



**Creating a More Global Collaborative
Asian Leadership for the G20:
Executive Summary**

G20 Research Group

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On the eve of the first G20 summit to be hosted by a Asian country the Centre for International Governance Innovation (CIGI), The Stanley Foundation (TSF), The Munk School of Global Affairs, University of Toronto, the Lowy Institute and The Shanghai Institutes for International Studies (SIIS) invited leading experts to Shanghai to evaluate the prospects for collaboration and leadership by key Asian nations. The conference sessions focused on the Seoul agenda and the perspective of the summit's Korean hosts, the perspectives from the large emerging market powers, perspectives from the traditional advanced countries, other Asian countries including Singapore and Vietnam as well as the prospects for collaboration more broadly. The main observations and recommendations stemming from the conference were:

- Notwithstanding the G20 summits' legitimacy advantages over the traditional G8 leaders summits, the G20 has not yet solidified a permanent role;
- In the view of participants, the immediate challenge for the G20 is to follow through on the commitments and agenda from previous summits—particularly financial stability, governance reform for the Bretton Woods institutions, and strong, sustainable and balanced economic growth. The more ambitious vision of a G20 tackling the full sweep of the global multilateral agenda, while championed by some participants, was resisted by many.
- A few issue areas seemed somewhat logical directions for an expanded G20 agenda in the near- to medium-term. Korea has been pressing the topics of growth-led development and “green growth.” Other participants suggested the G20 leaders summit deal with the climate change financing issues in the Copenhagen Accord. And the G20 has already been discussing elimination of fossil fuel subsidies;
- All participants agreed that currency and exchange rates had become a major challenge for the G20 leadership. Although the Seoul summit might not fully resolve exchange rate friction, finding a framework for rebalancing between account surplus and account deficit countries would help multilateralize the

currency issue and avoid a heated and possibly unhelpful bilateral US-China exchange over the dollar-renminbi exchange rate;

- While Korea's new approach to the development agenda drew praise for its comprehensiveness, rigor, and emphasis on local ownership, participants were concerned that the nine-pillar plan being prepared for Seoul may be seen as insufficiently concrete or connected to traditional donor-oriented development strategies promoted by the G8;
- Participants were impressed with Korea's outreach process to non-G20 nations, regional bodies and key international institutions, especially the UN Secretary General;
- Korean participants also described possible models for the establishment of a G20 secretariat to further support summit preparation, implementation and monitoring of national commitments, and the preservation of institutional memory;
- China's well known reluctance to embrace multilateral leadership clouds the picture for future global governance. While Chinese experts cite the many decades the United States took before embracing global leadership in the mid-20th century, the challenges on today's international agenda could make it harder for China to resist pressures and expectations for its leadership. China's desire to protect its independence and freedom of action, especially over domestic economic matters, is understandable yet could erode the strength of the very global system that enabled China's rise. These tensions between sovereign prerogatives and the global economic commons are already emerging in the efforts of the G20. Conference participants from outside China noted sympathetically that expectations of Chinese leadership might be unfair and yet unavoidable;
- Despite the conference theme of collaboration among the Asian G20 states, participants resisted notions of special regional interests or a regional agenda in global forums. In part, this reflected concern that such collaboration could be a slippery slope to establishing an Asian caucus and afflicting the G20 with the same political bloc dynamics that have bedeviled the UN. But participants also offered their assessment that the nature of the 21st century agenda promoted shifting coalitions on a variety of issues. It was also pointed out that the European countries caucus and largely avoid the label of a bloc. Such consultation in Asia may prove helpful in helping to fashion policies in global governance, though little appears to be occurring at present.

The emergence of the G20 summits as an important multilateral forum reflects a turning point in the changing global order in response to shifts in the distribution of economic power. The increase in Asian seats at this "High Table" of global diplomacy is likewise significant beyond mere symbolism, indicating the increased influence of key Asian states. But it is less clear whether this broader Asian inclusion is accompanied by practical collaboration on their substantive concerns—or whether these states are embracing greater leadership responsibilities.

The Shanghai conference benefited from participants from all the Asian G20 countries except Japan (our Japanese colleague reluctantly had to cancel), as well as from Vietnam, Singapore, Canada, and the United States. Participants discussed the challenge for the G20 to its momentum; its potential for managing other transnational problems; and the role of US and China in forging a new multilateral world. A number of key questions remained open after thorough deliberation. Should the G20 mandate expand beyond global financial and economic matters? Should Asian G20 countries consult with each other more—not to create a regional caucus, but to develop through consultation ideas that could be taken to the whole G20?

Perspectives of the Korean Hosts

The hosts of the upcoming summit are pressing the so-called ‘Korean initiatives’, which would add growth-oriented development, new financial safety nets, and regularizing G20 outreach to its agenda. Korean participants in Shanghai noted that their country’s experience from the 1997 financial crisis (not to mention the ROK’s transformation from post-war devastation to OECD membership) gives it special credibility. As one participant noted, Korea’s middle power status makes it well situated to serve as a harmonizer between the status quo G7 countries and status-challenging BRICS+ countries. More immediately, the challenge for Korea is to both preserve momentum on legacy issues from past summits and build consensus on issues that would extend G20’s mandate into the future.

On the financial agenda, Korean participants noted recent progress ‘legacy’ items on financial regulation via the approval of Basel III. Looking towards a stronger safety net system Korean officials have worked with the IMF to improve flexible credit lines and introduce precautionary credit lines and globalization stabilization mechanisms. These reforms provide a buffer for reserve-poor states and also contribute to a broader effort to reduce self-insuring accumulation of foreign reserves and help lessen the imbalance between capital account surplus and capital account deficit states.

On the growth-oriented component of Korea’s development initiative, delegates praised it as a substantive break from previous G8 approaches to global poverty. In the past, host countries simply sliced out a specific aid issue, usually related to the Millennium Development Goals, and sought funding pledges from others at the summit. A Korean delegate argued that these summit pledges were ineffective in tackling development challenges as well as out of touch with the needs of low-income countries. Korea has worked closely with South Africa in the G20’s new Development Working Group and consulted with low-income countries to develop the nine-pillar development plan for the Seoul summit. The initiative was praised as being more comprehensive and effective, presumably, by its long-term multi-year action strategy, which includes mechanisms to evaluate developmental needs and a transition plan for France and Mexico to monitor commitments to development initiatives.

Korean participants also highlighted their country's extensive process of outreach to non-G20 nations. Summit conveners have consulted with regional bodies, international institutions and have met with non-members on a regular basis to report back to G20 members. "Korea's decision to extend invitations to the United Nations Secretary General as well as to five non-members, Singapore as Chair of the 3G (Global Governance Group), Vietnam as the Chair of ASEAN, Spain and Ethiopia and Malawi as the Chair of NEPAD and the African Union respectively", would, Korean officials hope, "go a long way to address the representation deficit problem." It was also proposed that leaders at the Seoul summit should establish general operating principles for the invitation of non-G20 members and devise a scheme for the rotation of chairmanship.

The potential establishment of a secretariat structure is aimed at systematizing summit preparations, implementation and monitoring of commitments and the preservation of institutional memory. Alternatives to the traditional notion of a secretariat were raised, including a 'secretariat-non-secretariat' model and a two-tiered approach. The former suggests a revolving secretariat based on a "management troika" with Sherpas of the preceding, present and next summit hosts at the center. The two-tiered approach would add a permanent technical staff responsible for monitoring, archiving, record keeping and evaluating. Given sensitivities that a permanent secretariat would feed concerns about G20 usurpation of the UN, this could start with the experiment of a cyber or virtual secretariat.

Legitimacy: Outreach, Representation & Membership Structure

There was a general agreement among participants that the G8 is an exclusive club that no longer reflects current global power distribution. The elevation of the G20 in global governance is a significant step in bringing emerging market and developing states into the global decision making process. Nevertheless the fact that the G20 is a self-appointed body—without clear mechanisms to represent non-members, international institutions and regional bodies—inevitably raises questions of legitimacy.

There were differences among participants regarding whether the G20 should expand membership, to whom and how it should institutionalize a membership selection process. Chinese participants were quite cautious about expanding membership. In the view of several Chinese scholars, it is too early to talk about expansion and representation at this stage in G20's development. Increasing membership now could decrease the effectiveness of the body, overwhelm or draw the agenda away from global economic challenges. Expansion can only exacerbate the collective action problem. In contrast, other participants portrayed the membership issue as essential to the longevity of the G20. One American participant noted if it fails to address structural questions like membership, the "G20 can over time follow the way of the G8 and UN Security Council where membership is out of step with the real world". One possible scheme would recalibrate G20 membership every five years, automatically choosing the top two economies from five or more regions and ten economies after that. Although extending invitations to

regional groups such as ASEAN is a positive step, one participant noted that these organizations cannot represent all small and medium-sized countries. Moreover, summit leaders have not invited all regional bodies from all regions, noting the absence of Gulf Cooperation Council and Latin American bodies. To ensure fuller representation of non-members, the 3G representative from Singapore echoed support for a variable geometry mechanism to allow non-members to participate in ministerial and working groups.

Several scholars agreed that the G20 should develop closer institutional ties with the United Nations, with its highly developed structures for consultation and implementation. Given that the G20 is informal and can only deal with issues via the crude political will of world leaders—owing to its lack of a treaty mandate or implementation capacity—the G20 inevitably has to work with the UN as well as with other international bodies to consult and coordinate on policy measures. A scholar from Vietnam also echoed that without a membership structure, it would be difficult for small and medium countries to see the G20 as a legitimate body. He proposed that the G20 develop a mechanism to formalize the participation of regional institutions.