the final agreement approved at the G-8 Summit in Berlin. Afterwards this agreement was legitimated by the UN Security Council resolution 1214.

Two other informal groups also played a major role in the resolution of the crisis. A 'troika' formed by the US, the EU and Russia mediated between these major players while a 'quintet' formed by five key NATO countries (France, Germany, Italy, the UK and the US) worked within the alliance to secure support for NATO military action.⁵⁷

In addition the G-8 has played an important role in tackling terrorist financing and proliferation. The formal institutions have often been criticised for reacting too slowly to tackle these problems efficiently.

The efficiency of the informal groups is seen to result from members' vested security interests in the particular problem at hand as well as direct high-level contacts and flexibility. This flexibility is illustrated for example by the fact that the EU has been a fully-fledged member

55. Risto E. J. Penttilä, 'Multilateralism light: The rise of informal international governance', EU2020 essay, Centre for European Reform, London, July 2009. Available at: www.cer.org.uk/pdf/penttila_essay_july09.pdf.

56. *Ibid.*, pp. 28-9.

57. *Ibid.*

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of the Middle East quartet ever since the group was set up in 2002. The official UN system has however failed to demonstrate similar flexibility. It has found it increasingly difficult to accommodate the EU's development as a foreign policy actor. While the Lisbon Treaty gave the EU legal personality and the EU and its Member States are now progressively represented through the EU institutions, the UN rules do not allow an equal standing for non-state and state actors within the UN framework.

Given the broad membership of the G-20, it is difficult however to envisage a major role for the forum in global security. Moreover, in the aftermath of the highly divisive US-led war on Iraq, there seems to be an increasing interest in highlighting the role of the UN Security Council as the source of legitimacy in global security. This does not, however, preclude security and security-related questions making it onto the G-20 agenda. Indeed, experts have suggested that the G-20 could generate global consensus to push forward the reform of the UN Security Council.

For instance, Richard Gowan and Bruce Jones have noted that in 2011 half the G-20's members are also members of the UN Security Council. These ten countries with overlapping membership might be prone to look at the links between global economic and security cooperation more seriously.⁵⁸ Consequently, the attempts to reform the Security Council to better reflect the realities of the changed world order and international distribution of power might find increasing support also within the UN. Furthermore, the failure of the UN reform could lead to the alternative development(s). The G-8 or G-20 could seek a greater role in global security or it could generate the momentum to set up yet another G-group including key old and emerging security actors.

The role of the G-groups in the field of security has already been highlighted in terms of pragmatic problem-solving. The complexity of the ongoing major conflicts as well as international and regional efforts to solve them demands increasing political will and collaboration among the stakeholders and international community at large.

The failure of the formal UN system to rise to these challenges has led to the development of regional institutions and capabilities, in particular in Europe. In this context the possible role of the G-groups has been seriously discussed. Some have envisaged increasing the role of the G-20 in terms of answering the growing demand for state-building, peace-building and peacekeeping activities. Others have suggested the formation of a separate G-group including major stakeholders, to generate support and resources for these activities. Informal cooperation could help to resolve concrete logistical problems such as providing

58. Richard Gowan and Bruce Jones. 'New Threats Demand a New Global Security Forum', The Brookings Institution, Opinion, 5 November 2010. Available at: http://www.brookings.edu/opinions/2010/1105_global_security_forum.aspx?p=1.

military troops and equipment, airlift capability and civilian forces for international missions.

Climate change

Clearly, the ongoing quest for a global response to climate change is directly connected to the world economy. Climate change poses some fundamental challenges but also opportunities to world economic activity. These relate to the need to restrict greenhouse gas emissions and gear energy and industrial production towards greener technologies. Furthermore, transition to greener technology and low-carbon production is creating new business and investment opportunities and shaping future expectations related to growth and profit. Consequently, the G-20 as the primary forum of world economic cooperation cannot shy away from climate change and governance questions.

The ongoing negotiation of the global climate agreement as well as on how to finance adaptation to climate change and to the energy crisis has been addressed in the G-20 summits and declarations. However, the G-20 has not attempted to become the key forum within which a new global climate regime would be decided. Rather it has aimed to support the ongoing negotiation process within the UN framework. But it has not managed to forge consensus among the key parties and provide a new momentum for the process. The G-20 summits have merely restated the political support for and noted the challenges inherent in the ongoing processes attempting to find a lasting and sustainable global solution.

In particular, it was hoped that the G-20 summit in Pittsburgh in September 2009 would positively pave the way for the approaching Copenhagen UN climate summit in December 2009. The preparatory meetings had reported insufficient progress to strike a deal in Copenhagen. Key obstacles were the weak and unclear US position due to the pending domestic climate legislation, and disagreement between developing and developed economies about the issue of burden-sharing in tackling climate change (such as the transfer of funds and technologies as well as binding targets and verification measures).

Against this background, the chair of the UN Framework for Climate Change (UNFCCC) had signalled that achieving concrete results and action based on a legally-binding treaty was highly unlikely in Copenhagen. The best that the world could hope for was a treaty establishing a global political commitment to tackling climate change. This would have been a clear setback for the UNFCCC and in particular for the EU, which was the key architect of the new deal based on a binding multilateral arrangement. Moreover, the setback would have marked yet another failure of the UN system to address global challenges.

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Because the G-20 was largely seen to be a success story in facilitating consensus and joint action among developed and developing major economies, hopes run high that it could solve some of the key problems of the derailed UNFCCC process. The EU worked hard to raise climate issues in Pittsburgh. The EU Presidency argued that ‘we must attack these problems on multiple fronts, and the G-20 includes many of the world’s key players on these issues. It is also a forum that brings together the finance ministers. Therefore, I hope that issues relating to the financing of action on climate change will be discussed in Pittsburgh.’⁵⁹ Also European Commission President José Manuel Barroso exhorted the G-20 to address climate change in the light of the impending Copenhagen Summit.

Although the Pittsburgh Summit did not produce a breakthrough, it managed to produce some concrete pledges and decisions. The leaders restated their commitment to the UNFCCC. The final declaration argued that the G-20 countries will intensify their efforts, in cooperation with other parties, to reach agreement in Copenhagen through the UNFCCC negotiation. They also argued that ‘an agreement must include mitigation, adaptation, technology, and financing’.⁶⁰ The summit declaration also included a separate section on energy security and climate change, which noted some important interlinkages such as commitment to cleaner energy and the reduction of inefficient fossil fuel subsidies. The leaders called on energy and finance ministers to develop implementation strategies and outline timeframes, and report back to leaders at the next summit.

However, the Summit did not have a significant impact on the ongoing UNFCCC process. The delegations which were meeting in Bangkok under the UNFCCC framework noted that they were briefed that the issue was briefly discussed in Pittsburgh, but the Summit did not provide any concrete resolution to strike a deal in Copenhagen. Significantly, the group itself did not play any direct role in the actual climate summit either. The members of the group hold different positions and participated in different alliances and lobbies formed during the fierce negotiations. There was no sign of a joint G-20 approach or action in the Copenhagen Summit.

After the failure in Copenhagen, the group was however mentioned as a potential forum within which a broader consensus could be sought and the continuation of the UNFCCC process secured. Climate change did not however feature high on the G-20 agenda in 2010 and no progress has been reported by the ministers at leaders’ meetings. Significantly, the group’s agenda has been narrowed down to the financial and economic governance questions.

59. Reinfeldt, *op. cit.* in note 43.

60. Leaders’ Statement, Pittsburgh Summit, 24-25 September 2009. Available online at: <http://www.pittsburghsummit.gov/mediacenter/129639.htm>.

The functioning and future development of the G-20

The way in which the forum has developed has been impressive. The initial wait-and-see attitude has been replaced with a rather strong commitment to the process on its members' side. At the same time, other states, international and regional organisations have also taken the emergence of the new forum seriously. They have aimed to participate in the forum and established a number of working relationships. To improve its legitimacy and acceptability, the group itself is currently engaged in several external consultation processes aimed at providing a voice for a larger number of stakeholders. A number of relevant states and global and regional governance institutions have also received an invitation to attend the meetings as non-members.

In the light of the above, the G-20 process has been and continues to be confronted with two key challenges. First, given its performance in terms of responding to a crisis situation, many have questioned its effectiveness in a post-crisis environment. Second, the forum's relationship with other informal and formal global governance institutions has not been resolved and significant controversies prevail.

A key aspect of the so-called crisis of multilateralism has been the lack of required consensus among legitimate stakeholders in many fields of global governance. This question will be further elaborated in the next chapter of this paper. However, it must be noted here that this has partly contributed to actors turning to unilateral and minilateral responses to global challenges and consequently highlighted the role of informal forums and G-summitry. Against this background, many observers have noted that the G-20 is simply too broad to be effective and provide leadership. While the size and the informal character of the group might make it an effective crisis management instrument for the states, these features might work against its performance under more normal economic conditions. In short, as the most acute phase of the financial crisis recedes, so does the political pressure to find consensus on significant issues among a diverse set of interests. Relatedly, the question of the leadership of the group is one of the crucial questions.

The role of the Europeans has been noted in the creation of the G-20 at leaders' level as well as in the preparation of the London summit which announced unprecedented and coordinated state intervention in the global economy.

In Brussels, officials have highlighted the expertise of the European Commission in drafting the London summit resolutions. The President

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of the Commission, José Manuel Barroso, noted after the summit that ‘if you look at the conclusions of [the Commission’s] spring council one week one week ago and the conclusions of the G-20, you will find out they are [almost the same]. . . word for word’.⁶¹ In addition, a strong EU influence in the G-20 was seen to be achievable given the nature of EU politics and the extensive experience of summitry, which has been instrumental in the EU’s development. Moreover, the long-awaited Lisbon Treaty – aimed to streamline the EU’s external action – entered into force soon after the London summit. In contrast, in London, officials highlighted Prime Minister Gordon Brown’s active engagement in the G-20 and the expertise of the UK Treasury, which Brown led from 1997 to 2007, in the preparation of the London summit.

Importantly, the emerging powers have also been steering the G-20’s development and decision-making. In the first emergency meetings, they worked in concert to push for greater availability and flexibility of emergency financing for developing countries. Observers have noted that in the lead-up to the London summit (2009) the BRIC countries issued for the first time a joint statement which called on the world’s leading economies to rebuild confidence, and maintain and support credit flow to restore growth. They demanded that advanced economies and development institutions increase their support to the hardest-hit developing countries.⁶² These were seen to have contributed least to the crisis, but were in danger of being most affected by it.

Significantly also medium-sized emerging economies played a key role. For example, ‘beyond the support from the BRICs’, the role played by Indonesia in the breakthrough at the London G-20 summit, ‘devolv[ing] a portion of \$1.1 trillion of additional funds that were committed to the IMF/World Bank to regional development banks for countercyclical financial support for low-income countries’ has been highlighted.⁶³

While there exists some evidence of European leadership in the early years of the G-20 leaders’ summits, this was, to the extent that it ever existed, short-lived. By the Pittsburgh summit in September 2009 President Obama was firmly in office and took the lead. Concurrently, the focus on leadership shifted in the evolving US-China relationship. According to many this relationship was the key in global recovery and some argued that the future of global economic governance was shaped by the G-2 – namely the US and China – rather than by the G-20.

While the outcomes of the Pittsburgh summit highlighted the importance of the US-China relationship and gave some hope for the emerging consensus among them, the landscape had changed by the Toronto summit in 2010. The disagreements between the US and China became increasingly evident.

61. Adrian Michaels, ‘How José Manuel Barroso quietly transformed the world’s financial future’, *Daily Telegraph*, 3 April 2009. Available at: www.telegraph.co.uk.

62. Chin, *op. cit.* in note 44, p. 112.

63. *Ibid.*

Concurrently, Canada's decision to convene the G-8 summit in Muskoka only a day before the G-20 summit in Toronto provoked a wave of criticism from non-G-8 members. The controversy was directly linked to issues around the G-20's effectiveness and leadership. While the G-8 highlighted its continuing relevance in global governance, this was also interpreted as an attempt to form an inner circle of the G-20, which could provide the much-needed leadership. Under significant pressure from the emerging economies the G-8 countries highlighted the distinct agendas and complementary features of these groups. Relatedly, the idea that the G-8 could become a source of leadership within the G-20 was dismissed.

At the same time, the absence of a US-China consensus on some of the key issues has highlighted the role of the G-20. Crucially, the group has provided a forum within which to forge consensus among these two key players. Significantly, other stakeholders have been able to voice their concerns within the forum and highlight joint responsibility in launching the global economy on the road to recovery. This runs to some extent against the conventional wisdom that broader and more inclusive decision-making bodies are inherently ineffective. Rather, it suggests that the G-20 could play a positive role in helping the major economies realise how deeply interdependent they are and act accordingly.

In this context, the role of the rotating presidency and troika arrangement has gained in importance. The coordination among the outgoing, current and incoming presidencies has enhanced continuity. Moreover, the presidencies have aimed to keep the monitoring of the implementation of past G-20 decisions high on the agenda of the group. They have also been able to show a certain degree of effectiveness in steering the group. For instance, the South Korean chairmanship of the G-20 had some success in promoting development issues on the agenda of the group. Together with the incoming French presidency, South Korea has actively promoted further institutionalisation of the group and proposed that a permanent secretariat should be established. This was not however discussed in the Seoul summit and although initially listed high on the priorities of the French presidency of the group, there is little sign that the proposal will move forward. At the press conference of the French presidencies of the G-20 and G-8 in January 2011, the focus was clearly on topical challenges such as global economic imbalances and vulnerability to fluctuations in commodity prices. The question of the permanent secretariat was merely touched upon.

While the presidency is heavily engaged in shuttle diplomacy with the group, its role has become pivotal in the group's relations with non-G20 countries. Due to widespread dissatisfaction with what was perceived as the exclusiveness of the 'club', the South Korean chairmanship travelled extensively in non-member countries. Mr. Ahn Ho-Young –

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the Korean ambassador-at-large for the G-20 – indicated that the group might appoint an Outreach Ambassador to meet the increasing demand of non-G-20 countries to be incorporated in the process. The French presidency is also actively engaged in a dialogue with non-member countries as well as other stakeholders. In addition, it has highlighted the need to keep the G-20's main priorities firmly on national agendas throughout the year.

The G-20's relationship with other global governance institutions has caused significant controversy, which is likely to continue in the near future. For instance, Norway's Foreign Minister Jonas Gahr Støre has called it 'one of the greatest setbacks since the World War II'. He argued that the G-20 may be more representative than the G-8, but that it is still arbitrary. He reminded the group that 'we no longer live in the 19th century, a time when the major powers met and redrew the map of the world. No one needs a new Congress of Vienna.'⁶⁴

There seems to be an interesting deadlock in relation to the group's future development. On the one hand, the way in which it was set up as well as its informal status is criticised by many. On the other hand, any plans to formalise the group have not been seriously discussed. Any attempt to further institutionalise the group requires a clarification of its relationship with the formal frameworks such as the Bretton Woods and UN system. Otherwise the groups would constitute an alternative system to these established frameworks. Moreover, within the corridors of these institutions there exists substantial resistance to incorporating the G-20 in the official existing multilateral system and any attempt would open up a debate over its origins and membership.

In the light of the above, the G-20 will remain an informal grouping in the foreseeable future and its relationship with the formal frameworks remains an unsolved question. Hopes that the group could steer global governance and provide momentum for the long-awaited reforms of the formal institutions might turn out to be premature, as its perceived exclusiveness and informality might constitute an insurmountable obstacle for many of the 172 non-members of the group as well as for the institutions in question. On the other hand, there exist some attempts to gear the forum's development towards an alternative pathway based on peaceful co-existence of the formal institutions and informal groups of main powers. One of these attempts has taken place in the UN headquarters in New York, within which an informal coalition known as the Global Governance Group or '3G' has emerged.

64. 'Norway Takes Aim at G-20', *Der Spiegel*, 22 June 2010. Available at: <http://www.spiegel.de/international/europe/0,1518,702104,00.html>.

The aim of this initiative by Singapore is to create an informal forum for small and medium-sized UN members to discuss global governance issues and communicate their views to the G-20. While the list of participants seems to vary, it has gained some attention. According to

the Singapore Institute of International Affairs, the UN Secretary-General has attended two meetings of the group. Singapore's representative has noted that the group's objective is to strengthen the UN system, not undermine it.⁶⁵ It aims furthermore to make the G-20 process more inclusive and transparent.

Similar developments can be seen on the regional level as well. Regionally-based outreach became a key component of the rather extensive pre-summit consultation process in the run-up to the Seoul summit. South Korean activities suggest an increasing recognition of regional organisations who were given a role to enhance the outreach of the group. Some informal developments have also followed. G-20 consultation has led to the development of Africa's Committee of 10 (C-10). The committee includes the finance ministers of Cameroon, Egypt, Nigeria, South Africa and Tanzania and the central bank governors of Algeria, Botswana, Kenya, the Central bank of West African States, and the Bank of Central African States.⁶⁶ The aim of the group is to monitor the impact of financial and economic crisis on Africa and discuss policy responses, advocate African participation in the Bretton Woods system and 'identifying strategic economic priorities for Africa and developing a clear strategy for Africa's engagement with the G-20'.⁶⁷

These developments suggest that the changes in the global governance system and the increasing importance of the G-groups are noted, and to some extent accepted, and the non-members are adapting to this reality.

Conclusion

One of the key arguments supporting the development of the G-20 has been its efficiency and broader legitimacy in comparison to the G-8. This is largely seen to result from the incorporation of the emerging markets into the informal forum, which is seen as increasingly significant in tackling global challenges and crisis as well as reforming the existing formal global governance system and institutions. In the same vein, many have highlighted the complementary features of the informal and formal multilateralism and envisaged the current development as a pathway to a more efficient multilateral world order.

On the other side of the equation, however, the analysis of the development of the G-20 also points to various uncertainties. The group's legitimacy has been widely questioned and its performance is under constant evaluation. While the rapid and credible response to the financial and economic crisis should not be overlooked, the G-20's ability to gear the world economy towards a more sustainable path is still an objective

65. Singapore Institute of International Affairs, 'SIIA welcomes new 3G initiative for small states', 12 February 2010. Available at: <http://www.siiainline.org/?q=programmes/insights/siia-welcomes-new-3g-initiative-small-states>.

66. Chin, *op. cit.* in note 44, p. 16.

67. *Ibid.*

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rather than a concrete achievement of the group. Moreover, the 'G-20 moment' has not led to the emergence of a global consensus to tackle other global challenges such as development and climate change.

The above analysis suggests that much of the efficiency of the G-20 derives from its role in the crisis environment and its ability to accommodate emerging markets in joint crisis management. There is rather limited evidence which suggests that its informal character may be the key to its success. However, the so-called 'lighter' version of G-20 multilateralism might create new obstacles to the efficiency of global governance in the future. It is suggested here that future developments in global governance depend largely on the type of multilateralism with which the G-20 member states will choose to engage.

CHAPTER 3

Global governance and effective multilateralism

Introduction

The advent of the era of globalisation has led many policy-makers and scholars to suggest that multilateralism has acquired a heightened importance.⁶⁸ Expanding and deepening interdependence among states has underlined the importance of common global action in tackling common global problems related to the economy, poverty, the environment, energy and security, for instance. Strong regional and global institutions based on multilateral treaties have been seen as constituting the cornerstone of the future world order. For many, their growing importance has reflected the increasingly recognised need to move beyond traditional power politics based on narrowly-defined national interests.

Some commentators have however suggested a crisis of multilateralism. These voices grew stronger during the era of the distinctively unilateralist foreign policy of the George W. Bush administration. Advocates of the crisis argument have highlighted the fact that many of the global governance institutions based on traditional multilateralism have failed to deliver. On the one hand, existing institutions are often portrayed as politically weak, bureaucratic and therefore inefficient. But reforming the existing multilateral architecture of global governance and establishing new binding multilateral arrangements has proven difficult to achieve.

The current US administration's approach to foreign policy has given some hope that multilateralism will be reinvigorated. Moreover, the move towards a multipolar world order has been reflected in the emerging powers' increasing engagement in global governance and multilateral institutions. At the same time, however, multipolarity has cast a shadow over the future of multilateralism. The multiplicity of major global players makes it more difficult to realise common interests and achieve absolute gains. Multipolarity is therefore often associated with an increasing focus on national interests and relative gains. This interpretation is supported

68. Robert Keohane, 'Multilateralism: an Agenda for Research', *International Journal*, vol. 45, autumn 1990, pp. 731-64.

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by the continuing salience of state sovereignty and states' reluctance to accept binding multilateral arrangements.

This poses a challenge to the EU's strategic aim to forge a world order based on effective multilateralism. While this objective is often seen as a matter of principle for the EU, it is also deeply rooted to the EU's interests and in its quest for influence in global governance. A system based on power politics dominated by national interests, antagonism and confrontation, would create an unfavourable environment for the EU to project its values and interests. The EU is not a great power in the traditional sense and it lacks the instruments with which to play great power games. Furthermore, this type of multipolar world order can easily exacerbate the EU's internal divisions and weaken it as an international actor.

This chapter argues that global governance is on the rise rather than on the wane. States are increasingly attempting to find common solutions to common challenges and coordinating joint action. However, the basic organising principles of global governance such as traditional multilateralism are in flux. Many of the current arrangements and institutions are under review, and other global governance structures have become more important. These include informal global governance forums such as the G-20.

The aim of this chapter is to analyse current trends in global governance and contrasting concepts of multilateralism in relation to the overarching aim of promoting effective multilateralism. It will first focus on evolving concepts of global governance and multilateralism in the light of the ongoing transformations in the world order. In doing so, it will discuss some recent analyses of developments in global governance.

Transformation of the world order and global governance

Global governance is an extensively used but often under-specified concept. On the one hand, the term is linked to the move from government to governance. This indicates that while governments are important in governing territorial states, they are not the only source of governance in the current world. Several other more or less institutionalised actors located at local, state, regional or global levels are increasingly significant for global governance. On the other hand, the term is directly linked to the process of globalisation. Indeed, authors of the wide and diverse studies of globalisation seems to be in agreement on one aspect of the

process: the increasing speed and importance of multi-level interaction among various kinds of actors.

Seen against this background, the very concept of global governance indicates a rejection of the nationalist or territorially-bounded approaches that are still highly influential in policy analysis.⁶⁹ Consequently, the term 'global governance' represents a departure from the idea of world politics largely, if not exclusively, based on states pursuing their national interests. It recognises the increased role of global and regional governance institutions as well as transnational actors. It alludes to governance which does not stop at state borders and which is located at various levels, that is, transnational and/or multilevel governance.

In this sense, the recent shift towards a multipolar world order constitutes an interesting puzzle for global governance. Indeed, many have seen the current development towards multipolarity as the antithesis of global governance. These arguments make sense as the term 'multipolarity' resonates with state-centric understandings of world politics, which are often invoked to downplay the role of non-state actors, whether international organisations, multi- or transnational companies and non-governmental organisation (NGOs) or governance networks.

It is certainly true that we are witnessing the emergence of a more multipolar world order, which is linked to the emergence of new powerful markets and states in the global economy and politics. These changes have however been fuelled by the processes of globalisation and regionalisation. Therefore the emerging markets and powers and increasing global and regional governance have been largely seen as the two sides of the same coin rather than separate or competing processes.

Towards the end of the first decade of the new century, alternative views have begun to emerge. Experts have identified strong trends suggesting in particular that the advanced economies in the West have lost faith in globalisation. First, the gains of globalisation in the face of increasing global competition from the emerging markets have been increasingly seen as relative and as therefore favouring some states and regions more than others. Second, the rapid economic growth of the major developing states has brought the legitimacy of the global governance institutions into focus in global governance debates, as the emerging powers have demanded greater representation and influence in global governance. Currently these developments are reflected in many diagnoses of world politics that point to the decline of the North and West and the rise of the new powerful states in the South and East.

Significantly, the implications of this trend for global governance had already been addressed prior to the financial and economic crisis. The

69. See Richard Higgot, *op. cit.* in note 15.

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organisers of a major global governance conference in 2007, for instance, asked their Asian keynote speaker Professor Kishore Mahbubani to address the question of whether Asia can save the globalisation process. Mahbubani argued that emerging Asia could indeed become a driver of globalisation in the light of the West's declining interest in and disillusionment with the process.

This analysis has gained some momentum in the aftermath of the 2008 financial and economic crisis. Many of the major emerged and emerging markets seem to have come out of the crisis with high growth rates while the key developed markets of the US and the EU are still struggling.

However, increasing competition has also cast a shadow over the whole process of globalisation. Academics and think tankers have become obsessed with questions related to the transition towards a multipolar order and its consequences for global governance. The emergence of new powerful states and the declining role and leadership of the US and the EU suggest that consensus on key global governance issues – whether further liberalisation of trade or tackling climate change – is likely to be more difficult to achieve in the future.

However, and to counter the simplistic arguments suggesting the return of great power politics and the diminishing role of global governance, some have highlighted the dual nature of the ongoing transition and argued that instead of a multipolar world we are living in an *interpolar* world, in which both interdependence and the number of powerful states are on the rise.⁷⁰

An interpolar world

Interpolarity can be defined as multipolarity in the age of interdependence and globalisation. The redistribution of power in world politics, leading to a multipolar world order, and deepening interdependence are two basic dimensions of the current transition. In *The interpolar world: a new scenario* Giovanni Grevi argues that all too often they are treated as separate issues and that we should focus on the interplay between these two developments. While the description of a multipolar system captures many features of the emerging world order, emphasis on the relative power of competing actors offers only a partial insight into this new order. All major powers are exposed to the unprecedented conjunction of the economic, energy and environmental crises, for instance, and none of them can successfully confront these challenges on their own.

Therefore an interpolar world will lead to increasing interaction among the key players, leading in turn to stronger global governance. This governance is however first and foremost interest-based as it builds on

70. See Giovanni Grevi, 'The interpolar world: a new scenario' *Occasional Paper* no. 79, EU Institute for Security Studies, Paris, June 2009.

the convergence between the interests of the major global actors. It is also problem-driven and process-oriented as it focuses on the challenges and crises requiring cooperative solutions.

A key exemplar of this type of global governance is summit diplomacy and ‘G-summitry’. In particular, the development of the G-20 as the world’s primary forum for economic cooperation demonstrates growing and deepening cooperation among major powers who find themselves in an increasingly interdependent world.

Significantly for this paper, interolarity can be seen to be compatible with multilateralism. However, and importantly, this does not necessarily lead to a strengthening of traditional multilateralism. While it is suggested that summit diplomacy and the G-groups can fulfil important tasks of confidence building, top-level agenda setting and connecting bilateralism and ‘minilateralism’ with a broader, if not global, model of multilateralism, new informal global governance clubs can also be seen as a departure from, or even replacement of, traditional multilateral arrangements and key organisations such as the UN. This is a particularly central question as the emergence of the new global governance forums is explicitly linked to the failure of existing multilateral organisations to tackle challenges and crises. Therefore, the type of multilateralism forged by these forums deserves close analytical attention.

A move towards effective multilateralism?

In the light of the above, it is important to underline that multilateralism is not a synonym of global governance.⁷¹ Rather it should be understood as a particular organising principle of global governance. The classic definition of multilateralism draws on the idea that it is essentially the management of transnational problems by three or more parties operating on the basis of mutually agreed generalised principles of conduct.⁷² A significant aspect of this definition is that these principles of conduct should take precedence over actors’ interests.

Seen from this perspective, the move from purely interest-based behaviour towards commonly respected principles should over time lead to increasing trust among actors. Smaller actors’ trust in bigger players’ willingness to accept commonly agreed decisions is therefore a key feature of this vision of multilateralism. In other words, it assumes the readiness of big powers to commit themselves to binding arrangements with credible verification procedures and mechanisms to solve disagreements over the implementation of their multilateral commitments.

In this context, multilateralism has been viewed as a ‘weapon of the weak’.⁷³ That is, the main actors striving for multilateral arrangements are those that lack power to impose solutions to global problems that

71. Higgot, *op. cit.* in note 15, p. 11.

72. John Gerard Ruggie, *Multilateralism Matters: The Theory and Praxis of an Institutional Form* (New York: Columbia University Press, 1993).

73. Robert Kagan, ‘Power and Weakness’, *Policy Review*, no. 113, June/July 2002. Available at: www.policyreview.org.

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serve their own interests. European states' foreign policies, in particular those of the smaller ones, are often mentioned as an example of this feature of multilateralism. Moreover, the EU's strategic goal to promote world order based on effective multilateralism can be seen to result from Europe's lack of power to impose solutions in the face of global challenges.

The importance of multilateralism for the EU is widely noted. Many have suggested that the long history of multilateralism is embedded in European integration to such an extent that it has become part of the EU's identity. Others have also highlighted its instrumental value for the EU. Some suggest that while 'its own model of integration constitutes the most advanced form of multilateralism' it also 'equips it with a global reach'.⁷⁴ They argue that the possibly emerging 'balance-of-power system would be the worst scenario for the EU, which needs an effective multilateral system to breathe and grow'.⁷⁵ Against this background, the EU's interest in and emphasis on the effectiveness of multilateral arrangements becomes clear.

As introduced in the first European Security Strategy (ESS) the concept of effective multilateralism can be seen as a response to the George W. Bush administration's unilateralist tendencies⁷⁶ and explicitly linked to the previous Clinton administration's multilateralist commitments and policy of 'assertive multilateralism' as articulated by then Secretary of State Madeleine Albright. Albright argued that the US should pursue assertive multilateralism by increasing its confidence in international institutions, rules, and partnerships.⁷⁷ This was seen as imperative in addressing transnational challenges, sharing the burden of leadership in world politics, securing legitimacy for US foreign policy and promoting market democracy. Experts have suggested that the concept fell victim to the debate that followed the UN-mandated US intervention in Somalia, and later the Bosnia debacle⁷⁸ and it was revised as a policy of 'deliberative multilateralism'.

In the light of the above, the EU's strategic objective to build a world order based on effective multilateralism is very much a 'reaffirmation, albeit in a less favourable environment, that it is possible to find in the UN the legitimacy and capacity to deal with international security and other global issues'.⁷⁹ More recently, it has gained importance due to the new challenges facing multilateralism, namely the emergence of the multipolar order.

Even if the emerged and emerging states have also highlighted multilateralism in their foreign policies, their reluctance to accept multilateral arrangements and binding treaties has been seen as one of the key obstacles to effective multilateralism. In response to this criticism, they have argued that the current multilateral arrangements

74. See Álvaro de Vasconcelos et al (eds.), 'A Strategy for EU foreign policy', *Report no 7*, European Union Institute for Security Studies, Paris, June 2010.

75. *Ibid.*, p. 16.

76. See Álvaro de Vasconcelos, "'Multilateralising" multipolarity', in Giovanni Grevi and Álvaro de Vasconcelos (eds.), 'Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia', *Chaillot Paper no 109*, European Union Institute for Security Studies, Paris, May 2008, pp. 11-32; p.26.

77. See Stewart Patrick, 'Don't fence me in: a restless America seeks room to roam', *World Policy Journal*, vol. XVIII, no. 3, Fall 2001.

78. See Álvaro de Vasconcelos, 2008, *op. cit.* in note 76, p. 26.

79. *Ibid.*,

reflect the interests and norms of the most powerful states in the West, which are not always compatible with those of the developing states and emerging powers. Moreover, and due to their weaker position in existing arrangements, they have not been able to use multilateralism as a ‘weapon of the weak.’

While there is evidence that multilateral arrangements have advanced, in particular in the field of economic governance, progress towards establishing and developing further global arrangements has stalled. Frequently mentioned examples include the Doha Development Round, the UNFCCC and the reform of the UN Security Council.

If we accept that the world economy and politics is first and foremost interest- rather than norm-driven, norms-based multilateralism can be viewed as inimical to forging global governance. As long as it does not serve the interests of the powerful, it will not be employed by the key actors. Against this background, the EU has become more aware of the limits of multilateralism, and in order to make it work, it has also engaged with the key powers outside the multilateral frameworks to engage them in joint problem-solving and multilateralism.

There is some evidence that points to an increasing interest in multilateralism among the key players. Many of the emerging powers have stated their support for multilateralism. They have, however, rather different conceptions of multilateralism than the EU. At times these are ‘closer to the containment of the more powerful states and the assertion of their own sovereignty than to playing their part in building an effective multilateral system’.⁸⁰ Moreover, the US take on multilateralism under the Obama administration is somewhat unclear. In this context, the recent trend towards informal global governance forums is a significant development in terms of effective multilateralism. Indeed, the key rationale underpinning this phenomenon is to make global governance more effective in addressing global crisis and challenges in a world characterised by increasing multipolarity and interdependence.

Effective multilateralism and the G-groups

Risto Penttilä argues that recent developments related to the informal forums such as the G-8 and G-20 represent a shift towards a lighter version of multilateralism: ‘multilateralism light’.⁸¹ In his view, the world has moved into a dual system of global governance, which consists of formal and informal international organisations. Whereas the informal ones are increasingly responsible for solving current crises and problems, the formal ones concentrate on implementing the outcomes of the informal groups. This means reaching concrete decisions and binding arrangements in a legitimate way.

80. *Ibid*, 2008, p. 27.

81. Risto Penttilä, *op. cit* in note 55.

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In terms of efficiency, ‘multilateralism light’ sounds a tempting option. According to Penttilä it is likely to prove to be a ‘healthier’ option for global governance. It enables states to ‘curb the empty carbs’ from the menu of overweight and slow-moving organisations, which are increasingly seen to be inefficient. To extend the metaphor, slimmer and faster forums will facilitate rapid action and generate some pressure for long-awaited reforms.

However, in the same way that we are not sure about the ‘health effects’ of the substitutes used in light food products, we are not fully aware of the (unintended) consequences of the lighter multilateral products either. Although they might indeed taste the same, their impact on the complex global governance system remains unclear.

Several observers have voiced questions when it comes to the current ‘G-trend’ in global governance. Laura Tedesco and Richard Youngs have labelled the G-20 as a potentially ‘dangerous’ form of multilateralism.⁸² In their analysis, the G-20 is seen as a new forum infected with old vices – understood as great power interests – and hence is deeply harmful to traditional multilateralism and global good governance. The important questions concern the group’s transparency and accountability as well as its exclusiveness.

As an informal forum its decisions are taken behind closed doors, and there exists no treaty-based, or commonly agreed, principles of conduct or access to information. Although the group’s membership is significantly larger than that of the G-8, it is not open to most countries in the world.

Tedesco and Youngs illustrate their scepticism by discussing the G-20’s aim to fight against protectionism. While the group has (until recently) been seen as highly successful in keeping the markets open, nothing agreed so far suggests that the forum will be capable of putting pressure on the EU and US to temper their protectionism. Consequently, the group can be seen as a useful tool for the developed powers to secure their access to the emerging markets. Tedesco and Youngs ponder whether the ‘G-20 will ultimately be less a facilitator of more effective multilateralism than a distortion of this principle in favour of what is little more than a re-jigged “great powers” format’.⁸³

Against this background the G-20 can be seen as an example of ‘à la carte multilateralism’, a term coined by Richard Haass.⁸⁴ Here different multilateral organisations and forums have a merely instrumental value for the great powers and their interest-based politics. In the case of US foreign policy, there is evidence suggesting that part of the US’s success in advancing its interests rests on its systemic importance and ability to lead in world politics. The US can choose the way of action – whether

82. Laura Tedesco and Richard Youngs, ‘The G20: A dangerous “multilateralism”’, *FRIDE Policy Brief* no. 18, 2009. Available at: www.fride.org.

83. *Ibid.*, p. 4.

84. See Richard Haass, ‘Living in a Non-Polar World’, Project Syndicate, 2008. Available at: <http://www.project-syndicate.org/commentary/haass21/English>.

uni-, bi- or multilateral – which is most favourable for it. Moreover, the changing nature of multilateralism is partly the result of the US's ability to favour a particular global governance forum in different policy fields within which it sees its interests as best served and where the envisaged outcomes are most desirable from its point of view. If the offered menu of global governance institutions and forums does not satisfy its appetite, it is prone to create something new that suits its interests.

If the G-20 does indeed prove to be an informal grouping that empowers big powers to the detriment of genuine multilateralism, the consequences could turn out to be dangerous for existing multilateral arrangements. The current trust – however fragile – forged among states through existing multilateral arrangements could be damaged for good.

This is likely to make current multilateral organisations even more inefficient as the states excluded from great power forums will attempt to hang onto their power and fight back in the forums where they have a say. Furthermore, the exclusive membership of these forums might become a dividing factor in genuinely multilateral organisations such as the UN and EU. Current developments in European integration already point in this direction.

While all EU members are indirectly represented in the G-20 through the EU's official seat, the biggest EU Member States also hold seats of their own in the G-20. Even if EU members have managed to agree on common positions in the G-20 meetings, this 'double representation' might prove detrimental to the trust that has been built up among EU members through the multilateral European project. This should be a matter of significant concern in Europe as enlargement, the recent treaty reform and the global crisis have all underlined the return of traditional power politics in Europe as elsewhere. Smaller EU Member States have increasingly voiced their worries in relation to the European Commission's loss of standing and the emergence of great power politics within and outside the recently established and increasingly powerful European Council. A lighter version of European multilateralism might push the European project towards a path which will over time transform the EU into a loose 'E-27' grouping.

Conclusion

The current developments in global governance and multilateralism are interlinked. While the increasing importance of summit diplomacy and G-groups can forge greater global commitment to traditional multilateral arrangements as well as make these more effective, it can also steer global governance towards the opposite path of great power politics.

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Therefore, the development of the G-20 as the world's main forum of economic cooperation should be weighed against the key principles of multilateralism. This chapter suggests that a key defining feature of traditional and lighter versions of multilateralism rests upon the distinction between interest- and norms-based multilateralism. This distinction structures the analytical framework of this paper. Accordingly, the next chapter will look for evidence of the move towards interest- and norms-based multilateralism in the development of the G-20 as well as key actors' behaviour in the forum.

CHAPTER 4

Old and new players in the G-20

Introduction

One of the key aspects of the future of effective multilateralism is the major powers' policies and strategies in forging global governance. There has been a growing interest in analysing the emerging powers' multilateralist ambitions or indeed lack of such ambitions. On the one hand their fuller participation in global governance institutions and practices could indicate a greater commitment to concerted attempts to solve global challenges and therefore promote multilateralism. On the other hand, their emphasis on state sovereignty and reluctance to accept binding multilateral arrangements could be seen to indicate the opposite development.

However, and as the previous chapter argues, the concept of multilateralism is in flux and not only due to the emerging powers' take on it. The current US administration has clearly re-engaged with multilateralism, but the type of multilateralism it advocates is unclear. While the EU has invested a great deal in transatlantic relations as part of its aim to provide leadership in global governance and promote effective multilateralism, the centre of gravity of US foreign policy has arguably shifted to the Pacific. Moreover, and due to the continuing economic difficulties, a revival of unilateralist US policies should not be ruled out.

Various studies have been conducted on the ways in which the EU has sought to forge a world order based on effective multilateralism since the initial articulation of the Union's strategic objectives in the European Security Strategy published in 2003. A recent study undertaken following the 2008 revision of the strategy suggests that there exists a rather broad consensus on the continuing relevance of effective multilateralism as 'the linking thread of the European Union's international action'⁸⁵. The transformation of the world order has however increased the importance of bilateral partnerships with the emerging powers as well as highlighted the need for EU action within the informal structures of global governance. While the impact of these engagements is argued to be compatible with effective multilateralism,

85. Álvaro de Vaconcelos et al. (eds.), 'The European Security Strategy 2003-2008: Building on Common Interests', *Report no 5*, European Union Institute for Security Studies, Paris, February 2009, p. 21.

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the future evolution of the EU's external action is unknown. While multilateralism is likely to remain high on the agenda of the EU institutions, increased global competition and gloomy diagnosis of the EU's economic growth prospects might result in weak EU policies and lead to the predominance of national rather than European interests within the EU.

In this context, the G-20 constitutes a particularly interesting arena within which to analyse the old and newer players' engagement in multilateralism. The G-20 is one of the central institutions of the present-day global governance system. While it can be viewed as a playground of great power politics, it nevertheless has some evidently multilateral characteristics. Its emergence reflects the recognition of progressively common global challenges, which require joint management by the world's leading powers and economies. Although it is a self-appointed body, the debate over its membership suggests increasing pressure to address representation and legitimacy issues in global governance. Its relationship with the traditional multilateral global governance institutions has also been highlighted and many have expressed the hope that it could provide a momentum to streamline existing institutions and arrangements.

In order to further elucidate the type of multilateralism the G-20 process seeks to uphold, this chapter will first discuss the multilateralist aspirations of the old players – namely the US and EU – in the light of the G-20. It will then focus on the emerging powers and their relationship with the G-20 process. The analysis suggests that while there is clear evidence of the increasing importance of interest- rather than norms-based multilateralism, the G-20 could provide a window of opportunity to steer this trend in the alternative direction.

The US and interest-based multilateralism

For most of the 2000s, the EU was seen as a rather lone voice in promoting multilateralism as the key organising principle of global governance. The previous US administration led by George W. Bush adopted a distinctively unilateralist foreign policy. The US support for key multilateral organisations such as the UN was limited at best. It also turned its back on multilateral efforts to tackle climate change and made it clear that the US was not willing to commit itself to any binding international treaty in the face of increasing pressure to cut emissions and set global targets.

The US also suspended its signature to the Rome Statute (1998) setting up the International Criminal Court (ICC). Although President Clinton had stated when signing the Rome Statute in 2000 that the US reserved the right to observe and assess the functioning of the court before becoming a member, the note that the Bush administration sent to the UN in May 2002 announcing that the US was suspending its signature was seen as further evidence of its reluctance to work within a multilateral framework. The US did, however, commit itself to the WTO and it continued to work actively within the IMF and World Bank. Regional multilateral organisations also received some attention in its foreign policy.

For the EU, US unilateralist policies constituted a particular challenge as many of the emerging powers were also reluctant to commit themselves to multilateral arrangements. China and India, for instance, were resistant to the idea of promoting a legally-binding global climate treaty and they did not join the ICC.

Against this background, Barack Obama's arrival at the White House was welcomed as creating a new momentum to foster EU-US consensus in global governance issues as well as a joint commitment to multilateralism. In his first months in office, Obama reached out to the EU and affirmed his commitment to the UN. He also gave new hope for a positive US engagement in establishing a post-Kyoto climate regime in 2012. Moreover, the new administration's national security strategy indicated re-engagement with the ICC.

The advent of the Obama administration also meant that many Europeans envisaged a growing importance of the transatlantic relationship in global governance. Some observers however voiced concerns about Europe's optimism in this regard. Bruce Jones, for instance, argued that some aspects of US foreign policy could turn out to be rather uncomfortable for Europe. First, Obama's conception of multilateralism was likely to be different from the European one; and, second, the focus of global politics was shifting from the Atlantic to the Pacific.⁸⁶

The current US administration's foreign policy clearly illustrates a fundamentally pragmatic approach to multilateralism. Different institutions and forums underpinned by different kinds of multilateral ethos are employed to solve global problems.

Commitment to traditional multilateralism has been demonstrated in the field of non-proliferation, security and human rights. Here the US has forcefully engaged in the review process of the Non-proliferation of Nuclear Weapons Treaty (NPT), which represents traditional multilateralism. It is legally binding and it entrusts the International Atomic Energy Agency (IAEA) with the oversight of the participating

86. Bruce Jones, 'The coming clash? Europe and US multilateralism under Obama', in Álvaro de Vasconcelos and Marcin Zaborowski (eds.), *The Obama Moment: European and American perspectives*, European Union Institute for Security Studies, Paris, pp. 63-78; p. 64.

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states' commitment to non-proliferation.⁸⁷ The US has also engaged in reforming other traditional multilateral structures such as the UN Security Council as well as the UN Human Rights Council. The lack of progress in these processes has however meant that the priority attached to these reforms in the US agenda has been called into question.

Nevertheless new forms of more informal, but still multilateral, engagements have featured prominently in US policy. In terms of climate policy the US has worked within the traditional UN framework, but also through more informal fora. Climate change has been addressed in the G-8 and G-20. Moreover, in 2009 the Obama administration launched the Major Economies Forum on Energy and Climate (MEF) including 17 major players representing the developed and emerging markets.⁸⁸

The G-20 has also featured at the forefront of the US foreign policy agenda. Richard Gowan argues that it has become the key forum for US foreign policy through which it seeks to address the increasing need for global governance in the context of the growing importance of emerging powers and the deep interdependencies highlighted by the financial and economic crisis.⁸⁹

The support of the US has indeed been crucial for the G-20 process. As discussed in the first chapter, the first heads of state and governments summit was called by George W. Bush and it was held in Washington in 2008. While some European states might have persuaded the US to take the lead, it seems to have acted on its own initiative. The newly-elected President Obama was a key player at the London Summit in 2009, although the important role played by both the UK and the EU was also noted by the participants. The third meeting in Pittsburgh which declared the G-20 action taken in London to be a success and gave the forum its current standing as the main arena for economic cooperation among world leaders again highlighted the US's leadership in the forum. It was President Obama who publicly announced the group's aim to become the primary forum of world's economic cooperation, and it is indeed difficult to imagine anyone other than the US President making this statement.

The top items on the agenda of the G-20 have also reflected US interests. After initial crisis management action, the group has addressed global imbalances largely related to the US-China axis in the global economy. While this question remains unresolved, other outcomes of the group reflect the US's overriding interests. It has, for instance, supported the reform of the Bretton Woods institutions, which will transfer some (and mainly European) influence to the emerging powers. Significantly, there is no evidence of US support or aspiration towards the further institutionalisation of the G-20, which is mainly seen as a European

87. See Jean Pascal Zanders, Introduction, 'Nuclear Weapons After the 2010 NPT Review Conference', *Chaillot Paper* no.120, European Institute for Security Studies, Paris, pp. 5-6.

88. The 17 major economies participating in the MEF are: Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, South Africa, the United Kingdom, and the United States. Denmark, in its capacity as the President of the December 2009 Conference of the Parties to the UN Framework Convention on Climate Change, and the United Nations have also been invited to participate in this dialogue.

89. Richard Gowan, 'The Obama administration and multilateralism: Europe relegated', *FRIDE Policy Brief*, no. 39. Available at: www.fride.org.

initiative. The US seems to be committed to the G-20 in order to manage global challenges, emerging multipolarity and in particular China. In so doing, US policy has been clearly interest- rather than norms-based, and the G-20 has had instrumental value for the US in its global problem-solving attempts.

This line of thinking grew stronger during the Seoul Summit in November 2010 as the US and China were on a collision course on the issue of global imbalances and monetary policy. The Pittsburgh Summit agreed on measures to tackle global imbalances. However, by the Seoul Summit the US had become increasingly dissatisfied with progress and voiced its frustration over China's reluctance to let its currency appreciate to better reflect its market value. China's arguments defending Chinese monetary policy were largely interpreted as reflecting defence of its national interests rather than common global interests. China was first and foremost interested in its own economic and development objectives, rather than solving the challenges related to the growing global imbalances.

On the eve of the Seoul Summit, the Chinese vice-foreign minister sought an understanding of China's position in the context of the intensifying currency debate at a high-level conference in Morocco.⁹⁰ In her address, she highlighted Chinese domestic development needs in relation to its monetary policy. Moreover, she pondered whether the appreciation of the yuan demanded by the US would solve the problem of global imbalances.

Observers closely following US politics urged China to take account of the domestic constraints of the current US administration in the midst of a prolonged recession. Stuart Eizenstat described the gloomy mood of the American electorate with a reference to the plummeting support for President Obama registered in the US mid-term election campaign. In his view, China and others should realize the seriousness of the US's ongoing economic difficulties and their possible impact on US foreign policy.

After the Democrats' defeat in the elections the world was reminded of the possibility of a turn to a more unilateralist US economic policy. On the eve of the Seoul Summit, the US central bank pumped an extra \$600 billion into the US economy to stimulate domestic growth. This move, which had serious global ramifications, was not coordinated in the G-20. The intervention pushed the dollar down and sparked fierce criticism from the export-oriented European countries and emerging economies. The world was reminded that US commitment to the G-20 was conditional on its ability to solve common problems as well as take into account US economic interests.

90. The World Policy Conference, 3rd edition, 15-18 October 2010 in Marrakech, Morocco. See: <http://www.worldpolicyconference.com/>.

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Against this background, US foreign policy clearly puts emphasis on new forms of multilateralism. In addition, its support for forums like the G-20 is dependent on their ability to deliver outcomes which coincide with US interests and it is prepared to work unilaterally. Consequently, US action in the G-20 reflects interest-based power politics rather than genuine belief in norms-based multilateralism.

The EU and norms-based multilateralism

The emergence of the G-20 can be viewed both as an opportunity and challenge for the EU's developing external relations and its strategic aim to promote effective multilateralism. On the one hand, the G-20 opens up new avenues to shape the transformation of the world order. The EU's presence at the top tables of global governance highlights the importance of regional organisations based on deepening multilateralism and integration. On the other hand, the development of the G-20 has posed several puzzles for the EU. It has underlined the problems associated with EU representation and competences in global governance, for instance.

First and foremost, membership of the G-20 testifies to the EU's increasing global standing. Key financial and economic policies such as the monetary and trade policies of the European G-20 members are largely (although not exclusively) decided at the EU level. European Central Bank, European Commission and non-G-20 members must therefore be part of the G-20 decision-making and implementation process.

Seen from this perspective, the EU's membership in one of the major forums with expanding importance in global governance can be seen as a pathway to multilateralism. As a highly developed multilateral organisation, its presence in the G-20 has emphasised the role of global and regional multilateral organisations in global governance. Moreover, the EU has actively promoted close working relations with the UN system as well as seeking to fully engage with the existing financial and economic multilateral architecture within the G-20.

Interestingly, the EU's increasing stature is symptomatic of the process of regionalisation and the growing importance of inter-regional relations. This has emphasised the role of regional organisations based on regional multilateral arrangements. Although the process can be seen as a by-product of globalisation, and some disagreement exists as to whether it represents a pathway or obstacle to enhancing global governance, the EU's role is often seen as pivotal. The EU's external relations are predicated on a hub of inter-regional relations and the EU has been actively promoting regionalism in other parts of the world.

In the G-20, the EU has promoted close working relations with some regional multilateral organisations and its policy has had some success. In addition to the global multilateral institutions such as the IMF, World Bank and the UN, representatives of ASEAN and the African Union (AU) have also participated in the G-20 meetings. While engaging ASEAN clearly has some practical advantages – in terms of its importance in the implementation of the G-20 decisions – the AU's participation also reflects some legitimacy considerations as Africa is clearly under-represented in the G-20.

The legitimacy question is indeed important. The inclusion of the EU as a member of the G-20 indirectly incorporates all EU Member States into the G-20 process and as such it has constituted an example for other regions to follow. On the other hand, the EU's ability to foster effective multilateralism through the G-20 can be seen as rather limited. Moreover, there is some evidence that the G-20 process can undermine the core of the European multilateral project itself.

The fact that some of the major EU Member States are members of the G-20 in their own right, while others are represented through the EU, positions the Member States unequally within the EU framework. Although the EU has been highly successful in establishing common positions in the G-20 context, the process has the potential to highlight interest- rather than norms-based multilateralism within the EU. These worries are increasingly voiced in Brussels and EU capitals in the overall context of the integration project. The G-20 has been seen as a part of the problem and as contributing to current trends in EU politics which might undermine the trust among EU members forged by a legally-binding and highly institutionalised form of multilateralism, often seen as unique in the history of modern world politics.

The key principles of European integration are in flux after the massive enlargement of the EU and related Lisbon Treaty reforms. While the permanent president of the European Council now represents all EU Member States in the G-20 summits, this new institution, which brings together the heads of EU states and governments, has been seen to emphasise the role of major Member States in EU decision-making at the expense of smaller ones which have largely supported the more supranational European Commission's position in the EU framework. Against this background, it is noteworthy that the Commission president does not enjoy official standing in the G-20. Furthermore, the major EU states' membership in the G-20 further empowers them in the European Council.

The current context dominated by the prolonged and deepened financial crisis in Europe has also led to a hardening of nationalistic attitudes within the EU and weakened solidarity and trust among the Member

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States. This development is not a new phenomenon. Debates related to the enlargement and treaty reforms have also cast a shadow over attempts to deepen the integration process, and highlighted the danger of Member States' national interests prevailing at the expense of common EU interests realized and enhanced through strong supranational institutions.

The future debate on the European project might well envisage a shift towards a more intergovernmental EU and a lighter version of EU multilateralism. At the end of such a process, the EU might look more like a loose and informal grouping of European states than a Union as such, and reflect interest- rather than norms-based multilateralism. As such, it would have merely instrumental value for its members. This development would surely be reflected in its external strategy of forging effective multilateralism. In such a context the calls for the EU to devise a new strategy for its external action might lead to the emergence of a strategy modelled on the US version of global governance based on lighter and interests-based multilateralism. Moreover, the attempts to establish a common voice for the EU in world politics might fail altogether, and the EU external action might gradually wither away.

Currently, the key EU Member States are firmly in the drivers' seat in the G-20 and therefore also wield substantial influence in the sphere of global world economic cooperation, an area within which common EU action has been seen as feasible. Moreover, there is very little evidence, if any, of developments whereby European G-20 members would give up their seats and move towards joint EU representation. On the contrary, current EU members of the G-20 have been promoting representation of European non-G-20 members such as Spain and the Netherlands in the G-20 on an *ad hoc* basis. In addition, the reforms agreed in the G-20 which will provide greater representation for the emerging markets in the IMF and the World Bank largely at the expense of the European states have made European capitals increasingly concerned about their influence in global governance institutions.

As discussed earlier, the approaching Copenhagen Climate Summit was high on the EU's G-20 agenda in 2009, but the Pittsburgh G-20 Summit failed to provide any significant new openings leading towards the outcome desired by the EU in Copenhagen. This has weakened the arguments of some EU Member States suggesting that the number of EU Member States having a seat in the G-20 will translate into EU influence in the G-20 and help it to secure its goals.

Even if the EU members had been able to achieve a unanimous position in the G-20 in tackling climate change for instance, the broader agenda of the summit can easily blur joint EU priorities. In addition to the UNFCCC process, the reform of the global financial institutions, for

instance, was high on the agenda in Pittsburgh and on the agenda of many European states, which had significant national interests at stake in this question. The projection of EU priorities and a common and concerted EU voice was therefore likely to be weaker rather than stronger due to the number of European members promoting their own national interests.

The G-20 moment presents the EU with some direct challenges as it strives for a more coherent and efficient external action to advance its strategic aims. First, and as suggested already above, the G-20 is puzzling in terms of EU internal logics and external representation. Second, the EU clearly lacks the political leverage to keep the development of the G-20 on a pathway towards norms-based multilateralism.

Although the inclusion of the emerging powers in global governance has been welcomed by the EU, the type of engagement has not been greeted without reservations. The EU has however supported the development of the G-20 and in particular underlined its ability to foster global consensus enabling joint responses to global challenges. Moreover, it has managed to underline the importance and presence of other regional organisations as well as formal multilateral institutions in the G-20 processes. Nevertheless, the G-20 moment has not translated into a broad global consensus to reform existing global multilateral arrangements or set up new ones.

If the G-20 turns into little more than an extension of great power politics, the high hopes vested in the forum's ability to foster broader support and engagement in reforming existing multilateral arrangements and set up new ones might prove to have been utopian.

China, other emerging powers and the G-20

As discussed in the previous chapters of this paper, the emerging powers have increasingly supported the establishment of the G-20 as the primary forum of global economic cooperation. They have regarded it as offering recognition of their increased importance in the world economy and politics and as a vehicle to shape global governance so as to better reflect the changing economic and political realities of the world. The Western powers have also highlighted positive aspects of the G-20 process such as greater legitimacy in global governance. The G-20 has also been seen as evidence of the increasing engagement of the emerging powers in multilateralism as well as a tool to persuade them of

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its benefits. A much used catchphrase, 'with power comes responsibility', has been explicitly connected to the emergence of the G-20.

The main argument of the remainder of this paper is that although there is some evidence of increasing interest in promoting joint global action in the face of common global challenges, G-20 cooperation demonstrates a rather limited commitment to traditional norms-based multilateralism and highlights the lighter and more circumspect application of the concept on the side of the emerging powers. Moreover, the G-20 has provided them with a platform to make their particular interests heard rather than highlighted common global responsibilities among the actors. Nevertheless, the G-20 process has been seen to contribute to some extent to the establishment of multilateral regional arrangements and institutions. In addition, the newer players have voiced their support for the UN system and the reform of multilateral financial and economic governance institutions. This might make it increasingly difficult for them to shy away from norms-based multilateralism and thus open up a window of opportunity to forge effective multilateralism.

China

Recent studies focusing on Chinese foreign policy all point towards a healthy degree of internal debate and a variety of viewpoints within China.⁹¹ For many this comes as something of a surprise, as China's foreign policy goals are often thought to be carved in stone and to reflect its distinctive strategic heritage, born of a long history of dealing with regional and global politics. On the one hand, increasingly visible Chinese discussion and even debate surely reflects its rapid emergence as a major power and its international standing embedded in globalisation and the transformation of the world order. On the other hand, the phenomenon can also be ascribed to increasing academic and analytical engagements with Chinese politics, in particular in the West. The growing interest in Chinese foreign policy within and outside China has made Chinese foreign policy more accessible to policy-makers and experts. Furthermore, China's engagement in the G-20 and multilateralism has been subjected, at least indirectly, to closer analytical scrutiny.

The Chinese foreign policy elite as well as many Chinese scholars have been rather hesitant in evaluating the G-20's prospects and challenges in the light of Chinese foreign policy aims. It has been however noted that the G-20 is closely related to the redistribution of power in world politics and therefore constitutes a political reflection of the ongoing transition in the international system marked by the new prominence of the emerging powers. On the other hand, China seems to be very cautious in declaring the G-20 to be a success or the new key global governance institution. Chinese state officials have raised concerns related to its legitimacy as its membership is limited and have also

91. See for example Linda Jakobson and Dean Knox, 'New Foreign Policy Actors in China', *SIPRI Policy Paper* no. 26, SIPRI, Stockholm, 2010; and Zhu Linqun, 'China's Foreign Policy Debates', *Chaillot Paper* no. 121, European Institute for Security Studies, Paris, September 2010.

questioned its efficiency. In the same vein, China has highlighted the G-20's relationship with existing and more legitimate global governance institutions, in particular the UN, within which China has emerged as the voice of the developing world.

Chinese observers have also expressed scepticism about the extent to which the emerging powers enjoy an equal footing in the G-20. They have noted that the G-8 powers are all G-20 members and enjoy a superior position within the group and to a great extent dominate its development.⁹² These arguments are connected to the continuing salience of the G-8 and the criticism that it attempts to function as the management board of the G-20. The G-8 meeting organised two days before the Toronto G-20 Summit in 2010 faced sharp criticism from the emerging powers which decided to meet in Brazil on the eve of the Toronto Summit.

Interestingly, Chinese scholars have seen the loose and informal G-20 as an immature forum in which to address global challenges. They have noted that it is still largely a temporary financial and economic crisis management body, which lacks a permanent secretariat, executive powers and sanctions mechanisms,⁹³ all of which are often viewed as features of traditional multilateral arrangements. According to Zhu Liqun's analysis this has resulted in Chinese commentators advocating a wait-and-see policy towards the G-20. China has been supportive of the development of the G-20, but it is fully aware of its problems.

On the other hand, some Chinese observers have highlighted the G-20 process as an example of tremendous historical progress and a great breakthrough in the evolution of a new world order. They have envisaged the replacement of the G-8 by the G-20 as well as global governance increasingly based on G-20 cooperation. The consensus achieved within the G-20 to increase the voting power of the emerging markets in the IMF by 6 percent by the year 2012 has been cited as an example of the transformation and the G-20's role in forging global governance reform.

Chinese commitment to the G-20 by and large reflects its aspirations for influence and recognition in global governance. There is only limited evidence suggesting its willingness to fully endorse the existing financial and economic system or commit itself to new multilateral arrangements.

The recent disagreement between China and the US on global imbalances and the revaluation of the Chinese currency within the G-20 provides a vivid illustration of this. While some developments indicate the internationalisation of the yuan and a gradual move towards market-based convertibility, the current disagreement and looming 'currency

92. Yang Bojiang cited in Zhu Liqun, *op. cit.* in note 91, p. 35.

93. See *ibid.*, pp. 34-5.

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war’ points in the other direction. As François Godement puts it: ‘If China can retain capital controls and the opacity of its capital flows, it implies that the renminbi is building considerable strength outside the world’s monetary system rather than inside it’.⁹⁴

This is not to say that China wishes to remain outside multilateral arrangements such as the IMF. However, China’s general monetary policy and its stand on the global currency system reflect largely national considerations rather than the sense of global responsibility demanded by the US.

Perhaps the clearest example of Chinese reluctance to accept new multilateral arrangements was manifested in the Copenhagen Climate Summit in 2009, which was also addressed within the G-20. François Godement argues that while China seemed to be largely responsible ‘for the failure to agree legally-binding and genuine caps on emission levels’, it demonstrated ‘supreme skill’ in avoiding being the one to be blamed.⁹⁵ It teamed up with India to resist pressure from the old industrialised countries, and then announced its own plan to tackle its sky-rocketing carbon emissions. Moreover, it skilfully attempted to put the blame at least partly on the weak US position in the UNFCCC due to pending domestic legislation.

However, China was the key opponent of the US demands for a global verification system and the linking of financial aid to developing countries to verifiable success in reducing emissions. Significantly, the US’s demand reflected the need to establish traditional multilateral control mechanisms and sanctions which would contribute towards creating mutual trust among the parties and guarantee the efficiency of the arrangement.

While China has had success in transferring the burden of blame for the modest outcome in Copenhagen onto the West, which is after all largely responsible for climate change, the emerging powers cannot escape their current and future responsibilities in reducing emissions. China has been one of the world’s top producers of greenhouse gases since 2007, but its responsibility is not translating into a real commitment to global multilateral action promoted in particular by the EU. Instead China’s policy increasingly resembles US policy: it highlights Chinese national economic interests and tries to find ways to tackle the problem through national rather than global commitments.

Other emerging countries

While China’s international standing and importance is currently largely accepted, the position of other emerging powers such as India, Brazil and Russia as well as mid-size emerging countries with significant

94. See François Godement, ‘Redbacks for Greenbacks: The Internationalisation of the Renminbi’, *China Analysis*, ECFR, 2010. Available at: http://ecfr.eu/content/entry/redbacks_for_greenbacks_the_renminbi_as_an_international_currency.

95. François Godement, ‘A danger or an opportunity? Post-Copenhagen China and climate change’, *China Analysis*, ECFR, 1 July 2010. Available at: http://ecfr.eu/content/entry/a_danger_or_an_opportunity_post-copenhagen_china_and_climate_change.

economies such as Turkey and Indonesia is somewhat more unclear. However, the fact that they have become more engaged both with the advanced markets such as the US and the EU *and* with the developing world indicates their increasing importance in global governance. Their creation of new commercial, financial, cultural and people-to-people links among themselves, as well as with the developing world and advanced economies, means increasing integration into the global economic system but also diversification of flows of economic activity with global repercussions.⁹⁶

This view suggests while their increasing role in global governance reflects their economic growth, their involvement is also dictated by strategic concerns. In addition, these countries have adopted policies aimed at reducing their vulnerability to systemic financial and economic instabilities as well as their dependence on established global mechanisms like the IMF emergency loans which come with stringent conditions attached. Brazil, for instance, has paid off its IMF loans ahead of schedule and together with China and India it has offered political support as well as some resources for alternative regional mechanisms and institutions. Moreover, many emerging powers have engaged in an increasing range of region-to-region activities. For instance, Brazil has opened 33 embassies since 2003, including 14 new ones in Africa.⁹⁷

Their strategic action has not however been aimed at extricating themselves from the global economy and financial arrangements but rather at managing those. Moreover, the global financial and economic crisis has highlighted international interdependency and the need for global action within formal and informal institutions. Against this background, they have been actively engaged with the G-20 process.

While these states' engagement in the G-20 clearly reflects a recognised need for joint global action, they have been understandably preoccupied with their standing and influence. Accordingly, they have aimed to shape the existing formal multilateral institutions and arrangements, mostly portrayed as the creation of the West and therefore as reflecting the interests of the powerful. Their aspiration to voting rights, seats and henceforth influence within the formal global multilateral institutions has resulted in reservations among the 'old' countries regarding these stakeholders' commitment to norms-based multilateralism. Their engagement in the G-20 and beyond has largely been coloured by their national interests, which have derailed some of the most important ongoing multilateral projects such as the UNFCCC.

Some alternative analyses are however possible. As suggested previously in this paper (see Chapter Two) the G-20 process has also highlighted regional informal and formal institution building. The South Korean presidency of the group in 2010 engaged in a robust consultation process

96. Gregory Chin, *op. cit.* in note 44, pp. 105-24; p. 107.

97. *Ibid.*, p. 108.

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with regional bodies, which has contributed to the increasing interest in forging regional cooperation. While some of the activities are informal and follow the pathway of G-summitry, some developments reflect more institutionalised forms of multilateralism. These include the growing role of ASEAN, which now incorporates Asian economic giants China, India and Japan through the ASEAN+3 arrangement. In addition, while some have forecast an East Asian Community emerging from the ASEAN+3 or East Asian Summit process, others have envisaged a broader Asian Union by 2014.⁹⁸ In South America the merger of Mercosur and Andean Community that led to the formation of the Union of South American Nations (UNASUR) has found support across the region. In Africa, the African Union has become a major forum and a recognised actor.

While such institution-building is still far removed from the supranational character of the EU and works more at the level of intergovernmental cooperation, it does reflect key aspects of norms-based multilateralism. These arrangements and organisations are established by treaties, which also stipulate membership requirements, set up institutions and establish decision-making procedures.

In the light of the above, emerging countries' continuing support for the UN's multilateralism should not be overlooked. Brazil and China have both expressed some reservations about the G-20 process and highlighted the legitimacy of the UN. They have, for instance, called for the UN to play a greater role in global economic crisis management. While this may reflect their aspirations to emerge as great powers within the UN system, rather than genuine commitment to norms-based multilateralism, as champions of the UN system they cannot escape commitment to formal multilateralism underlined by many medium-sized and smaller countries. Also, ongoing pressure by emerging countries to tackle European over-representation in the G-20 as well as in formal institutions might have similar effects. Although they are keen to promote their own standing, the emphasis on legitimacy makes it increasingly difficult for them to escape global responsibility in setting up new multilateral arrangements and streamlining the existing ones.

There clearly exists a window of opportunity to build effective multilateralism jointly with the emerging countries. This requires a set of multilateral arrangements that acknowledges and supports emerging countries' development goals but also sets up clear conditionality in terms of multilateralism and shared responsibility.

98. See 'EU can lead world on "lateral" governance, says Rifkin', Interview with Jeremy Rifkin, EURACTIV, 1 February 2011, Available at: <http://www.euractiv.com/en/global-europe/eu-lead-world-lateral-governance-rifkin-news-501766>.

Conclusion

The key conclusion of this chapter is that the G-20 reflects and enforces the trend towards interest-based multilateralism. Given its broader legitimacy and explicit although limited commitment to fostering consensus to reform existing multilateral arrangements, the group seems to represent a primarily instrumental value for its members to advance their interests and tackle global challenges. This is evident in terms of the US's and many of the newer players' engagement with the G-20. For the US, the G-20 has provided a useful platform to address the challenges of the new multipolar world order jointly with the European and emerging powers. However, as we have seen, the US has become increasingly frustrated with the achievements of the G-20, or rather lack thereof. The group has failed to tackle some of the key challenges for the US, such as Chinese monetary policy and global imbalances, and consequently its interest in the group might grow weaker. The emerging powers' engagements with the G-20 also display a strong degree of interests-based multilateralism. While they have been eager to advance their influence in global governance, they have been hesitant to subscribe to the binding multilateral arrangements initiated by the EU, for instance. For the EU, the G-20 has opened up some pathways towards forging effective multilateralism. However, the group has also created some significant problems, as the G-20 has put the major EU Member States and their interests in the spotlight. This might turn out to be detrimental to the EU's own multilateral system and its aspiration to streamline its external action.

The group might, however, open up some possibilities to enhance the EU's strategic aim to foster effective multilateralism. The G-20 process has underlined the group's need to reach out to the non-member countries and as such it has also contributed to informal and formal regional institution-building. Moreover, many of the emerging countries have rather critically drawn attention to the complementary features of the G-20 because they feel it is trying to duplicate the UN's role, and have defended the UN system as the source of legitimacy in global governance. These developments might provide a window of opportunity to gear the G-20 process towards a stronger commitment to norms-based multilateralism and a greater sense of global responsibility.

Conclusion: future prospects for the G-20 and the EU

The evolution of the G-20 represents a landmark development in global governance. First, it explicitly acknowledges the increased interdependency shaping the current world order as well as the importance of the emerging markets and powers. Second, it highlights attempts to find common global solutions to common global problems. Third, the G-20 process represents a move towards interest-based rather than norms-based multilateralism. In many ways, it reflects the predominance of relative gains and power politics over absolute gains and multilateral arrangements. As such it has provided both the old and new powers with a comfortable forum to engage in global governance. It has enabled them to secure their influence in the world economy and politics and to advance their interests.

One of the key findings of this paper highlights the intrinsically political evolution of the group. This runs counter to the conventional wisdom which suggests that it merely reflects changes in the world's economic balance and system. While the ongoing transition based on the increasing importance of the emerging economies constitutes a key element in the formation and development of the group, political considerations related to membership of the group highlight issues regarding its representativeness and legitimacy. New members were invited to join in 1999 also on the basis of 'regional representation' and 'diversity'. Moreover, their ability to contribute to the group's activities and become constructive players was a key consideration in the decision to offer them membership.

On the other hand, the decision to upgrade the G-20 to leaders' level suggests a degree of reluctance to enlarge the most important 'clubs' of most important states such as the G-8. The G-20 provided an alternative pathway to deal with the steadily increasing pressure to expand the G-8. Importantly, at the outset the agenda of the G-20 was limited to financial and economic governance. Instead of replacing the G-8, the leaders' G-20 opened up a possibility for the G-8 to co-exist alongside the G-20 and develop as a political forum including major market economies and democracies.

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While the G-20 has been effective in tackling the global financial and economic crisis that erupted in 2008, the high hopes vested in the group's broader significance as a new engine in forging global governance and multilateralism have not yet materialised. The group has been highly selective in incorporating other topical global challenges onto its agenda. Moreover, now that the immediate crisis has eased and the world economy is returning to a growth path, asymmetric growth has geared its members' focus on relative gains. Furthermore, and in the current difficult economic environment, the group's efficiency and effectiveness has been increasingly called into question.

Despite its problems, the G-20 is a major development in global governance and an evolving process. The functioning of the group has highlighted the role of its presidency in agenda-setting and consensus-seeking. Moreover the group is attempting to reach out more visibly to the non-members through extensive consultation processes. While the EU's membership provides all the EU Member States with indirect influence in the group, the G-20 is currently establishing relationships with other regional informal and formal bodies. It has also sought to work closely with the existing formal global governance institutions and the UN system.

The key outcome of the G-20 process is nevertheless the fuller incorporation of the emerging economies into the global governance arena. So far their increased power and influence has however largely come without responsibility, i.e. without a binding commitment to common objectives in terms of traditional norms-based multilateralism. Therefore the G-20 has so far provided rather limited opportunities for the EU to forge its strategic goal of a world order based on effective multilateralism. Moreover, this paper contends that it has highlighted some of the key challenges the EU is facing in its attempt to emerge as an efficient global actor.

Against this background, the EU needs to think strategically to promote effective multilateralism in the transforming global governance arena. The EU's streamlined external relations machinery as well as its full inclusion in the G-20 provide it with both tools and channels of influence to promote its strategic objectives. This paper's conclusions suggest that working within rather than outside the G-groups is increasingly important for the EU. It is also important to continue to work for a coordinated and coherent EU voice in global governance fora and institutions as well as in the sphere of bilateral relations, specifically in the context of strategic partnerships across the wide array of policy fields of the EU's external action. As a unique polity based on norms-based multilateralism, the EU can demonstrate the added value of multilateralism and inspire others to work towards a more effective world order based on commonly agreed and respected norms and principles.

Annex

Abbreviations

ASEAN	Association of South-East Asian Nations
AU	African Union
BRICs	Brazil, Russia, India and China
DAC	Development Assistance Committee
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
ICC	International Criminal Court
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
MEF	Major Economies Forum on Energy and Climate
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
UN	United Nations
UNFCCC	United Nations Framework for Climate Change
USD	United States Dollars
WTO	World Trade Organisation

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This *Chaillot Paper* explores the emergence of the G-20 and its role in forging global governance amidst the changing dynamics of multilateralism. It focuses on three key dimensions of the G-20: its origins and development, its role with respect to the evolution of multilateralism and the way in which both old and new actors engage with this forum. The paper also emphasises how the G-20 is of central importance to the EU's aim of building an international order based on effective multilateralism. But it draws attention to the danger that while the G-20 can forge a more representative and hence legitimate system of global governance, it may also prove to be detrimental to traditional multilateralism by highlighting the interests of the most powerful global players.

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the European Union
Institute for Security Studies
43 avenue du Président Wilson
75775 Paris cedex 16 - France

phone: + 33 (0) 1 56 89 19 30
fax: + 33 (0) 1 56 89 19 31
e-mail: info@iss.europa.eu
www.iss.europa.eu