

Chapter 4

Going Bigger (on Agenda) and Smaller (on participation) in a Time of Crisis

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It has long been predicted that a G20 leaders forum — as the hub for an ambitious process of global reordering — would be set in motion by some major triggering event. The only question was what sort of crisis would prove to be the catalyst. One possibility was some form of major pandemic such as severe acute respiratory syndrome (SARS) or avian influenza. Another was the mobilization of leaders through a concerted effort on climate change.

All of these scenarios have, of course, been subordinated to the impact of the mounting financial crisis. In an ambitious and desperate bid to rescue the global financial system from disorder (and to salvage his own personal legacy), U.S. president George W. Bush has called the leaders of the G20 countries to Washington DC for dinner on Friday, November 14, 2008, and for working sessions on Saturday, November 15. This last-ditch move by Bush has an ironic edge to it. After all, he himself was pressured to invite these same leaders to a meeting in 2005 by then Canadian prime minister Paul Martin, an initiative that would have created a leaders 20 (L20) as a crisis management group well before the financial crisis hit.

If once an opportunity missed, the November 2008 G20 leaders summit is still able to build on the form and experience of the G20 finance forum created in 1999 in the aftermath of the Asian financial crisis. Notably, the membership of the G20 summit has remained the same from that first meeting a decade ago. In addition to the predictable mix of G8 stalwarts and up and coming emerging powers, a number of countries retain their privileges of membership not because they are expected to be major change agents of reform but because they represent the type of countries caught up in the financial problems of the late 1990s.

The successes of the G20 finance should not be discounted. At one level, the G20 added a major component of legitimacy to the international system by giving membership on an equal basis to key members of the global economic South. The full effect of this move can be seen by looking at the shift in status (and capabilities, through such measures as the holding of currency reserves) by countries such as China, India and Brazil from the late 1990s to the present.

The problems associated with the financial crisis of 2008, however, are very different in scale from those of the late 1990s. Financial institutions — and regulatory frameworks — have failed not only in particular places in the South but also around the world. Global economic imbalances between surplus and deficit countries have been magnified.

Moreover, the recipes for reform have become more varied as well. This is certainly true in the technical proposals coming onto the G20 agenda, such as those relating to accounting standards, the review of fair value rule and codes of conduct about risk taking and remuneration.

Much of the detailed focus of this type of reform is much better left to the G20 finance as it stands. Operationally, it is this sort of problem-solving activity through codes and standards in transparency and financial sector policy that is the core competence of this forum, with the active engagement of finance ministers, central bank governors and the international financial institutions (IFIs).

Still, to realize the full ambition of global reordering, there is a need to go beyond this type of problem-solving agenda. One of the original traits of the G20 finance was to highlight the need to reshape globalization. Acting on a wider purview of the so-called Montreal consensus (named after the site of the 2000 G20 finance meeting), the focus was broadened to encompass social as well as economic concerns.

The need under current conditions is to ensure that these considerations are not lost amid the desire to focus on technical fixes. Significantly, the G20 leaders meeting has already come under criticism for diverting attention away from issues such as financing of development and the Millennium Development Goals (MDGs).

Paradoxically, expanding the agenda still further may mean streamlining the number of states and leaders taking part in future summits of this type. The activities of the Heiligendamm Process are salient as a model (see Cooper and Antkiewicz 2008). On the agenda of reform, the Heiligendamm Process provides value in showing how a structured dialogue in specific functional areas — innovation, investment, development assistance and energy policy — could develop into a greater degree of trust and co-operation.

On the participant list, the Heiligendamm Process reveals how strong technical orientation can be merged with creative “big bang” institutional reform. Originally established as the Outreach Five (O5), the Heiligendamm Process was instrumental in solidifying the Group of Five (G5) of emerging powers, China, India, Brazil, South Africa and Mexico. To be sure, it is the first three countries that are commonly considered in any formula for G8 membership reform. But, given the experience of the Heiligendamm Process, Mexico and South Africa have upped their credibility for inclusion as well, as regional representatives as well as from the perspective of diplomatic agency.

As in other formulations, space may be created for an additional member of the G20 finance (or even an outsider) to be elevated to a forum at the leaders level. The gap that is continually voiced is the absence of an Islamic country. Although Indonesia is a strong contender, arguments can be made on different criteria for Saudi Arabia, Egypt or even Turkey.

The speed with which policy and institutional improvisation has come in the wake of the financial crisis is impressive. Moreover, with the election of Barak Obama and the promise of a renewed U.S. foreign policy, more innovation can be expected. After all, some of the president-elect’s key economic advisors such as Larry Summers and Bob Rubin played important roles in the establishment of the G20 finance a decade ago. But the recipe for dealing with one crisis is not the precise model for dealing with the next (bigger) crisis. What is crucial is that the ideational foundation has been set long before the November 2008 summit. The precise architecture and agenda are still in play for in the months and years ahead.

Reference

Cooper, Andrew F., and Agata Antkiewicz (2008). *Emerging Powers in Global Governance: Lessons from the Heiligendamm Process*. (Waterloo: Wilfrid Laurier University Press).