Delivering a Double Dividend: Prospects for the G20 at the Los Cabos Summit

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Introduction

The seventh G20 summit, taking place in Los Cabos, Mexico, on 18–19 June 2012, promises to be a particularly important event. It is the first summit hosted by Mexico and the second summit hosted by an emerging member of the G20, thus further institutionalizing the hosting rotation between the group's established and emerging members (Kirton 2012c). It is the first summit held in Latin America and only the second held in the broad, transoceanic, Asia-Pacific region, highlighting the geographic shift in global economic activity from the ailing Atlantic world and the hope for new sources of growth from rising powers beyond. Los Cabos returns the G20 summit to its initial cadence of meeting at about six-month intervals, after the previous G20 summit in Cannes, France, on November 3–4, 2011. It thus provides a guaranteed and well-timed supply of global economic governance capacity to meet the latest instalment of the chronic global crisis that is erupting, once again in the field of finance and economics from Europe. This is a challenge tailor-made for — and a great test of — a G20 summit that at Pittsburgh in September 2009 proclaimed itself to be the permanent, premier forum for its members' international economic cooperation. Indeed, it is a double challenge. Controlling the current crisis comes with, and is essential for, effectively forwarding the Mexican host's five priorities of economic growth; financial regulation, supervision and inclusion; reform of the international financial institutions and raising of resources; food, energy and commodity price volatility; and climate change and green growth. It also essential for advancing the G20's ever broadening, built-in agenda of trade, development, crime and corruption, natural disasters and terrorist finance.

Los Cabos is likely to meet this double challenge with a double dividend. It will both control the Eurocrisis and advance most of its broad economic, financial, development, social, ecological and soft security agenda too. The summit will see European leaders offer the broad outlines of a big, bold, multi-stage strategy for staving off and starting to solve the crisis, rather than just contain and delay it. They will secure sufficient support from their G20 partners to convince the markets and other stakeholders that a solution, in the form of a stronger, more supranational Europe, will soon start to come. A key component and cause of this effective crisis response will be a G20 strategy that highlights growth, jobs, investment and the private sector, while maintaining as essential parts, structural reform, fiscal consolidation, an improving the Framework for Strong, Sustainable and Balanced Growth and its Mutual Assessment Process (MAP). Advances will be made on capital, liquidity and resolution regimes for big banks in rich countries and on financial inclusion in small firms for poor people in emerging and developing ones. The resources of the International Monetary Fund (IMF) will be credibly enhanced as the big emerging members of Brazil, Russia, India, China and South Africa (BRICS) and those beyond specify for the first time the additional, confidence-creating financial firepower they will give to confront the financial crises now present in Europe and potentially arising elsewhere. Little new will come on food, energy and other commodities. But useful practical innovations will arise on climate change control, green growth and trade liberalization. Together these accomplishments will be enough to contain the crisis, keep the fragile global economy alive and thus allow the G20 to meet its core missions of both providing financial stability and making globalization work for all. In neither of its halves will the Los Cabos double dividend be big. But it will be enough to meet the global need of the moment, and it will be much welcomed at a time when modest returns rather great expectations have become the norm.

This double dividend will be driven above all by the financial and economic crisis from Europe. This crisis has now acquired the chronic continuity, excellent cumulative strength and compelling comprehensibility to finally move the reluctant Europeans and their increasingly impatient partners to do — on banking recapitalization and economic stimulus — what the Anglo-Americans and their allies did after Lehman Brothers suddenly died in the dark autumn of 2008. Necessary assistance has come from the IMF in raising resources for a global rescue fund at its April meetings, from the G8 in producing a new, smart, growth-first strategy at its Camp David Summit on May 18-19 and from the consensus among the G7 finance ministers and central bank governors in their conference call on June 5, even if none of these efforts was sufficient on its own to contain the Eurocrisis that will continue until the Europeans themselves take the necessary regional leap. While rising economic capability in North America, relative to recessionary Europe and the slowing BRICS will make consensus at Los Cabos more difficult, the leaders there know that they alone possess the globally predominant capability needed to persuasively convince, or set the conditions, to compel a reluctant Europe to take the necessary steps. The increasing common commitment of G20 members to social stability and open democracy at home will also propel them to prevent liberal democracy from retreating in Greece, Spain and Hungary and to push political openness forward elsewhere. While the summit will be handicapped by new leaders, lame duck leaders and looming elections in several consequential members, there will be enough G20 summit founders and veterans to get the others to come together in the common cause. Their leadership, based on the personal bond will be badly needed and just enough to bear the double burden at a very short summit designed to produce results that last for more than a year, until the G20 leaders meet again under Russian leadership in the fall of 2013.

The Prospective Policy Performance

Controlling the Eurocrisis

The Los Cabos leaders' first challenge, the day after the Greek and French elections, is to finally control, rather than merely contain, the Eurocrisis, by sending a credible message of support to keep Greece in the eurozone, stop the contagion to Spain, Portugal, Italy and beyond should Greece leave, and prevent more banks going bust in Spain (Kirton 2012e). To be sure, many may be overwhelmed by fast-moving globalized markets seized by fear — and the ultimate solution does lie within Europe itself. But G20 summiteers are now experienced in successfully coping with successive instalments of a now chronic Eurocrisis that they now know cannot be left to European leaders to solve on their own. Moreover, the G20's strong majority of members from outside Europe have proven that they can get reluctant European governments to do difficult things, as in agreeing to "voice and vote" reform in the IMF at the G20's Seoul Summit in November 2010.

The Eurocrisis will be the summit's biggest issue and condition how the leaders address their broad agenda as a whole (Froman 2012). To control the crisis they will approve and build on the considerable good work done in the months before. Europeans have increased their fiscal discipline, liquidity, firewall and institutional reform. But more is needed and expected now. There is a productive debate in Europe on how best to move in the short, medium and long term to deal with Greek elections, Spanish banks and economy, a European growth strategy and European institutional reform. Europeans will make more progress in the coming weeks. Because G20 summits impose action-forcing deadlines, European leaders will come to Los Cabos with important decisions about controlling the crisis already made and with support and advice from their G20 partners for these and the bigger ones to come. They will outline their broad perspective and plans for coping with these key issues. Their partners will respond in ways that lead them to act in faster, bigger, bolder, more decisive and more credible ways than they would have if left alone at home. Here the Los Cabos legacy should last long enough, until the next G20 summit can assist.

Generating Global Growth and Jobs

A component and consequence of this adequately effective crisis response will be G20 action to strengthen and sustain the still fragile global economic recovery, alive in all regions outside Europe and North Africa and the Middle East. It will come largely through the Los Cabos Action Plan to revive a global economy where much of Europe is contracting, growth in North America and Japan is sluggish, and growth in many major emerging economies is slowing for the first time since the 2008 crisis passed. Only a few members have the fiscal or monetary policy space to stimulate much more in the orthodox Keynesian way that the G20 has relied on since 2008. Thus the Los Cabos leaders will seek both to advance the G20's built-in agenda of strengthening sustainable and balanced growth through the MAP and address the first priority for Los Cabos set by Mexican host of providing economic stabilization and structural reform as foundations for growth, private-sector confidence, fiscal consolidation and high-quality employment.

At Los Cabos, the leaders will focus on the condition and future of the eurozone and global economy, and how the rest of the world can help resolve the Eurocrisis and spur additional demand to secure recovery in Europe and reinforce it elsewhere. All G20 members will be intensely interested in what the Europeans leaders will unveil. Leaders will address the eurozone crisis in the broader context of the overall G20 effort to create sustainable growth according to the Framework. They will do so based on the particular challenges that each member has. These start with the U.S. fiscal situation, the exchange rates of China and other surplus countries G20 leaders now know that all have actions they can take, notably China moving toward a more flexible exchange rate and surplus countries spurring domestic demand.

All G20 leaders overwhelmingly want to focus on growth — the need for growth, its urgency, surrounding risks and how each country can reduce them. The risks begin with the Eurocrisis, but extend to other big countries that are slowing down, the U.S. "fiscal cliff" due on January 1, 2013, and the U.S. need for fiscal consolidation in the medium term. Based on their considerable consensus, leaders will build on the previous promises, the Framework and the Cannes Action Plan with greater urgency than when it first appeared in November 2011. One component will be pushing some to move toward more market exchange rates and to increase demand in emerging countries. Another could be some stimulus from fiscally advantaged countries such as Germany, Canada, Australia and China, with the last having started to spend more on infrastructure to combat its growth slowdown and having lowered central bank interest rates on June 7, 2012. In all the G20, leaders could take as their guide the G8's Camp David Summit's strategy for growth and jobs (Kirton 2012d).

The leaders also will focus on jobs, first by treating growth as a way to create and save jobs. This is a priority for the United States, which at the Pittsburgh Summit launched the first G20 ministers' meeting on employment, held in April in 2010, and for France, which held the second in September 2011. It is also a priority for the Europeans, who often suffer from unemployment rates at around 25 percent, with youth unemployment over 50 percent in Greece and Spain. G20 leaders see jobs as a very serious social as well as economic problem that the G20 must deal with more (Kirton 2012a).

Forwarding Financial Regulation, Supervision and Inclusion

The second priority set by the Mexican host is strengthening the financial system and fostering financial inclusion to promote economic growth. This includes unfinished business from the old G20 agenda, focused on big institutions in advanced countries, with regulating the shadow banking system now the focus. Spurred by the Bankia-catalyzed Spanish banking crisis and recapitalization bailout and by the $2 billion loss at JP Morgan, the Los Cabos leaders will give added attention to their Basel III agreement at Seoul in November 2010 on banking capital and liquidity for all banks as well as the systemically important financial institutions (SIFIs) and on cross-border resolution regimes. With big banks in big countries back as a priority, now joined by small regional ones, other issues on the built-in financial regulatory reform agenda, such as derivatives, accounting standards and macro-prudential surveillance and supervision, will take a backseat.

So, to some degree, will financial regulation for the smallest, poorest and least protected. Given Mexico's status as an emerging economy, and the G20's emphasis on development since the Seoul Summit in November 2010, Mexico had designed Los Cabos to highlight financial regulation for the small and poor, notably financial inclusion, the increased availability of credit, services to the poor, national strategies, financial education and consumer protection. Under Mexican leadership finance ministries have made much progress on financial inclusion in banking for some sectors, on access to credit, bank activities and commercial credit. There is thus substantial work for the Los Cabos leaders to approve and advance, even if they will initiate little new on their own.

Reinforcing International Financial Institutional Reform and Resources

The third priority at Los Cabos is improving the international financial architecture in an interconnected world. This includes the adequacy of the IMF's and others' financial resources, surveillance frameworks, governance and the implementation of the G20's agreement to give emerging economies a greater voice and vote at the IMF.

In raising new IMF resources, the G20 got off to a good start in April, when its finance ministers and others promised an advertised additional $430 billion, with several countries making specific promises of how much of it they would give. The Los Cabos leaders must fill the big gap, by confirming and detailing the donations from the hitherto silent big emerging countries, especially as they may well be needed right away to contain the Eurocrisis or its contagion there and elsewhere. Two weeks before Los Cabos, Mexico was confident that the BRICS and other emerging countries would unveil their contributions at the summit despite the frustration of the BRICS with virtually certain violation of the G20 to implement its agreed voice and vote reform by the due date of October 2012. There is little chance that either the U.S. or Canada will join them, as they continue to believe that Europe, as a big, rich continent, has all the money it needs there, that the IMF already has enough should any supplement be needed and that there are other important issues involved that must be addressed. The willingness of Europeans on June 9 to offer up to $125 billion to bail out Spanish banks will strengthen the case that Europe has enough money of its own to solve its problems and that the IMF does not need any more now to do this or other jobs.

One integrally related issue, publicly highlighted by Canadian finance minister Jim Flaherty in Washington in April, is the potential conflict of interest when an IMF Executive Board — still with a heavy European representation — votes for bailout packages for Europe without the European members absenting themselves from such a vote in which their self-interest would be direct and large. Another is whether the IMF, historically the leader in offering money and setting conditions for beleaguered countries, should continue to accept its new second-class status as a supplementary contributor to Europe's Greece, Ireland and Spain, largely on the basis of the conditions the European institutions largely set on their own.

The issue lingers of when several countries, led by the U.S., would nationally legislate and thus collectively comply with their commitment at Seoul to shift more than 5 percent of the IMF quota from the established European powers to the emerging ones elsewhere. Given that at best the U.S. would move only after its November election, and only quietly and surreptitiously, this issue is unlikely to receive any public or substantial private attention at Los Cabos. This use of the unilateral U.S. veto, based on the rules of the IMF and the reluctance of the U.S. Congress, will make much else on the IFI reform agenda difficult to achieve.

Controlling Commodity Price Volatility

The fourth priority for Los Cabos is enhancing food and fuel security and stability in often volatile international commodity markets. The recent decline in world oil prices and new sources of gas supplies in North America should offer some relief and thus reduce summit attention and action on the energy front. However, the G20 could still support in subtle ways Saudi Arabia's recent increase of its oil supply to historic highs, and the G8 Camp David Summit's promise to unleash supplies from its members' strategic petroleum reserves should the world price for oil spike at an economically and electorally damaging time for the recovery and re-election of the president in the United States. Moreover, with the arrival of improved analysis from the International Energy Agency (IAE), and the departure of French president Nicolas Sarkozy, who was passionate about this issue, there are fewer who believe that speculation and derivatives are a cause of or even a concern in the world markets for oil, gas and coal (van der Hoeven 2012).

In managing the supply and price of food and increasing agricultural productivity, the path has been paved by the G8 Camp David Summit's new alliance, strategy and funding for food and nutrition in Africa. The U.S. is encouraging other countries to join in, as it did with its food initiative at the G8's L'Aquila Summit in 2009. The G20, with its broader membership, should be able to approach this development issue in a broader way than the "donor" approach that many felt was the G8's preferred way.

One issue that directly connects fuel and food, in a largely zero-sum, competitive way, is biofuels. Many believe that rising and volatile food prices have been caused by the diversion of traditional food crops and agricultural land for use as biofuels. Yet in the Major Economies Forum on Energy and Climate (MEF), with largely the same membership as the G20, most members want more done to subsidize biofuels and mandate their use. The G20 will seek to find a balance based on fewer subsidies here.

Strengthening Sustainable Development, Green Growth and Climate Control

The fifth pre-set Los Cabos priority is promoting sustainable development, green growth and climate change control. This includes forwarding the Seoul Development Consensus (SDC) and the program of the G20's Development Working Group. Mexican president Felipe Calderón has long served as the G20's leader on climate change (Kirton 2012c). He has advanced the work of the United Nations Framework Convention on Climate Change (UNFCCC) at Cancún in 2010 and has the Rio+20 Summit to build on and broaden the work started at Los Cabos immediately following the G20 summit.

Financing mechanisms for green growth and climate change control have been dealt with by G20 finance ministers and deputies in 2012. They have examined various mechanisms for financing the Green Fund. The G20, members argue, is the wrong forum to deal with such issues, as they properly belong to the multilateral UNFCCC mechanism and the existing process on the Green Fund, with a clear commitment there. It is thus unlikely that Los Cabos will make much headway on climate finance.

On the broader, more mainstream development agenda, the G20 offers an opportunity to approach development in a broader way than a G8 dominated by donors of official development assistance (ODA). In the G20 there is also China, which is very active in Africa, Brazil and India, with great capabilities and expertise, and Korea with strong success in development. These may be relevant to other developing countries.

Under the Mexican chair, the Development Working Group continued with the French priorities of infrastructure and food security, because they were very important for development. In January 2012, Mexico added green growth. In the first five months of 2012 the Development Working Group met five times: three regular meetings, one workshop on green growth and one meeting on green growth development.

Green growth has not been an easy topic to advance. Some members argue that climate change and sustainable development already have their own forum in the UN and that the G20 was not intended to duplicate work being done elsewhere but rather to have some value. The Development Working Group thus agreed to identify and focus on public policies that could strengthen sustainable development in developing countries. At its meeting and a workshop in Seoul it worked with the World Bank, the Organisation of Economic Co-operation and Development (OECD), the Green Growth Global Initiative, the Asian Development Bank and others to identify precise actions regarding developing countries. It identified three priorities to propose to the leaders at Los Cabos.

The first priority is to create guidelines on good practices in national policies on green growth. These are based on those being developed by the World Bank, OECD, the African Development Bank and other organizations. These guidelines can be voluntarily implemented by countries.

The second priority is establishing an inventory for existing mechanisms to mobilize private capital for investment and a dialogue platform for green growth. This responds in part to the proposal of the private sector Business 20 (B20) for an alliance to identify financial mechanisms for promoting private investment. Caribbean and French-speaking countries have encouraged the G20 to continue working on this.

The third priority, a Mexican initiative aimed at the long term, is to give a sustainable scope for food security through a platform to identify best practices for agriculture small holders in developing countries. Together with the work of the G20 members' agriculture and development ministries, the Development Working Group will continue to work on this.

The French-initiated work on nutrition, responsible agriculture and other topics will continue. The 11 projects on infrastructure deemed exemplary for less developed countries will all be followed up. From the discussion on green growth for development Mexico proposed to identify best practices and improvement of mass transportation in developing cities. This has not been developed, because the largest cities belong to developing countries. However, it will be discussed under the heading of globalization during the Los Cabos Summit.

The Development Working Group will also follow up the work on financial issues, including its commitment with young entrepreneurs in agriculture. Fifteen of 300 projects chosen as models in developing countries, mostly in Mexico with some elsewhere in Latin America and in Asia, will be duplicated in other developing countries. On June 17 the companies selected will be announced. The International Finance Corporation and the German government will grant funding so that these companies can develop and carry out courses and seminars that can attend.

Liberalizing Trade

On trade, the leaders at Los Cabos will dutifully spend some time on their traditional priorities of getting the long overdue Doha Development Agenda done and of taking a firm anti-protectionist and redress pledge. They will spend more on time on newer, less multilateral, more practical issues where progress is possible in the short and medium terms.

At the Cannes Summit in 2011, the G20 endorsed a new approach to trade. Pursuing this approach has brought some progress at the World Trade Organization (WTO) in Geneva on a plurilateral services agreement, an information technology agreement and multilateral trade facilitation, and on strengthening the WTO's capacity. The Los Cabos leaders will focus on this new agenda and approach.

Each member will also take country-specific steps, such as expanding the Trans Pacific Partnership or concluding bilateral agreements with the European Union and India. As the G8 at Camp David agreed to strengthen intellectual property rights, its members will want others to join them in setting higher standards.

Improving G20 Institutionalization and Outreach

Finally, Mexico will seek to strengthen the G20 as an institution through greater interaction and inclusion with non-member countries, the UN system, international organizations, the private sector through the B20, policy analysts and advocates through the new Think Tank 20, young students and professionals through the Y20, and structured dialogues with non-governmental organizations and civil society.

On the perennial proposal to create a fixed secretariat, nothing will be done. A strong majority of members feels that this is neither the right time nor the right step. They believe the G20 leadership, centred in the host and in the "troika" of present, outgoing and incoming presidencies, should have responsibility, authority and accountability for ensuring that previous promises are implemented and work and committees concluded when they are or not needed anymore. The leadership and the country-led process should own G20 initiatives, which should not be "outsourced" to a new bureaucracy. The G20 works best when the host country takes ownership, invests and avoids international bureaucrats that specialize in producing ongoing reports. The presidency is also responsible for ensuring that members fulfil the commitments they have made.

Los Cabos could also do a little to fulfil the G20's promise at Seoul to work more closely with the academic community, to give young entrepreneurs and their Young Entrepreneurs Summit (YES) a more equal place alongside their big business peers and to expand accountability mechanisms to monitor and improve its work (Kirton 2012a).

Propellers of G20 Performance

This modest but essential double dividend will be driven, in ways highlighted by the systemic hub model of G20 governance, by six forces: a strong sequence of familiar financial and economic shocks; supplementary but inadequate help from recent IMF, G8, G7 and EU governance; the G20's continuing global predominance despite increasing internal inequality in capability; its deepening democratic convergence due to political change in Russia and China; and its founding and veteran leaders who bring strong economies; and the prerogatives of the host (Kirton 2012b).

The Strong Shock Sequence

The first and by far the biggest force is the financial and economic crisis from Europe. The shock sequence from the Eurocrisis has now acquired the chronic continuity, escalating cascade, cumulative strength, contagious trans-European spread and common comprehensibility to induce the reluctant Europeans and their impatient, worried partners toward doing what the Anglo-Americans and their allies did so quickly and decisively after Lehman Brothers' dramatic, devastating death in the dark autumn of 2008. While the shock brought by Bankia, a small bank in middle-sized Spain, is much smaller than that produced by Lehman, a big investment bank at the epicentre of the biggest financial centre and country in the world, G20 leaders can see a pattern similar to the one they overlooked in 2007–08, until Lehman's collapse and aftermath led them to conclude "never again." With Spain on June 9, 2012, becoming the fourth European country to need a bailout within two short years (since Greece in May 2010), G20 leaders will be inspired to act on financial regulation and economic growth in advance to control the crisis, rather than react to repair the damage afterward this time around.

On June 7, eleven days before the start of the Los Cabos Summit, there were reports that Spain would seek a bailout for its beleaguered banks the next day. The actual request on June 9 made Spain the fourth European country in two years to need a bailout from its bigger European neighbours, with the first three cases including support from the IMF. The addition of Spain as number four meant that the contagion of the Eurocrisis came more swiftly than before, with the cadence set by the intervals between first Greece in May 2010, then Ireland in November 2010, followed by Portugal in April 2011 and then Greece again in February 2012. It was also arguably coming faster than that of the Asianturned-global financial and economic crisis from 1997 to 2002 (Kirton 2012b). Moreover, Spain was a significant jump from the small European peripherals into Europe's middle class, indeed into the fourth largest country in Europe and a permanent guest at the G20 summit of systemically significant countries since the leaders began meeting in 2008. Spain's biggest bank, Santander, was so big and so globally connected that it could spread contagion instantaneously from this corner of Europe into Latin America and elsewhere. Indeed, at the start of the 2007–08 global financial crisis, Spain had been widely praised, ironically in retrospect, for the soundness of its banks and its banking regulations with counter-cyclical capital requirements considered an exemplar for the world. Thus the provider of global financial security in 2008 had quickly become the consumer of financial security in four short years. Spain's plight also aroused again the memory of the collapse of an Austrian bank in 1931 that led to a European-wide financial crisis, depression, Hitler, the Holocaust and World War Two. It also brought the specific ghost of the fascist Franco dictatorship that had departed in favour of democracy only in 1975.

Spain stands at the centre of a closely connected second shock — soaring levels of unemployment especially among the young, fuelled by the often lengthening recessions that more European countries had. By early June 2012, unemployment had risen to over 20 percent in Spain, 50 percent among Spain's and Greece's youth, and a historic high in Ireland, whose economy was otherwise coping relatively well in getting back on the track of growth with fiscal sustainability.

Civil strife, especially in deadly and destructive form, remains at modest levels even in Spain and Greece. But the memories of the fires across England fuelled by disaffected youth in August 2011 are a recent reminder of what might be in store. Disappointing performance in U.S. job growth reported in early June spread and reinforce the concern. There was also the small shock of a drop in China's growth reported on June 8, 2012, and the fear that it could spark social instability and more social strife that would be especially unwelcome in a year of political transition in the national leadership.

On the whole, global economic and employment conditions have sufficiently worsened to cause China's central bank to lower its interest rate on June 6 for the first time since 2008, after three increases in the year leading up to June 2012. Interest rate reductions also have also come from Australia and Brazil. There have been signals that the U.S. Federal Reserve and the European Central Bank might follow if economic conditions worsened. While evidently some G20 members are willing to act alone, all knew that — as in 2008–09 — they must all act together to have the desired effect.

In the spheres of energy and food, there has been some relief from oil prices declining from their historic highs a few months before, and food prices reducing from theirs a few years before. However, in the ecological sphere, natural disasters continue, with earthquakes in an Italy still scared by memories of L'Aquila in 2009 and in Mexico City, the capital of the G20 host. The Los Cabos leaders are thus likely to move further on natural disaster management, a common concern of emerging members, Italy and a Japan struck by a deadly and devastating natural-turned-nuclear disaster on March 11, 2011.

But such shocks are not sufficiently strong, shared and similar to catalyze much investment on climate change control.

In the political-security sphere the shocks have been shrinking. The strong, U.S.-led success in destroying the terrorist network of al Qaeda has removed the need for the G20 to act against terrorist finance. Still Iran's intensifying nuclear program has reinforced the U.S. desire to put the G20 to work to contain it, with financial sanctions and perhaps also in the domain of energy security.

International Institutional Inadequacy and Initiative

The second driver of the double dividend is international institutional inadequacy and initiative above all that of the IMF, G8, G7 and EU. The IMF helped in raising resources for an advertised global rescue fund and actual European firewall as a second line of defence at its semi-annual meetings in April 2012. However, it did little to improve procedures for good corporate governance to control conflicts of interest, with the result that Canada and perhaps others refused to donate to make the increase as large as some thought it should be. Some even suspected that the April message from Washington DC that the IMF had raised $430 billion to bail out Europe may have helped convince Greek voters that they could chose a political party promising to stop meeting the EU's and IMF's painful conditions of austerity and still remain in the eurozone, and to get previously prescribed and prospective new EU and IMF financial support as well.

Nor has the IMF been able to implement the G20-agreed reforms on its voice and vote. This has made the major emerging countries of the BRICS much more reluctant to produce the additional resources that had signalled they might in April. And there is little chance that the U.S. would ratify the agreed reforms before its presidential elections in November, and thus little chance that other laggards would, or that the reform could take effect. The best hope is that the authorization required from the U.S. could be appended to an omnibus resolution in the lame duck session after the election but before the newly elected president and Congress took charge. As Mexico as G20 host is strongly pushing the BRICS members to declare their contributions at Los Cabos and make this announcement a centrepiece achievement of the summit, this linkage with America's electoral and congressional constraint is a major cost. More broadly, in the spring of 2012 the IMF's Bretton Woods twin, the World Bank, failed to show that it was any better than the IMF had been a year earlier in selecting its head on the basis of merit alone rather than the nationality of old (Lombardi 2012; Linn 2012).

The G8 summit did somewhat better but was still inadequate on its own. At its Camp David Summit on May 18-19, 2012, the G8 temporarily recaptured its explicit, economic agenda and centrality in global economic governance from a G20 that had rhetorically claimed it in September 2009. It produced a new, smart, growth-first strategy with fiscal sustainability, structural reform and competitiveness-enhancing public-private investment built in. It gave global markets sufficient confidence to stave off a financial and economic collapse for the following month, until the G20 would meet and could act. But after a strong start, jobs disappeared as a component of this strategy set by the G8 (Kirton

2012d). And Camp David's strategy on confidence did not give a strong enough signal to stave off Spain's request for a bailout a few weeks later.

The G7 finance ministers and central bankers also played their part, just as they had at critical moments of the crisis since October 2008. In a conference call on June 5, 2012, they reached consensus on the need to convince Europeans to take big, bold steps very soon. Spain's request for a bailout four days later was one intended result of this G7 push to get Europe to get ahead of the escalating crisis curve. However, their more comprehensive consensus covering much more than a Spanish bank bailout would need to be bought into and supplemented by the broader G20 and announced at Los Cabos for it to have its full effect.

Thus, the actions and institutions of neither the G8 nor the G7 have not been adequate on their own to contain the Eurocrisis that will probably continue to grow until the Europeans themselves take the necessary sovereignty-surrendering, supranational steps in their continental home. And the final international institutional family member that had proved inadequate when acting alone was the EU itself, despite the significant steps it had taken in the year leading up to June 10, 2012.

Continuing Predominance and Increasing Inequality in Capability

The third cause of Los Cabos's double dividend is the G20's continuing predominance in global capability, even if crisis-catalyzed inequality has started to arise within the group. The G20's collective global predominance has been sustained by the soaring "flight-to-safety" exchange rate value of its major currencies, the U.S. dollar, the Chinese yuan still tightly tied to the U.S. dollar, and the Japanese yen, in contrast to the Swiss franc now tied to the euro and historic haven of gold. This surge came even though most major G20 countries had slowing rates of growth in gross domestic product (GDP), even as many outside, especially in Africa, were on the relative rise.

Within the G20, the strong equalization in capability since the summit's start has been reversing for the first time. At the top of the group of advanced countries, since the Cannes Summit the U.S. and Japan are rising in both currency value and GDP growth, joined by Germany in the latter. At the top of the group of emerging members, China, India and Brazil are slowing strongly in growth and, for the latter two, in the value of the currency. The resulting self-confidence in the U.S. and Japan makes them less likely to adjust to the perspectives and priorities of the BRICS on issues such as implementing the IMF voice and vote reform or adjust within the MAP. However, within the G7 and G20, the exceptional decline in recessionary Europe's growth and the value of the euro make the leaders more ready to adjust to the pressure from their G20 colleagues to take big, bold, fast moves for themselves.

Deepening Democratic Convergence

The fourth cause, with small salience, is the incrementally increasingly common commitment of G20 members to social stability, political openness and even democracy at home. This should induce G20 members to act to prevent liberal democracy from retreating in Greece, Spain and Hungary and to push political openness forward in China and elsewhere.

Thus far, financial and economic pressure has not yet led any G20 member into restricting its democratic openness, very broadly defined. There are signs that the transition in China's leadership will bring greater political openness and reform, if in a slow and complex way. In Russia, the return of Vladimir Putin to the presidency has been offset by the growing demand of the urban middle class for democratic reform, if not through the state-controlled ballot box, then from protests from the streets.

Mixed Political Control, Capital, Continuity, Competence and Commitment

The fifth cause, also of small salience, is the configuration of domestic political control, capital, continuity, competence and commitment among the G20's leaders. Coming to Los Cabos will be key veteran leaders with lame duck status (Felipe Calderón as host and Hu Jintao) or looming elections on their mind (Barack Obama). Also coming will be three new leaders attending for the first time (François Hollande, Mario Monti, Vladimir Putin).

Los Cabos will take place immediately before the presidential elections on July 1 in Mexico that will decide who will succeed summit host Calderón. His strong personal commitment to green growth will likely advance G20 governance of this issue at Los Cabos, but not survive as a priority into Russia's year as host. Los Cabos comes in the lead-up to U.S. president Barack Obama's re-election bid on November 6, 2012, where his skill in American and thus global economic governance will do much to shape his political fate. Los Cabos will be the first chance for newly elected Putin to meet several of the G20's leaders, especially as he skipped the G8 Camp David Summit. It will also be the first G20 summit for newly elected, growth-oriented French president François Hollande, who has national legislative elections on June 10 and 17. Hollande and most G20 leaders will also be preoccupied with elections in Greece on June 17, to see if voters will return a workable coalition government committed to the painful steps needed to keep Greece fully inside the eurozone and even the European Union itself.

However, there is a hard core of influential summit founders and veterans returning for the seventh time in a row: Germany's Angela Merkel, Canada's Stephen Harper, India's Manmohan Singh, China's Hu Jintao, Korea's Lee Myung-bak, Indonesia's Susilo Bambung Yudhoyono, Turkey's Tayyip Erdogan, Argentina's Cristina Kirchner and the EU's José Manuel Barroso, as well as host Felipe Calderón. Coming for their sixth summit in a row are America's Barack Obama and South Africa's Jacob Zuma. This familiarity will be sufficient to get the others to come together in a compelling, common global cause.

Controlled Participation in the Club at the Hub

The sixth cause is the leadership based on the personal bond of the veterans. It will be badly needed to bear the double burden at a G20 summit that is very short and designed to prevent global crises and produce global guidance and momentum for more than a year, until the G20 leaders meet again under Russian leadership in the fall of 2013.

To be sure, the Los Cabos Summit need not do the whole job by itself. The Camp David Summit set a G8 growth strategy that confirmed fiscal consolidation and structural reform as essential elements, but also approved new stimulus from public- and private-sector investment in infrastructure and education, rather than more short-term government spending and resulting deficits across the board. The Chicago Summit of the North Atlantic Treaty Organization on May 20–21, 2012, reinforced the secure, stable environment where crime, corruption and terrorism would be curtailed and where development in difficult regions such as Afghanistan, the Middle East and North Africa could take place. The Rio+20 Summit in Brazil on June 20–21 will multiply the momentum of Los Cabos on development and green growth.

Nonetheless, Los Cabos, unlike several G20 summits past, must control the current Eurocrisis, rather than merely contain and be consumed by it, and still find time to advance the big, broad, finance, economic, development and social priorities that it has set to guide a troubled world. Mexico as host is at the hub of some, but not all, of these surrounding summits and to a lesser degree than previous hosts have been.

Nonetheless, the founders and veterans have begun to develop a personal bond. This has been reinforced by their recent time together in Cannes, where they faced a double challenge highly similar to that they will be forced to face now. It is further fuelled by the internal bilateral diplomacy among G7 leaders in June, if not across the advanced and emerging member divide. The Euro-shock sequence should be sufficient to bring out and bolster this instrumental and emerging interpersonal bond, to deliver a double dividend that is just enough, just in time to meet the current need.

Conclusion

The Los Cabos leaders confront a truly formidable set of challenges. But there is no other international institution able and willing to do these big jobs the world badly needs to get done now. Thus the Los Cabos Summit will deliver a double dividend that is just enough, just in time, to meet the current need.

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