**ADBI Working Paper Series**

# The Group of Twenty: Input and Output Legitimacy, Reforms, and Agenda

Andrew F. Cooper

No. 372
August 2012

**Asian Development Bank Institute**

Andrew F. Cooper is a professor in the Department of Political Science at the University of Waterloo/BSIA and is a distinguished fellow at the Centre for International Governance Innovation.



The Working Paper series is a continuation of the formerly named Discussion Paper series; the numbering of the papers continued without interruption or change. ADBI's working papers reflect initial ideas on a topic and are posted online for discussion. ADBI encourages readers to post their comments on the main page for each working paper (given in the citation below). Some working papers may develop into other forms of publication.

Suggested citation:

Cooper, A. F. 2012. The Group of Twenty: Input and Output Legitimacy, Reforms, and Agenda. ADBI Working Paper 372. Tokyo: Asian Development Bank Institute. Available: http://www.adbi.org/working-paper/2012/08/08/5212.g20.input.output.legitimacy.reforms.agenda/

Please contact the author for information about this paper.

Email: andrew.cooper@sympatico.ca

Asian Development Bank Institute
Kasumigaseki Building 8F
3-2-5 Kasumigaseki, Chiyoda-ku
Tokyo 100-6008, Japan

Tel: +81-3-3593-5500
Fax: +81-3-3593-5571
URL: www.adbi.org
E-mail: info@adbi.org

## Abstract

The Group of Twenty (G-20) deserves credit for opening up of the “top table” of global governance to a wider representation of countries on a geographic basis in general and Asia in particular. As both a crisis committee in terms of the reverberations from the 2008 financial crisis and a potential global steering committee for a wider set of economic/developmental issues the summit process includes not only the association of leading association of leading emerging economies referred to as BRICS (Brazil, Russia, India, the Republic of China, and South Africa), but key middle powers such as the Republic of Korea. Yet, as a growing body of literature attests, it is clearly the contested nature of the G-20 that has come to the fore. This paper examines both the strengths and weaknesses of the G-20 from the perspective of input and output legitimacy. Notwithstanding some initial successes the constraints with respect to “output” have become more acute. Moreover, the “input” legitimacy of the G-20 has been eroded by the absence of the United Nations in the design and representational gaps. On the basis of this analysis the paper examines the debates and makes specific policy recommendations by which regionalism, the engagement of small states (through the role of Singapore and the 3-G coalition), and the expansion of the agenda can be utilized as a dynamic of reform for the G-20 without eroding the core strengths in terms of informality and issue-specific focus of the forum.


**JEL Classification: D7, F02, G01, F55**

# Contents

# 1. INTRODUCTION

The elevation of the Group of Twenty (G-20) to the leaders level anticipated a new form of collective action at the apex of the global system. In a break from past situations of economic stress, whether the 1930s or early 1980s, key countries from both the old elite of states and a cluster of emerging powers were able to act together within a multilateral crisis committee process via the G-20 and attendant institutions. In terms of form, speed and scope of agenda this process allowed an unprecedented degree of cooperation. Yet, shared anxiety about a massive rupture of the system did not translate into an embedded set of shared interests or norms (Rachman 2010). Cooperation even in a concentrated forum via the G-20 is not the same as consensus. Hanging together in a sustained fashion still faces enormous obstacles due not only to differences over outputs in terms of policy delivery but some serious gaps in terms of input legitimacy as well. The result is an awkward institutional arrangement, with some important innovative qualities (including an extension of insider status to an enhanced cluster of Asian countries including not only the People's Republic of China (PRC) and India but also the Republic of Korea and Indonesia) but also some serious gaps in terms of efficiency and representation.

It should be recognized at the outset that such flaws have a paradoxical flavor to them given that the push for the G-20 in the first place was to enhance the legitimacy of an expanded summit at the center of power beyond the institutional status quo with lessons-learnt from previous crises. The recognized champion of this reformist model was Paul Martin, successively finance minister and Prime Minister of Canada between 1993 and 2006. In an April 2004 speech, at the Woodrow Wilson Center in Washington DC, Mr Martin articulated the genesis and the framework he had in mind: "an approach I believe to be worthwhile would be to look at the lessons learned from the G-20 Finance Ministers that was formed in the wake of the Asian financial crisis that began in 1997. We foresaw an informal gathering of finance ministers, representing established and emerging centres of influence, and coming from very different political, economic, cultural and religious traditions. We wanted to bridge the "us" versus "them" mentality that bedevils so many international meetings, and it has worked remarkably well—because peer pressure is often a very effective way to force decisions. We believe a similar approach among leaders could help crack some of the toughest issues facing the world (Martin 2004).

Ideally, therefore, the G-20 contained elements of advances towards a cosmopolitan order, in which countries from most of the major regions and cultures would obtain representation. Not only could the G-20 offer instrumental delivery, it could do so explicitly as a forum of "un-like" actors, fully reflective of a diversity of voices. Instrumentally, although continuing to come up against serious barriers pertaining to competitive national interest, the G-20 could be situated in the wider conceptual literature as a forum in which participants possessed the potential to make a genuine effort to find solutions that could be accepted by others on the basis of openness to learning and deliberation (Woods 2010; Koenig-Archibugi 2010). The logic of bringing in emerging economic powers to the 'high table' of international affairs seemed unassailable. In the words of Timothy Garton Ash in January, 2008, prior to the financial crisis: "The dangers of climate change, nuclear proliferation, disease and poverty—not to mention the fragile state of globalized capitalism—demand a more credible and representative cast at the annual intergovernmental summit. As Asia rises, it is ever more absurd that the world's unofficial top table has a seat for Italy but not for China" (Garton Ash 2006).

As the G-20 moved from concept to practice, galvanized by the financial shocks of late 2008, many of these claims became embedded in the project. As David Held has signified, the G-20 featured "an unprecedented successful attempt by developing countries to extend their participation in key institutions of global governance" (Held 2010: 204).

This cosmopolitan image was strengthened by the presence of key regional drivers within the G-20. All members of NAFTA were included, each of the European Union (EU) 4 (the United Kingdom, France, Germany, and Italy), plus Japan and the BRICs (Brazil, Russia, India, and the PRC). Additional space was made available for Turkey, Saudi Arabia, South Africa, Australia, as well as Indonesia and the Republic of Korea, making the forum global in its reach.

Such a diverse membership also opened the way for connections of different forums with a wide number of regional organizations—the Association of Southeast Asian Nations (ASEAN) as well as the African Union (AU) and MERCOSUR, the Gulf Cooperation Council (GCC) and the Economic Cooperation Organization (ECO). To give just one example of how this connection was made at the level of declaratory language, Saudi Arabia defended its position in the G-20 not by referencing its leadership position in the Middle East but because of its role in the GCC (Zawya 2009).

Yet, over time, it is clearly the contested nature of the G-20 hat has come to the fore. One type of criticism is that the G-20 is an explicitly top-down, executive mode of institutional reform. Not only is the initiative state-centric in origin, it is leader-centric with a sharp differentiation between the role of heads of government and ministers and/or bureaucrats. From another angle the G-20 appears to constitute an extended form of insider-outsider discrimination via a self-selected club. Such criticisms, although justified to some considerable extent, also require some nuancing in order to privilege both the sources of reform and status quo orientation in the G-20.

# 2. RE-FRAMING THE G-20 AS BOTH A SOURCE OF REFORM AND STATUS QUO ORIENTATION

The first component of reform orientation that must be showcased is the degree of institutional engagement with challengers—or potential rivals—located in the G-20. Traditionally, concerts have been formed with "likeminded" countries as in 1919 or (in terms of an anti-revolutionary ethos) in 1814–1815. In cases of concerts formed with "unlike-minded" countries—most notably at the end of World War 11—their existence has been limited in terms of time period and on the agenda. The more common approach of the relationship between ascending and dominant powers has been conflict oriented not co-operative practices, featuring a mix of balance of power and unilateral strategies. Prussia under Bismarck/Kaiser Wilhelm performed as a classic realist power, with the goal of enhancing national interest and national capabilities through the acquisition of territory (Kennedy 1987). The Soviet Union's behavior was quite similar, with an emphasis on bipolarity and proxies on a regional basis. Concert power as played out in the United Nations (UN) was secondary to the great game, and usually centered on the use or non-use of veto power in the UN Security Council.

Moreover, the United States (US) operated in much the same manner with a low priority on cooperation in the international system before World War 11. Due to congressional objections, the US walked away from the League of Nations post-World War 1. During the inter-war period, the US adopted a spoiler role in times of crisis—as witnessed by its willingness to torpedo the 1933 World economic conference in London (Foss and Austin 1933).

But the US's ambivalence towards multilateral cooperation resurfaced during its moment of US uni-polarity in the post Cold War period, as featured by the American reliance on informal "coalitions of the willing" as opposed to formal institutions such as the UN or NATO. Situated in this version of a hub and spoke matrix the US as the central pivot is accorded full power of agency with an enormous amount of autonomy provided for its commitments and capabilities (Cooper 2008).

The collective challenge of the "Third World" in the 1970s and early 1980s provided a different lens to the cooperative/conflict dynamic. As opposed to individual rising states the G77/Non-Aligned Movement (NAM)/UN Conference on Trade and Development (UNCTAD) challenge of the "Third World" put a heavy emphasis on solidarity by countries from the global South. This challenge was cast in an oppositional, or even counter-hegemonic, framework with the aim of transforming the system (Cox 1979; Ruggie 1983).

This approach had a potentially constructive element, the trade union oriented approach for a more equitable deal on commodity sales for example. But it also contributed to an ossification of diplomacy, with a sharp division between North and the global South. There was little or no space for mixed coalitions.

The established powers were challenged explicitly due to their privileged role in systemic terms, as expressed in their veto status inside the UN, the directorate role assumed by the G7/8, the longstanding debate over votes and shares in the International Financial Institutions, the globally-directed initiatives (such as those dealing with Offshore Financial Centers or OFCs) from the Organisation for Economic Co-operation and Development (OECD), and the existence of exclusive small groups such as the "green room" process through the World Trade Organization (WTO).

The intensity of the challenge was magnified by a psychological sense of being outsiders in the multilateral system, kept away from these privileges. The only redress was therefore through solidarity maximizing the use of weight of numbers. Attempts to negotiate around these differences (and images of bias in the system) met with repeated failure. The classic case of this dilemma was the 1981 Cancun conference, a creative attempt to break out of the North/South standoff inspired by the Brandt Commission report under the leadership of Mexico, Canada and Austria.

Yet, notwithstanding the record of conflict, a strong case can be made that cooperation has been on an upward trajectory since the economic ruptures in 2008. Key multilateral forums are opening up in a more equitable fashion. As highlighted by the pivotal institutional response – the G-20 – to the financial crisis there is some considerable recognition at the heart of the system that the G7/8 or any other small exclusive club is not a legitimate or effective means of problem solving.

The dynamics—and the context—around the G-20 are very different. Even with the flaws of “output” and ‘input” legitimacy that will be discussed in this paper the fundamental claim that cooperation is overtaking competition as the dominant mode of behavior in the aftermath of the 2008 financial crisis must be taken seriously. Although some commentators do make analogies to historical patterns of behavior, presenting the image of a rising PRC as the 21st century equivalent of Prussia (Goldstein 2003), the structural rationale for viewing cooperation rather than competition as the dominant trend at the apex of the international system is substantial. The PRC and US have certainly built up a deep and intricate form of interdependence, dubbed Chimerica by Niall Ferguson (Ferguson 2007). Although not without controversy and stress, the PRC has massive holdings of US treasuries. US multinationals have invested heavily in the PRC, and companies such as Wal-mart and Costgo (and American consumers) continue to rely heavily on made in PRC goods. Statistics collected by the US-PRC Business Council (2011) highlight the measure of interdependence, with PRC exports to the US amounting to a $ 1 billion a day in 2010 (just under 25% of PRC exports).

**Table 1: The PRC's Trade with the United States, 2001–10 ($ billion)**

| | **01** | **02** | **03** | **04** | **05** | **06** | **07** | **08** | **09** | **10** |
|---|---|---|---|---|---|---|---|---|---|---|
| US exports | 19.2 | 22.1 | 28.4 | 34.7 | 41.8 | 55.2 | 65.2 | 71.5 | 69.6 | 91.9 |
| % change* | 18.3 | 14.7 | 28.9 | 22.2 | 20.5 | 32.0 | 18.1 | 9.5 | -2.6 | 32.1 |
| US imports | 102.3 | 125.2 | 152.4 | 196.7 | 243.5 | 287.8 | 321.5 | 337.8 | 296.4 | 364.9 |
| % change* | 2.2 | 22.4 | 21.7 | 29.1 | 23.8 | 18.2 | 11.7 | 5.1 | -12.3 | 23.1 |
| Total* | 121.5 | 147.2 | 180.8 | 231.4 | 285.3 | 343.0 | 386.7 | 409.2 | 366.0 | 456.8 |
| % change* | 4.5 | 21.2 | 22.8 | 28.0 | 23.3 | 20.2 | 12.8 | 5.8 | -10.6 | 24.8 |
| US balance | -83.0 | -103.1 | -124.0 | -162.0 | -201.6 | -232.5 | -256.3 | -266.3 | -226.8 | -273.1 |

Notes: *Calculated by USCBC.

Source: US Department of Commerce; US International Trade Commission (ITC)

Diplomatically, both the symbolic and instrumental advantages for emerging/ascending powers participating in new forums with the old establishment were confirmed by the experience of the G-20 finance in the late 1990s in the aftermath of the Asian/International Monetary Fund (IMF) crisis. The extent of this institutional advance on non-G-20 countries generally and key Asian economies—being at the table on an equal basis—should not be minimized. The establishment of the G-20 set a precedent by opening up membership on a procedural basis to pivotal countries the global South. Not only did a large group of countries from all quadrants of the globe enter the G-20, these countries gained some significant forms of ownership of the forum. The distribution of the hosting function showed that the G-8 was willing to share elements of power. The scope and magnitude of the GFC also illustrated that a nuclear, G7-centric governance response was not sufficient—liquidity needed from high-savings countries. The functional option was to enact a G-20 leader's economic summit.

To highlight the similarities between the two crises that created the G-20 finance and the G-20 at the leaders level is not to exaggerate the parallels to an unwarranted degree. The shocks triggering the G-20 finance became largely identified with a specific region as witnessed by the common usage of the label, the "Asian" crisis. And even this label is misleading as the crisis hit hardest a particular cluster of countries namely Thailand, Korea, Indonesia and Malaysia (Wade 1998). The strong reaction at the global institutional level was generated not by the Asia (or more precisely an East Asian or ASEAN plus) crisis per se but the fear that the symptoms would spread via a contagion effect.

By contrast the 2008 crisis was an authentic global phenomenon. Although a school of thought had developed that the big rising states and/or emerging markets were decoupled from the reverse contagion (with the economic shocks spreading from the established industrial countries to the global South) (Oakley 2009), the dominant scenario was considered a return to the global or great depression of the 1930s. It was this scenario that concentrated the minds of policymakers in the PRC, India, and Brazil as well as the Group of Eight (G-8) countries, in other words those outside of the G-8 but in the G-20 finance.

Because of these differences in scope the academic response from a critical perspective to the two episodes of institution building have been very different. Given the magnitude of the crisis, there was little in the way of immediate negative reaction about the intensity of the response. The main source of disagreement was about the cause of the crisis (Cooper and Subacchi 2010), and the implications in terms of concert power (Åslund 2009).

Alternatively the reform process animated through the G-20 finance was interpreted by its critics as a consolidation—not a loosening—of power by the G-8 and by the ideology of neo-liberalism more generally. Notwithstanding the signs that the G-20 was operated through a culture of formal equality, and that the non-G-8 members developed an enhanced comfort zone within this ambit, this forum was commonly portrayed as a process not signifying a new mode of global governance but a more concerted form of discipline emanating from the traditional core of the international system (Beeson and Bell 2009; Bailin 2005).

Yet, notwithstanding this critical perspective, the creation of the G-20 finance had attractions especially for a country such as the PRC without having many defects. It allowed “an informal mechanism for dialogue among systematically important countries” but did so “within the framework of the Bretton Woods institutional system”, a theme that has continued to be emphasized. The PRC thus received greater status and access without moving away from the rest of the rising states/emerging countries on its own. As one prominent PRC economist commented: ‘Broader representation is crucial. The G-20 is designated to fulfill this need for representation from emerging countries” (Yu 2005: 6).

Without a catalyst, however, the reform project designed to bring about an expanded forum at the apex of power could not overcome the formidable obstacles of political/diplomatic interests. The status quo remained more attractive to most of the G7/8 members than a leap into the unknown. The US, under George W. Bush, was reluctant to share power unless there was a fundamental rationale for doing so. Reinforcing these instincts, there were concerns that such a revamped summit could be used to “gang up” on the US. Smaller members of the G-8 worried about a possible loss of status.

# 3. MOVING BEYOND THE BRICS

Another source of reform orientation—often overlooked in the focus on the BRICS—is the space for additional countries, including those from Asia. Through the dominant lens, associated with the image of concert power, global affairs are moving towards an accentuated form of multipolarity, in which power coalesces around a small number of dominant poles (the established G7/8 and BRICs). Such a perception is consistent with past eras in which a group of big dominant countries would come together at the time of decisive ruptures, as witnessed in 1814/15, 1919, and 1945.

Notwithstanding these signs of commonality with past eras, though, there are other scenarios that point to a very distinctive alternatively framed environment. At odds with the impression of a new concert of powers is the relatively large number of countries involved in the G-20, as featured both in the late 1990s with the establishment of the G-20 Finance and in the elevated G-20 at the leaders level. In 1814/15 the concert was made up of 5 core countries—Britain, Prussia, Russia, and Austria plus France. Although other countries participated, unlike at the G-20, there was no illusion of equality. The same basic formulae was utilized at the 1919 Paris Treaty negotiations, where there was a “Big Four”, or arguably a “Big Three” with the united Kingdom (UK), the US, and France. Moreover, in similar fashion, there was a Big Three at Yalta and Potsdam, although of course five countries received permanent veto-bearing seats at the UN. By way of contrast the members of the G-20 are quite numerous and diverse. There is neither the image of allies or victors in war, nor is there the sense of ideological uniformity or anti-revolutionary ethos. In the G-20, as the hub of the new order, there are countries from every quadrant of the globe plus some implicit (although not initially formalized) regional representation.

Under such conditions there is space for different—although perhaps not mutually exclusive—components to form within the G-20 at the leaders level. As rehearsed, most of the attention here focuses on the interaction between the established G-7/G-8 and the rising BRICS group (Cooper 2010). What provides the BRICs with its distinct character is the impressive economic performance by the entire cluster of countries that can be considered emerging or rising states. All of the original BRIC countries—Brazil, Russia, India, and the PRC—have their annual gross domestic product (GDP) over $1 trillion dollars each.

Yet, beyond the core trilateral G-8 countries and the BRICS is another key, albeit largely unanticipated, component within the G-20. The gap between the largest of the BRIC states and middle powers comes out clearly in terms of nominal GDP. As compiled by the IMF (2011) the comparative data for 2011 put the PRC's economy at US$6,988.470 bn, the highest amongst the BRIC states, followed by Brazil at US$2,517,927 bn, and India at US$1,843.382 bn. By way of comparison, the GDP of middle powers while impressive lag behind. Korea's GDP is calculated at US$1,163.847 bn and Indonesia US$834,335 bn (IMF 2011).

If in a different economic category, however, some of these middle powers have a combination of resources, diplomatic opportunities, and skills that mark them out as a privileged cluster. This opportunity has been reinforced by a number of factors. The first major opening was the choice to take the G-20 model "off the shelf" from the G-20 finance as opposed to alternative designs around a smaller group such as a G-12/G1-3/G-14 favored by many EU states, including President Nicolas Sarkozy of France. At a meeting held in Washington on 18 October 2008, Mr Sarkozy (accompanied by President of the European Commission Barroso and the French finance minister Christine Lagarde) tried to move Mr Bush towards a enlarged G-8 with pivotal emerging states albeit significantly not a full-fledged G-20. Mr Bush might have been a "lame duck", but on this issue he did not act as one. Fearful that the Sarkozy approach would gain traction he made at clear that he wanted the summit to be bigger and more inclusive than the G-7/G-8 plus model. Significantly, the treasury secretary Hank Paulson writes in his memoirs that he had proposed a G-20 meeting before Sarkozy's visit in an effort to deflect the French approach which the "White House suspected [was an effort] to pull off a publicity coup on our home turf" (Paulson 2010: 373).

The second opening for reform came due to the attitude of the BRICS to the G-20. By way of contrast there was an enormous buy in from the emerging powers for the G-20, at least in the initial stages. When the call came for the G-20, all of the ascending states not only took part but energetically participated in the preparation. As the Brazilian finance minister (Mantega 2008) indicated, the call from these countries was for a new form of institutional improvisation: "there is no agile structure prepared to deal with emergency economic problems. That is what we have seen at this time…We have to turn this G-20 into a forum or a tool of some kind that can provide answers to immediate problems and coordinate its actions better amongst many countries. We are facing the most serious financial crisis perhaps since the crisis of 1929, and as this crisis is getting more serious it demands quick answers, immediate answers. It must be monitored day by day, hour by hour, so that the necessary measures can be taken to handle the problems that arise. So, there must be very agile instruments available for that to happen".

Further, all the emerging powers bought into the coordinated approach, as can be seen most emphatically in the manner by which the PRC and other countries embraced the stimulus program both individually and collectively. To be sure, this buy in was facilitated by the way that the G-20 finance evolved as a problem-solving forum. However, this image was reinforced in turn by the opening up of other institutions to the ascending states, the prime example being the reform of the Financial Stability Forum into the Financial Stability Board. In so doing, a number of the traditional anomalies disappeared, most notably the presence of Hong Kong, China and not the PRC in this institution.

Up to the June 2010 Toronto G-20 summit there were ample signs of success in terms of the building of "input" legitimacy. Momentum built up through the initial Washington summit in November 2008, London in April 2009, and especially Pittsburgh in September 2009. The dominant message through this process was that governments needed to "finish the job" by implementing the stimulus measures they promised before putting on the brakes, which if done too abruptly or sharply, could push many economies back into recession

Diplomatically, this concentrated approach also had the advantage of not going too far in disturbing the consensus established through the G-20 process. At the time of Pittsburgh in late September 2009, there did appear to be the prospect that the agenda could open up in a more ambitious manner. Most notably, the issue of global "imbalances" were placed on the agenda along with a renewal of the drive for IFI reform (Nelson 2010: 10)

Since Pittsburgh nonetheless any such prospects for an enlarged consensus has eroded considerably. The relationship between the PRC and the US has been severely tested amidst charges of heightened protectionism and currency manipulation. More generally, the G-20's willingness and/or ability to expand its mandate have been curtailed by the immobilization of issues such as finance for climate change.

More specifically, the opening for middle powers came about by gaps in alternative forms of leadership via the BRICS. Certainly, the extent to which the BRICS want to embrace this institutional main game, as opposed to national self-insurance and/or alternative global/regional institutional options in which they have more autonomy, is still unclear (Barma et al. 2007). Put another way, it is unclear whether the preference of the big rising states from the global South is to work through core inter-governmental forums or to utilize other parallel forms of international co-ordination. One argument points towards the emergence of "an ambiguous new order … in which multilateral institutions … have only a limited role to play alongside emerging national and regional strategies" (Woods 2010).

Signs of this parallelism was further accentuated by the move to formalize the BRICs/BRICS as a grouping with a concern with equity and justice for the less powerful and those intended to curtail the restrictive unilateral or plurilateral/coalitional activity by the most powerful. The Yekaterinburg Joint Communique declared that: "We are committed to advance the reform of international financial institutions, so as to reflect changes in the world economy. The emerging and developing economies must have greater voice and representation in international financial institutions, and their heads and senior leadership should be appointed through an open, transparent, and merit-based selection process. We also believe that there is a strong need for a stable, predictable and more diversified international monetary system" (Yekaterinburg Joint Communique 2009).

By way of contrast, select middle powers have grabbed the opportunity to take a leadership role within the G-20. In overall terms, it must be appreciated that a middle power hosted the G-20 in 2010 (the Republic of Korea, henceforth Korea) and will host it in 2012 (Mexico), 2014 (Australia), 2015 (Turkey), and possibly Indonesia (2016). In specific terms, much of the credit for maintaining the output legitimacy amid policy differences must go to Korea and Australia. Korea and Australia both worked hard after the London Summit to institutionalize the G-20. A joint op-ed column that the leaders of Korea and Australia, Lee Myong-bak and Kevin Rudd, contributed to *the Financial Times* urging the G-20 leaders to agree on a framework for macroeconomic policy coordination in Pittsburg was one of the highlights of their joint action (Lee and Rudd 2009). Both countries felt that their efforts paid off when G-20 leaders in Pittsburgh decided to designate the G-20 as the premier forum for international economic cooperation and to make it an annual meeting.

Korea as the 2010 chair country took the forum through two G-20 summits in 2010, Toronto in June and Seoul in November. As *the Economist* points out, Korea's energetic leadership helped turn the G-20 into "a talking-shop worth having" (*Economist* 2010). Korea has been active at the G-20 from the very beginning. President Lee decided early on to contribute to global discussions on ways to fight the global financial crisis as Korea was one of the hardest hit victims in the 1990s Asian Financial Crisis. He called for a standstill on trade protectionism at the first G-20 Summit in Washington in November 2008. Korea's contributions have been particularly noteworthy in the areas of common interests both for the emerging and developed countries, as it defines its role as a bridging power between the two camps. Korean initiatives at the Seoul Summit included global financial safety nets and development assistance for poor countries.

The idea of the financial safety net attracted strong interest from emerging market economies that are vulnerable to sudden changes in international capital flows. Before the 2008 crisis, emerging markets in need did not want to turn to the IMF for help because an IMF bailout brought a stigma effect, destroying the credibility of borrowers. What they needed in the IMF was a pre-crisis prevention insurer, not just a post-crisis bailout fund. During the Seoul Summit, the G-20 decided to strengthen the IMF's crisis prevention role by expanding the

IMF’s Flexible Credit Line and introducing a new Precautionary Credit Line. G-20 leaders hoped that these new sources of funding would reduce the need for emerging countries to accumulate foreign reserves as self-insurance against volatile global capital flows. Korea also sought the ways for the IMF lending facilities to link up with various regional arrangements such as the Chiang Mai Initiative (CMI) in Asia.

Korea's presidency of the G-20 also presented an opportunity to bring development issues to the table. With its vivid memories of both development successes and failures, Korea pushed for a development agenda and multi-year action plan, including a pledge for duty-free, quota-free market access for low-income countries. The initiatives could make the G-20 Summit a much more inclusive and relevant event for the entire world as it can bring more than 173 non-member countries into the G-20’s sphere of influence.

The Seoul Summit also aimed to achieve macroeconomic coordination with detailed policy recommendations for each individual member country to develop the Framework for Strong, Sustainable, and Balanced Growth. The uneven and slowing global economic recovery sparked a currency war, with the US, the PRC and Japan beefing up the battle to grow through exports. The PRC’s currency policy in particular was the target of major concern among its trading partners. Believing that the PRC government keeps its currency undervalued, the US and others called for the appreciation of the PRC currency at the Seoul Summit. Identification and correction of macroeconomic imbalances were another thorny issue. The US wanted to set numerical targets on current account surpluses and deficits but major surplus countries such as Germany and the PRC strongly opposed proposals to quantify limits on them. In the end, no breakthrough on currency and imbalance issues was reached at the Seoul Summit. But Korea managed to broker significant agreements. On currency levels, the leaders agreed to move toward market-determined exchange systems and on macroeconomic imbalances, they set the deadline of June 2011 for coming up with “indicative guidelines” of what constitutes an over-the-top deficit or surplus. Media reports that President Lee threatened not to end the meeting until the PRC and other opponents agree to the deadline (Mo and Seo 2010).

Another key agenda was to overhaul the IMF, especially the shift of 6% in quota to underrepresented members from the over-represented countries. Korea as the chair worked hard to hammer out agreements on most of the controversial issues by the November 2010 Summit. Most agree that reform of IMF governance counts among the G-20’s greatest achievements so far.

In addition to agenda setting and coordination, the Korean government in Seoul demonstrated its commitment to input legitimacy by way of effective consensus-building and global communication in the run-up to the G-20 Seoul Summit. It hosted the World Bank and IMF conferences alongside the meetings of finance ministers and central bank governors in Korea and invited most top government officials from Africa to hear their opinions about the G-20 agenda and build up a consensus on the development issue. The Seoul Development

Consensus was advanced as a means that integrated countries from the global South into the global economy, while retaining an emphasis on political autonomy. Korea also organized a gathering of more than 100 chief executive officers from Fortune 250 companies during the Seoul Summit in a bid to reflect the private-sector views when political leaders discuss the global issues and concerns. Indeed the "business summit" has become a regular event as witnessed through the 2011 Cannes summit and the plans for the 2012 Los Cabos meeting.

# 4. ONGOING PROBLEMS OF “OUTPUT” AND “INPUT” LEGITIMACY

Notwithstanding the infusion of the G-20 with middle power diplomatic creativity and commitment, the constraints on the G-20 have become enormous. In contrast to the successes of the initial summits, the Toronto summit in June 2010 and the Seoul summit in November 2010 present more mixed if not completely pessimistic experiences. As the urgency of the economic crisis diminished, the sense of common purpose that united the G-20 leaders seemed less present. As note above, at the time of the Seoul summit in particular, the G-20 became caught up in a number of bitter disputes such as those over the “currency war”, both in terms of US charges of PRC manipulation of the yuan and US quantitative easing, and global imbalances and the debate over current account targets. With the erosion of urgency, due to perceptions that the global crisis was easing, these policy differences became embedded in the G-20 process. The media increasingly adopted a much more skeptical view that their earlier glowing reviews of the G-20’s role as a crisis committee. The new mood was summed up by the *Financial Times* which concluded that the Seoul G-20 demonstrated “how not to run the world” (*Financial Times* 2010).

At Cannes, in November 2011, the impact of the euro-crisis situation was palpable. Instead of being able to move forward to the function of steering group, the G-20 crisis reverted to the role of crisis committee. The dominant theme was a concern with firewalls and buffers against contagion and the need for a sustainable path of economic development for Europe.

Such a restricted outcome was exacerbated by the tensions in French leadership. In style the real deficiency was due to over-promising by President Sarkozy. Instead of concentrating on a manageable agenda, Mr Sarkozy declared that progress could be garnered on a wide number of fronts: an ambition that combined state-centrism with elements of innovative networking with non-state actors. The most notable illustration of the trajectory towards the network approach was the elevation of Bill Gates to a privileged position with in the G-20 as a powerful champion for a Financial Transaction tax. Although provided with insider status, nevertheless, Gates was marginalized at Cannes amid the preoccupations with the euro area crisis.

In terms of agenda, this loss of momentum does not translate into a collapse of the entire G-20 project. And these constraints should not be exaggerated to the point where the G-20 is viewed as having lost its capacity to act as a hub of global governance. As a crisis committee the G-20 is still moving forward on a number of points. One is to put emphasize on IMF surveillance inside Europe itself, with the push to have Italy accept “voluntary” oversight over its austerity measures. Such a move is designed to create an effective instrument that would allow these austerity measures to be implemented to a clear timetable without any slippage. The fact that the final declaration says that this surveillance will be carried out with public verification with respect to policy implementation on a quarterly basis shows the extent of the anxiety.

As a nascent steering committee, there is also progress—advances reinforced by UK Prime Minister David Cameron’s report on global governance—is to take steps forwards some degree of institutionalization via a secretariat and a continued focus on issues beyond the immediate ambit of the financial crisis—a trend continued by the signal that the Mexican presidency would have “green growth” as one of the pillars.

Yet the formidable constraints on the G-20 should not be ignored. Due to the embedded constraints of collective action, as Stephen Krasner predicted, the Seoul G-20 “stumbled” over a wide number of the impediments before it (Asian Institute for Policy Studies 2010). In the face of such impediments there is a need to look at the G-20 not only as the hub of a new mode of cooperation but alternatively as both an accommodative/functionally cooperative and a political/ conflict-oriented institutional design.

In terms of “input” legitimacy two flaws in the original G-20 design stand out. The first flaw was the absence of the UN in the design. Although Secretary General Ban Ki-Moon did attend the Washington G-20, some considerable distance appeared between the UN and the G-20 approach on the eve of the initial Summit. In a news conference on 11 November (the G-20 being on 14-15 November), Ban focused his attention on the need for “inclusive multilateralism”, with a focus on protecting the well-being of the developing countries, as well as major UN development goals, including climate change, food crisis issues and financing for development. Ideationally, the main source of contest came from the move by the GA President to convene a panel of experts, chaired by Joseph Stiglitz, in contradistinction to the G-20. Organizationally, the main alternative focal point became the UN Conference on the Global Economic Crisis at the end of June 2009.

Having grabbed the spotlight as the dominant site of criticism during the formative stages of the G-20 at the leaders’ level, however, the UN-oriented backlash against the G-20 has eased. As the G-20 has expanded its agenda the UN has endorsed the credo that the two institutions are different and complementary not competing and contradictory (Kim 2010b). UN Secretary General Ban Ki-moon has accepted de facto a subordinate role, in which he attends the G-20 summit as the world’s top civil servant but plays a secondary role to the leaders seated at the world’s top table.

The other criticism is from a non-member perspective. While acknowledging the innovative design for global governance through the establishment of the G-20 for new multilateralism, the self-selective nature of the G-20 (and the bias toward bigness) exposes the Achilles heel of the G-20 in terms of its representational gaps. The G-20 in principle and in practice has been animated by an instrumental—with attendant "output" legitimacy—purpose. In the rush to find solutions, nonetheless, there is a need to catch up in terms of "input" legitimacy about the balance between member and non-member countries and the regions they come from. If cognizant of the forum's strengths, sophisticated observer-participants of the Korean summit recognized 'membership composition' as the G-20's glaring weakness (Lee 2010: 43)

The regional/smaller state criticism of the G-20 can be put into three broad categories. The first is the group of countries that reject the G-20 in an outright fashion, most notably the ALBA (Bolivarian Alliance for the Americas) countries. Due to India's presence in the G-20, Pakistan is the one Asian country that falls squarely into this category. It is interesting from this perspective, therefore, that at least one task force (chaired by Richard Armitage and Samuel Berger, top aids to Presidents George W. Bush and Bill Clinton) proposed that Pakistan be given at least observer status in the G-20 (Iqbal 2010). Still, such overtures have not blunted Pakistan's opposition, cast not in a regional-representation but defense of universal multilateralism mode. This view was made explicit in the run-up to the Toronto G-20 summit, when Pakistan's UN ambassador, Abdullah Hussain Haroon, warned against any formal relationship of the UN with the G-20: "Frankly, what we do not want to see, is for the UN Secretary-General or the UN and by implication, its membership to own or be associated with any decisions in whose finalization it has no voice or participation… Any global economic architecture must, in our view, ensure inclusiveness, transparency and full representation of all developing countries and promote full complementarities and coherence" [*The Nation* 2010].

A second category is the cluster of countries that are potential additional members of the G-20 if the design expanded in one way or another. Some of these countries have been quite vocal in their demands. In Europe, the early position of Norway stands out in this category. Norwegian foreign minister Jonas Gahr Støre offered a robust critique of the G-20, labeling it as "a grouping without international legitimacy' or without a "mandate" concerning 'its functions'" (*Spiegel* 2010). Yet, the focus of his instrumental proposals was directed at broadening the G-20 not replacing it. His prime objective was that the members of the Nordic Council—Norway, Sweden, Denmark, Finland, and Iceland—should share a rotating seat together with the Baltic States. Extending this line of thought, the suggestion was also made that similar arrangements could be made for other under-represented groups, such as African and Arab countries (Government of Norway 2009).

In the African context, Nigeria used regional gatherings to exert its own candidacy for entry into the "high table" of the G-20. Having been left out at the summit, Nigeria reasserted its claims for membership at a meeting of African finance ministers (on the sidelines of the IMF annual meeting), with its own finance minister, Mansur Muhtar, arguing that: "We have been clamouring for a greater role ... For us the key concern is to see that the principle [of enhanced representation] gets accepted” (Reuters 2009).

Here the lack of a visible campaign by Asian countries, notably Malaysia and Thailand, is salient. Both of these countries had been members of the G22 that also emerged from the Asian/IMF crisis in 1998, and had been considered for membership for the G-20 finance. But in neither case did these countries make a high-profile public claim to a seat at the top table on a national basis.

The third group of “outsider” countries expressed concern that decisions were being taken within the G-20 without their representation or consent, but rather than outright rejection, the preference has been a pursuit for inclusion. The G-20 is viewed as having some positive features but remains in need of refinement in order to maximize its benefits to a greater range of countries.

This orientation is showcased above all in the Asian context through ASEAN. This was a robust claim at the outset with ASEAN advocating for a formal seat at the table of the G-20, as opposed to simply representation by its chair. This way forward was advocated at Davos in January 2010 by the Viet Namese Prime Minister, Nguyen Tan Dung (ASEAN Secretariat 2010), as he pushed the notion that there should be an “increase [in] the representation of G-20, I think that it is important to institutionalise the participation of regional organisations like ASEAN”. Over time, however, ASEAN demonstrated considerable flexibility. The leaders' statement from the 2010 ASEAN Summit declared: "ASEAN strongly believes that it can contribute to the deliberations of the G-20 through continued participation of the ASEAN Chair and the ASEAN Secretary General" (Rana, 2010; Rana 2011).

# 5. REGIONALISM AS A CATALYST FOR FURTHER REFORMS

It is the dynamic surrounding the G-20 as an elevated form of new multilateralism that continues to be subject to scrutiny. Although the coordination problems have become more difficult as its agenda has evolved, the quality of the G-20 entrepreneurship and technical readiness continues to stand out. Taking account of the fundamental power change taking place in the global economy (Alexandroff and Cooper 2010; Chin 2010), the G-20 serves as the hallmark signal that the multilateral system can not only adapt but serve as a catalytic agent for other forms of institutional reform, notably in the transition from the Financial Stability Forum to the Financial Stability Board and the redistribution of voting rights and seats in the IMF.

Yet, notwithstanding its framing as an innovative diplomatic project, it is still a stretch to argue that the G-20 broadened out composition and expansive agenda can be equated with the democratization of global governance (Asian Institute for Policy Studies 2010). With the G-20's institutional embeddedness has come an intensity of sentiment that the organizational format necessary for a pivotal crisis committee is not the construct appropriate for its elevation to a global steering committee.

Some of the ingredients essential for this modification center on efficiency goals, with the aim of making the G-20 work more smoothly. With respect to the G-20 preparation process, the main focus has been on the pros and cons with respect to the establishment of a secretariat in order to "provide institutional memory, continuity for monitoring and follow-up of commitments, as well as to support outreach and consultation" (Carin 2010). Champions of the "leaders are different" school resist any big move to over-bureaucratize the forum. Yet both Korea and France have expressed support for institutionalizing the G-20 forum through the creation of a Secretariat.

The positive image of the G-20, nonetheless, lies not only on getting things done but on legitimacy. If the loss of the lifeboat ethos makes it more difficult to maintain institutional coherence on an issue specific basis it makes it more contingent to address the G-20's governance deficiencies. Looking inwards, the priority is on introducing order to the G-20 hosting functions. As a crisis committee, the G-20 as a leaders' summit broke with the sequencing established by the G-20 Finance. Rather than choosing hosts according to a group or bucket system, these duties were distributed on ad hoc basis, with the US up to the Pittsburgh G-20 doing most of the orchestration. Confirmed by the selection of Mexico to host in 2012, however, the G-20 appears to be moving back to the legacy model of the G-20 finance.

Looking outwards, the focus concerns the closing of the regional representation gap largely on behalf of small countries. Some significant progress has already been made albeit in an ad hoc fashion. In terms of substance, the main attraction offered for non-members via the evolving G-20 agenda has been on Korea's proposals on the Global Financial Safety Net and Development Issues. According to Dr Junkyu Lee, senior advisor to the Korean Ministry of Strategy and Finance, in talks with the Viet Namese Ministry of Finance officials (as host of the G-20 and the Presidency of ASEAN 2010 respectively), in the near term, the G-20 could set up a regional-scale cooperation regime or mutual agreement on financial safety assistance (Viet Nam Business News 2010) that would help insulate developing countries from the ill-effects of global economic crises.

As witnessed by this type of interaction, ASEAN has proved receptive to greater inclusion in the G-20 process. Outreach efforts to regional organizations such as ASEAN in turn offers the G-20 an opportunity to enhance inclusion and address legitimacy concerns (Bhattacharya 2010). ASEAN participation at the June 2010 Summit in Toronto (Xinhua 2010) followed this model, via the participation of the ASEAN Chair and Secretary General. This approach bolstered both the G-20's input an output legitimacy function along with its capacity of the forum to act as a network hub.

The big remaining question rests on whether these types of fluid adjustment reach the boundary of what is viable, or whether they provide a staging ground for further reforms. At the Seoul summit the G-20 settled on a formula for non-member participation, enabling the summit host to invite up to five guests. On the face of it this went a long way to settling the regional representation, as it is reported at the time that the Sherpas “set a tradition that the invitations should be made on a consensus of G-20 members, not in the host country’s own desire” (Cho 2010). On closer look, though, this formula does not end the debate.

The most ambitious means of meshing efficiency with legitimacy is to temper the original model for a G-20. Rather than allowing further EU representation, as has happened through the presence of Spain and to some extent the Netherlands, a process of rollback and contraction should be implemented. This single big move will help build legitimacy for the G-20 outside of the EU. But just as importantly, it will encourage more innovative forms of coordination inside the EU, the instrumental rationale for which has been revitalized by the difficulties with addressing the euro area crisis. As highlighted by a Brookings Institution publication, therefore, the ongoing governance stalemate in Europe is creating gridlock for wider global governance reform (Battacharya, Bradford, and Linn 2010).

To be sure, the political and diplomatic pressures to add not subtract will continue to be intense. A case in point is the treatment of the Netherlands at the Toronto G-20. Having initially signaled that the Dutch would not be invited, Canada relented (not just out of a sense of like-mindedness, but as a result of good personal chemistry at the leadership level) and allowed the Netherlands in with a cluster of other countries (Ethiopia, Malawi, and Viet Nam) implicitly under the banner of regional representatives. Whatever political or diplomatic advantage gained by this supplementary move, nonetheless, was offset by the problematic logic of letting in another EU claimant. Instead of lending credence to the notion that the G-20 represented a shift of global governance for a world that was realigning its power and normative foundations, it reinforced the image of the G-20 as having an arbitrary “club” design (MacCharles 2010).

Yet, the logic of subtracting at least some EU representation in order in terms of regional representation has been acknowledged by Korea as the host of the November 2010 G-20 summit. With the formula negotiated by the G-20 Sherpas in place, the door opened to Ethiopia, Malawi, Viet Nam, and Singapore as the representatives of alternative organizations, but closed to further EU representation beyond the case of Spain (in its anomalous position as a permanent guest). In justifying the introduction of the “G-20 plus five” approach, the Korean preparatory committee explicitly stated that this decision had been made because “we finally agreed that we needed to have a better geographical balance” (Cho 2010).

Moreover, as witnessed by the mode of the engagement of both France and Mexico with small countries, this culture is becoming ingrained in the G-20. Before the formation of the G-20, France pushed the idea of a Group of 14 (G-14) privileging the PRC, India, Brazil, Mexico, and South Africa along with Egypt. For the Cannes G-20 in November 2011, by way of contrast, France invited another group of countries, all but one of which fits into the category of small states: Ethiopia as chair of NEPAD, the UAE as chair of the Gulf Cooperation Council, and Equatorial Guinea as chair of the AU, along with Spain and Singapore, representing the 3 Group (3G). Mexico has invited Chile and Colombia along with Spain with the explicit representation of the 3G still open.

# 6. MOVING THE ENGAGEMENT OF SMALL STATES BEYOND REGIONAL REPRESENTATION

The role of the 3G and the specific role of Singapore merits special attention in an analysis of the push to facilitate greater legitimacy of the G-20 by integrating it more closely with small and medium states as well as the UN. This initiative featured a specific form of entrepreneurial and technical leadership and a diverse coalition of 28 small and medium-sized economies around the world: Six from South East Asia and Asia Pacific (Singapore, Malaysia, Brunei Darussalam, the Philippines, New Zealand, and Viet Nam); three from the Middle East (Bahrain, Qatar, and the United Arab Emirates); three from Africa (Rwanda, Senegal, and Botswana); eight from Europe (Sweden, Belgium, Ireland, Luxembourg, Switzerland, Liechtenstein, Monaco, and San Marino); two from Latin America (Uruguay and Chile); and six from Central America and the Caribbean (Costa Rica, Guatemala, Panama, Jamaica, Barbados, and Bahamas). Instead of a rejectionist stance, the 3G was oriented towards a bridging and integrationist effort in world politics.

As with other small countries there was a strong element of instrumental self-help attached to this effort, especially on the issue of Offshore Financial Centers (OFCs). The US become far less tolerant of OFCs in the wake of the UBS scandal, in which Swiss banking officials stood accused of facilitating tax evasion by US citizens. During the presidential campaign, Mr Obama often cited frustration on “tax havens”, often referring to a single office building in the Cayman Islands that houses 12,000 US-based corporations. The UK—facing a marked decline in the role of London as a financial hub—is trying to repatriate some of the big pools of money not only from tax evaders but tax avoiders (with Labour Prime Minister Gordon Brown pledging to have Britons pay the “right amount of tax”). Germany mounted a concerted drive against the culture of secrecy found in Liechtenstein, especially when so many rich Germans have taken advantage of that secrecy. And French President Sarkozy has stated a successful outcome relating to the regulation of “tax havens” one of his “red line” in which the G-20 summit must deliver results.

The issue of OFCs as viewed through the lens of efficiency has become one of the unanticipated markers of the success of the G-20. At the first Washington DC summit in November 2008, Sarkozy lamented the lack of success in this agenda area. Yet, as pushed by the Paris-based OECD, the G-20 has moved to send a strong signal to those OFCs that have refused to sign tax information exchange deals.

If a sign of efficient action, however, the issue of OFCs raises the question of input legitimacy to a very different level. Can the G-20 not only speak for the rest of the world but impose its will on countries that do not belong to the group. This issue of fairness of representation came to the fore in some of the declaratory statements by the organizers of the 3G. As Singapore's Foreign Minister George Yeo put it very bluntly in one interview: "At the London meeting (of G-20), financial centers became a major issue and countries like Singapore and Switzerland unexpectedly found themselves in the grey list and came under some pressure to alter the way we operate. This was without prior consultation with us, we were not involved in the discussions but we had to react to the decision taken by the G-20 and we have reacted. That doesn't seem to me to be the right way to get things done. Hong Kong [,China] which had a situation very similar to Singapore, had [the PRC] to look after its interests so it is not on the grey list but Singapore was, and other countries too. So I think it is important that on issues that concern others, those who have major interest, should also be brought into the discussion. That is a matter of process; it would improve legitimacy and the sense of fairness" (Chowdhury 2010)

Still, if a catalyst for action, the 3G could not have extended its scope of membership if it was only directed to a single issue. What the 3G did was to tap into the same sense of exclusion driving the regional critics but to re-configure this resentment into a larger campaign directed at engagement with the G-20 under the banner of variable geometry. Using this device the 3G could make the argument that small countries should have access to the G-20 on a functional basis—very much the same argument that middle powers have made throughout the post-1945 era.

A full analysis of the 3G—especially in terms of impact as opposed to process—lies beyond the ambit of this paper. However, some key points can be made. First, the 3G allowed those countries that sought inclusion not resistance to the G-20 a solid platform. Second, the 3G offers a means by which the UN be brought back into the debate about financial decision-making. Indeed much of the mobilization work for the G-20 was conducted at UN HQ in New York by Ambassador Vanu Gopala Menon of Singapore.

# 7. EXPANDING THE G-20 AGENDA IN ORDER TO MAXIMIZE LEGITIMACY

The most ambitious means of meshing efficiency with legitimacy is to temper the original model for a G-20 with some element of the model to "regionalize" the forum. This search is not entirely novel. Just as former Prime Minister Martin of Canada advocated a shift from the G-8 to the G-20 as the pivotal forum for dealing with global problems, former Belgian Prime Minister Guy Verhofstadt has been a champion to "regionalize" the G-8: the core of his idea being that this traditional "club of the rich" could be converted into G-8 into a "network of the big regional continental organizations". In that framework Mr Verhofstadt conceptualized a forum made up of regional groupings such as the European Union, MERCOSUR, ASEAN, NAFTA and the African Union—all with equal weighting (Van Langenhove 2004).

If more ambition is needed to translate this idea from the G-8 to the G-20, such thinking goes to the core of the G-20's problematique. On the one hand, this approach acknowledges the G-20's highly innovative attributes. Far more than an un-reformed UN, or an un-representative G-8, the G-20 offers a viable organizational update—dealing with the paradoxical situation where "the policy authority for tackling global problems still belongs to the states, while the sources of the problems and potential solutions are situated at transnational, regional or global level" (Thakur and Van Langenhove 2006)—in order to be in tune with 21st century realities. On the other hand, it offers one further way of dealing with the G-20's legitimacy gaps, with a greater balance between member and non-member countries and the regions they come from.

In instrumental terms a network (as opposed to simply a "club") approach jumps out even on the agenda items that have done most to put a brake on the G-20's activities, the euro area crisis. Although the core responsibility for dealing with the euro area crisis will remain with the European economies themselves, the G-20 still has an important role in terms of the use of peer pressure. Such techniques in some ways at least can be connected with the culture of peer pressure embedded in other regional forums, above all ASEAN, but only if there is built in regional representation.

Secondly, the move by Korea to embrace a form of host/regional institutional mode of outreach (or to break with G-8 terminology, consultation) should be refined and institutionalized. Such a process of consultation could be enhanced by implementing this form of activity through more varied means; for example, in addition to the initiatives taken by the host country, moves along these lines could be taken via a G-20 Secretariat (if one is established as proposed by President Sarkozy and Korea) or more loosely via a team of Sherpas (in either a troika format or a more ad hoc fashion). In accordance with the principle of variable geometry, the focus would be on select groups of the excluded with a functional orientation being engaged with particular agenda items of the G-20.

In terms of the policy agenda the concern of Singapore, in an enhanced position given its leadership role in the 3-G Group and its selection to chair the IMF Monetary and Financial Committee in March 2011, will continue to focus on the G-20's main game in terms of financial regulation both directly and indirectly via the Financial Stability Board and the Basel committee on banking supervision. Yet, if it can consolidate its place in the G-20 via the 3-G Group, there are a variety of other issues that it could contribute to as well: the integrated version of Global Green Growth giving primacy to economic policy measures leading to investment-led and innovation driven growth, as well as the new agenda item of Livable Cities.

In terms of process, the work of ASEAN could be supplemented by borrowing the approach initiated by South Africa in the African context, a further form of indirect representation in the G-20 via a regional Committee of finance ministers and governors of central banks under the auspices of the Asian Development Bank and/or other bodies. This initiative has worked well. The scope of the membership for this committee is impressive – including as it does both some countries that sought membership (Nigeria and Egypt and Nigeria) in a reformed G-8 themselves (C10 2010; All Business 2010).

Although states will retain their primacy within the G-20 context, it will also be advantageous if participation could be stretched on a functional basis. A regional dimension could be built into the G-20 Business forum, the structure that has become a major embedded constituency for the G-20 (Kim-Ji-hyun 2010a) as has taken place in the International Chamber of Commerce's G-20 Advisory Group.

With some supplementary innovative reforms along these lines, it may be suggested, therefore, that the regional dynamics surrounding the G-20 could move from a weakness to a source of strength. As emphasized throughout this paper the "rejectionists" of the G-20 have not been many in number, with most regional bodies wanting to find ways to work within the summit process. Moreover, formalistic recipes of dealing with the regional dimension (such as regional elections) have not gained traction beyond the realm of conceptual thinking (Wade and Vestergaard 2010). The feature that inculcates the G-20 with so many of its institutional flaws, its ad hoc improvised nature, also provides the trait that allows the forum to move beyond these deficiencies. The G-20 can make ample assertions about its position as a model of global governance. To fully justify these claims, however, the forum must be more than a flexible and purposeful diplomatic space for multilateral innovation. It must attend to its most glaring source of contestation, the G-20s lack of inclusiveness undermining its legitimacy.

# 8. CONCLUSION: IMPERATIVES AND CONSTRAINTS WITH RESPECT TO FUTURE G-20 REFORM

The institutionalization of the G-20 at the leaders' level, in a similar fashion to the original G-20 Finance, was "shock activated" (Kirton, forthcoming 2012) in that the forum was erected to carry out a governance response to a serious crisis. This intense, unanticipated nature of the shocks placed the onus on delivery not legitimacy for the forum. It was only after the immediacy of the crisis activation eased that legitimacy concerns rose to the top of the policy/diplomatic debate.

As the G-20 gains a greater role in the governance architecture, primarily through an expanding "steering group" agenda, the legitimacy concerns of the forum necessarily become more pressing. Accommodating the design issues of legitimacy are longer-term projects that differs from the instantaneous, ad hoc experience of the G-20 in terms of the governance agenda. That is to say, legitimacy is a theme that will be accorded greater attention when the forum moves further into the post crisis period. From a functionalist perspective, legitimacy concerns surrounding the G-20 connections with the G-20's widening policy ambit. If legitimacy is deemed to be the advancement of governance by those directly impacted by policy decisions and deliberations, than the G-20 in the wake of the current crisis was lacking legitimacy in that the governance decisions were made by and for the very countries that were at the core of the global financial crisis. In contrast to other potential formulae (G7/G-8, G-8 plus into a G-12/13/14) the decision to enact the G-20 as the forum for crisis response may even be said to have overcompensated on the legitimacy side.

In answering the important questions about both objective and expectations of G-20 reform, it is necessary to ask how we should evaluate the G-20 on the whole. As the discussion above articulate, the legitimacy of the G-20 must be considered with respect to the G-20's stages of development. A clear demarcation must be made between the G-20's role as a crisis committee and as a potential global steering committee, as part of a wider transitional phase toward longer-term governance (Angeloni and Pisani-Ferry 2012). As a crisis committee the G-20 remains dominated by the big global players whether in the G-7/G-8 or BRICS. The summit's role as a steering committee, however, raises very different possibilities about the objective of the reform? Should we hope to see ambitious institutionalized advances in the future, as suggested by the Stiglitz Report, to replace the G-20 by a Global Economic Cooperation Council (Stiglitz Report 2010)? Or, should we just take the current situation for granted, since it is only a self-selected forum and will continue to be a self-selected forum.

In terms of its "input" and "output" legitimacy, there is a dilemma with G-20. If it becomes more representative in the future, i.e., covering more states, it might be less productive and effective. Determining whether the G-20 should sacrifice some legitimacy for greater efficiency, or vice versa, will largely depend on the vision of the forum with respect to the overall constellation of global governance. It can be persuasively argued that regionalization of G-20 is a good idea and could be a solution to the dilemma. But the precondition is that each regional body is highly efficient in unifying their policy stances and then making productive proposals. With the deepening impact of the euro area crisis, it is increasingly difficult to see that this is not an easy task even in the EU, so it will inevitably take a long time to realize this goal.

At the macro-structural level of world politics, the G-20, as the newest institutional innovation in multilateralism is a reflection of wider trends taking place within the international system. If, as some observers indicate (Woods 2010; Chin 2010), regionalism and decentralization in the international system is indicative of the trajectory of the international system, then mirroring this trend within the governance structure of the G-20 is reasonable.

The main challenge is to preserve the fluidity of the G-20, which is underwritten by its informal design. This fluidity, despite some policy disagreements, is among the forum`s most significant features for weaving the forum`s approaches to core economic governance challenges; whether for example on the issues of financial regulation, global imbalances, the possibility of a financial transaction tax, trade, and development finance. Informality has worked to facilitate mixed coalitions of established and emerging states within the G-20 via ad hoc groupings. It is thus imperative that this institutional design issue not be treated in a fixed manner. If and when the G-20 moves beyond its crisis committee orientation, a stage projected most seriously by the euro area dilemmas, and the protracted spill-over effect in other regions of the world, a revisiting of the G-20`s role in global governance will be a vital necessity.

# REFERENCES


Alexandroff, A. S., and A. F. Cooper, eds. 2010. *Rising States, Rising Institutions: Challenges for Global Governance*. Washington, DC: Brookings Institution.

All Business. 2010. African Development Bank Group—C-10 to Discuss Development Agenda for G20 Summit in Seoul. 4 October.

Angeloni, I., and J. Pisani-Ferry. 2012. The G20: Characters In Search of an Author. Bruegel Working Paper 2012/04.

Asian Institute for Policy Studies. 2010. The G20 and Global Governance Reform. Seoul: Yonsei University.

ASEAN Secretariat. 2010. Views of ASEAN Sought for G20 Agenda. Press Release. Jakarta. 10 February.

Åslund, A. 2009. The G20 must be Stopped. *The Financial Times*. 26 November.

Bailin, A. 2005. *From Traditional to Group Hegemony: The G7, the Liberal Economic Order and the Core-periphery Gap*. London: Ashgate.

Barma, N., E. Ratner, and S. Weber. 2007. A World Without the West. *The National Interest*, 90 (July-August): 23–30.

Battacharya, A. 2010.Enhancing the G20's Inclusion and Outreach. *East-West Dialogue: Shaping the G20 Agenda in Asia—The 2010 Seoul Summit*. 5 April.

Battacharya, A., C. Bradford, and J. Linn. 2010. Europe's Governance Causes Gridlock for Global Governance Reform. Brookings Institution. 23 April. http://www.brookings.edu/opinions/2010/0424_ governance_linn.aspx

Beeson M., and S. Bell. 2009. The *G-20* and International Economic Governance: *Hegemony*, Collectivism, or Both? Following the East Asian crisis of 1997–1998. *Global Governance* 15(1): 67–86.

C10. 2010. Communiqué of the meeting of the committee of African ministers of finance and planning and Governors of Central Banks. Cape Town: Committee of Ten. 21 February.

Carin, B. 2010. A G20 "Non-Secretariat". In: *The New Dynamics of Summitry: Institutional Innovations for G20 Summits, Issue and Essays*, edited by C. Bradford and W. Lim. Seoul: Korea Development Institute: 383–391

Chin, G. 2010. The Emerging Countries and China in the G20: Reshaping Global Economic Governance. *Studia Diplomatica*. LXIII (2–3): 105–124.

Cho J-s. 2010. 5 non-G20 nations invited to Seoul summit. *Korea Times*. 24 October.

Chowdhury, I. A. 2010. The Global Governance Group ('3G') and Singaporean Leadership: Can Small be Significant? Singapore: ISAS Working Paper. No. 108. 19 May.

Cooper, A. F. 2008. Stretching the Model of 'Coalitions of the Willing'. In: *Global Governance and Diplomacy: Worlds Apart*?, edited by A. F. Cooper, B. Hocking, and W. Maley. Houndmills, UK: Palgrave.

Cooper, A. F. 2010. The G20 as an improvised crisis committee and/or a contested 'steering committee' for the world. *International Affairs* 86 (3): 741–757.

Cooper, A. F., and P. Subacchi. 2010. Overview: Global economic governance in transition. *International Affairs.* 86 (3): 607–617.

Cox, R. 1979. Ideologies and the NIEO. *International Organization*, 33(2): 280–302.

*The Economist*. 2010. Running the world economy: finally, a talking-shop worth having. 4 November.

Ferguson, N. 2007. Not two countries, but one: Chimerica. *The Telegraph*. 4 March.

*Financial Times*. 2010. G20 show how not to run the world. 12 November.

Foss. W., and A.B. Austin. 1933. *The World Economic Conference, London 1933*. London: Soncino Press.

Garton Ash, T. 2008. One practical way to improve the state of the world: turn G-8 into G14. *The Guardian*. 24 January.

Goldstein, A. 2003. An Emerging China's Emerging Grand Strategy. In *International Relations Theory and the Asia-Pacific*, edited by G. John Ikenberry and M. Mastanduno. New York: Columbia University Press.

Held, D. 2010. *Cosmopolitanism: Ideals, Realities and Deficiencies.* Cambridge, UK: Polity Press.

International Monetary Fund. 2011. World Economic Outlook Database-September 2011.

Iqbal, A. 2010. US panel calls for Pakistan membership of G-20. *Dawn*. 28 November.

Kennedy, P. 1987. *The Rise and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000*. New York, NY: Random House.

Kim, T-H. 2010a. Seoul Business Summit starts to take shape. *Korea Herald*, 22 August.

Kim, T-H. 2010b. U.N., G20 to work in mutually reinforcing ways, *Korea Herald,* 15 November.

Kirton, J. (forthcoming). *G-20 Governance for a Globalized World*. Aldershot, UK: Ashgate.

Koenig-Archibugi, M. 2010. Understanding the Global Dimensions of Policy. *Global Policy*. 1(1): 16–28

Lee, D-h. 2010. From Toronto to Seoul: Evolution of the G-20 process. *Studia Diplomatica*, LXIII(2–3): 35–52

Lee M-B., and K. Rudd. 2009. The G20 can lead the way to balanced growth, *Financial Times*. 2 September.

MacCharles, T. 2010. The expanding G-8 adds up to a G20 in Huntsville, while Toronto's G20 will be a G33 or 34. *Toronto Star*. 14 June.

Mantega, G. 2008. Transcript of press briefing.

*www.imf.org/external/np/tr/2008/tr081011.htm*

Martin, P. 2004. Address by Prime Minister Paul Martin on the occasion of his visit to Washington, DC. 29 April.

Mo, J., and E. Seo. 2010. The Korean G20 Presidency and evolving global governance HGCY Working Paper Series. Seoul. October.

*The Nation*. 2010. Pakistan voices opposition to UN yielding economic decisions to G-20. 19 June.

Nelson, R. M. 2010. The G-20 and International Economic Cooperation: Background and Implications for Congress. Washington: Congressional Research Service. 10 August.

Government of Norway. 2009. Norwegian Call for Nordic Membership in the G20. Press Release. Oslo: Ministry of Foreign Affairs.

http://www.regjeringen.no/en/dep/ud/selected-topics/Trade-policy/membership_G20.html?id=587984&epslanguage=en-GB>

Oakley, D. 2009. Decoupling gains new group of cheerleaders. *Financial Times*. June 2011.

Paulson, H. 2010. *On the brink: Inside the Race to Stop the Collapse of the Global Financial System*. New York: Business Plus.

Rachman, G. 2010. America is losing the free world. *Financial Times*, 4 January.

Rana, P. R. 2010. Reform of the International Financial Architecture: How Can Asia have a greater impact in the G20. Singapore: RISI Working Paper No. 201. 9 June.

Rana, P. R. 2011. Make G20-plus transparent. *China Daily*. 1 November.

Reuters. 2009. African FinMins call for G20 voice, more support. 5 October.

Ruggie, J. 1983. Political Structure and Change in the International Economic Order: The North-South Dimension. In: *The Antinomies of Interdependence*. New York: Columbia University Press: 423–87.

*Spiegel.* 2010. Norway takes aim at G20. 22 June.

*The Stiglitz Report*. 2010. New York, NY: The New Press.

http://www.un.org/ga/president/63/commission/background.shtml

Thakur R., and L. Van Langenhove. 2008. Enhancing Global Governance through Regional Integration. In: *Regionalisation and Global Governance. The Taming of Globalisation?,* edited by A. F. Cooper, C.W. Hughes, and P. De Lombaerde. Routledge/Warwick Studies in Globalisation. London: Routledge..

Wade, R. 1998. From Miracle to Cronyism. *Cambridge Journal of Economics* 22(6): 693–706.

United Nations News Centre. 2008. General Assembly President unveils details of panel probing global financial system. 14 November.

US-China Business Council. 2011. US-China Trade Statistics and China's World Trade Statistics.

https://www.uschina.org/statistics/tradetable.html

Van Langenhove, L. 2004. Regional Integration and Global Governance. UNU-CRIS Occasional Papers.

Vietnam Business News. 2010. ASEAN's position towards the G20 Seoul summit. 5 September. Vietnambusiness.asia/asean's-position-towards-the-G20-seoul-summit.

Xinhua. 2010. ASEAN to attend G20 Summit in Toronto. china.org.cn. 22 June. http://www.the PRC.org.cn/world/2010-06/22/content_20322748.htm.

Wade R., and J. Vestergaard. 2010. Overhaul the G20 for the sake of the G172. *Financial Times*. 21 October.

Woods, N. 2010. Global governance after the financial crisis: A new multilateralism or the last gasp of the great powers? *Global Policy* 1 (1) 2010: 51–63.

Yekaterinburg Joint Communique. 2008. Meeting of the Foreign Ministers of the People's Republic of China, the Russian Federation, the Republic of India and the Federative Republic of Brazil. 16 May.

Yu, Y. 2005. China's evolving global view. In: *Reforming from the Top: A Leaders' 20 Summit,* edited by J. English, R. Thakur, and A.  F. Cooper. Tokyo: UNUP.

Zawya, M. A-H. 2009. AMF Chairman: SA not over represented in G20. Dow Jones. 4 October.