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The G-20 as a Lever for Progress

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Recommendations

- For any issue on its agenda, G-20 involvement is justified only when its attention to that issue translates into progress that could not otherwise be attained.
- Every proposed topic must be justified by such a theory of change, and every related report, statement, and communique must show what is being accomplished.
- The agenda of the Development Working Group must be streamlined to focus on subjects with the greatest potential, such as food security and commodity-price volatility.
- The G-20 should intensify its efforts to help address the challenges of energy and climate, whether through climate change financing, the phase-out of fossil fuel subsidies, or increased fuel efficiency.
- To keep the G-20 from being overwhelmed by persistent agenda creep, it should devise ways to sunset its involvement with certain issues, perhaps by handing off efforts on an issue to other bodies or spinning them off into self-sustaining initiatives.

Judging G-20 Success or Failure

For all their harsh judgments of the performance and effectiveness of the G-20, its detractors have offered scant basis for their critique. Negative assessments by experts and the media rarely go beyond superficial second-guessing and tedious complaints over lack of accountability—to the detriment of sober discussion. Yet outside observers and commentators should also be called to account and prodded to be as constructive as possible. Judgments about the G-20's success or failure must be grounded in realism about what the group can accomplish, and at what pace.

For one thing, the traditional method for assessing the G-20 is to grade it on follow-through and fulfilment of the commitments announced in summit communiques. While it is important to keep track of the steps leaders promised to take, treating commitments as a standard unit of account ignores wide variations in the impact, degree of difficulty, or political sensitivity associated with different commitments. Thus when the G-20 is urged to simply focus on implementing the assortment of past commitments rather than tackling new challenges, it reveals a serious misunderstanding of the process. Taking commitments at face value can also gloss over vital substantive debates over policy and values. Indeed, one such example—fiscal consolidation—lies at the center of the G-20's recent history. Given the controversy over austerity policies and fragility of the global economic recovery, for example, should the 2010 fiscal consolidation commitments be treated as gospel?

For better or for worse, the verdict of conventional wisdom and popular perception could affect the future commitment of leaders to the G-20 process. In the recent commentary surrounding the G-20, it has been saddled with self-defeating expectations. Of course it would be nice to have G-20 leaders meet once or twice a year and definitively resolve the world's knottiest issues. To some degree, the G-20 may be a victim of its own early successes in the heat of the 2008-09 financial meltdown.

The debate over the G-20 needs an accurate image of the group on which to judge its performance. It is important to understand the nature of this informal, loosely structured, leader-focused beast and its relationship to formal elements of the multilateral system. We start by reviewing essential characteristics of the group itself. What sort of multilateral creature is the G-20? What tasks have its constituent governments assigned it? How does it operate? More to the point, precisely how does the G-20 help spur progress with the challenges on the international agenda, and how can onlookers watching the process spot those contributions?

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A small sample of headlines and reactions gives a sense of the persistent sour mood encountered by the G-20. Toronto's 2010 G-20 summit was described as "A Failure All Around." *The Guardian* trashed the 2011 Cannes meeting with the headline "G-20 Summit: Slumping to the Occasion," complaining the "G-20 had a chance to get a grip on the sovereign debt crisis. But they failed, and all the big questions remain on the table." Inability to resolve the Eurozone debt crisis was described as "A Greek Tragedy and a Grand Failure." The 2012 Los Cabos summit was no different; Oxfam complained, "G-20 Fails 1 Billion Hungry People Worldwide: Development and Food Security Sidelined." Nouriel Roubini's bumper sticker said, "Not much cooperation is going on in many areas. We are going to G-Zero, with no global economic policy governance."[1]

As Bruce Jones of the NYU Center on International Cooperation has emphasized in defense of the G-20, the skeptics' cries of "failure" are strange in light of its truly historic success at the perilous moment of the 2008-09 financial meltdown.[2] By marshaling nearly a trillion dollars to give the global economy some shock absorbers, the G-20 earned an ample supply of legitimacy and effectiveness points. To appreciate the value of the G-20 as a diplomatic framework for the major economies' collective response, we need only take a step back and recall the tensions and sensitivities associated with its predecessor, the G-8. The rising powers had started to chafe at their second-class status as mere guests, and there were clashing views within the G-8 on whether to open the group to new members. The turn of the calendar to 2009 also posed a leadership problem for the G-8, with Italian leader Silvio Berlusconi due to be the incoming chair.

Meanwhile, the International Monetary Fund (IMF) lacked the means to help avert a potential fast-spreading insolvency. Imagine the consequences in 2008 and 2009 if the G-20 had never met at the leaders level. If President George Bush had not summoned G-20 leaders to Washington in November 2008, the IMF, already on life support, could have become totally irrelevant, downsizing its workforce by nearly 400 staff. Its $1 billion budget was funded by the small profit it makes on lending money, but IMF lending had collapsed. In 2010, the Chinese could have initiated the long-mooted Asian Monetary Fund. The US Congress might have branded China as a currency manipulator and imposed a host of punitive countervailing duties and quotas on a large range of goods. An even more severe global depression would likely have resulted, fueled by universal beggar-thy-neighbor policies.

More recently, the Eurozone crisis has been a corrosive and a conundrum for the G-20. For a multilateral body whose very purpose is to put the recovery from the Great Recession on a sound footing, having such an ominous threat hang over the global economy is a direct affront. The non-European major economies share a stake in defusing the threat from unsustainable sovereign debt, but their leverage is indirect. It is not clear how the outside powers can prod European leaders to reach a solution. In a sense, the "EZ-17" have tainted the G-20 with their image of ineffectuality.

The idea of the G-20 as unfocused, supposedly spread too thinly across a broad array of topics, is a double-sided coin. According to some commentators, the group should narrow the scope of its agenda and home in on its core responsibilities for global economic growth, financial stability, and reform of the international financial institutions (IFIs). This critique has a number of problems. It rests on the dubious premise that narrower focus would have produced greater progress on the core issues—that is, that the distraction of the working groups on development and anticorruption, for instance, have prevented larger steps on macroeconomic rebalancing. Senior figures in the G-20 process have in fact made the opposite case, that ancillary topics on the G-20 agenda are a useful hedge against the tough, incremental slog of rebalancing and financial regulation.[3]

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The other problem with the "stick to your knitting" argument is the G-20's dual identities. The global body is not only an economic policy forum but also the multilateral system's new venue for rising and established powers to sit together as peer equals. In the group's former guise, it is appropriate to keep sight of its core responsibilities for stewardship of the global economy. Given its unique role as a test bed for cooperation between emerging and established powers, though, it also makes sense for the G-20 to supply top-level political impetus to deal with other shared challenges.

For officials and observers who want to spur the G-20 to greater effectiveness, it is important to deal simultaneously with the group's top-tier priorities as well as the more tangential items. Across the entire agenda, one key to both an appropriate assessment and to getting the most out of the G-20 is to better understand its diverse modes of action, depending on the given area of policy. Critics are quick to label peripheral topics as "distractions," yet the critique fails to account for the widely differing demands that different issues place on G-20 officials. To be sure, there is indeed a danger of the G-20's influence becoming diluted by an agenda that is simply too expansive. If the process keeps adding items, the agenda can become like the proverbial Christmas tree sagging under the weight of its ornaments. The answer, however, is not draconian narrowing of the agenda or a rigid, back-to-basics focus, but instead disciplined agenda management. This paper offers ideas for how this might be achieved.

The Role of the G-20

The question of the G-20's essential function and comparative advantage can be approached from a number of directions: its historical roots, substantive remit, place within the multilateral system, relation to detailed technical matters, politically diverse composition, and significance in a world of rapid globalization. Now after four years and seven summit meetings, we can form a clearer picture of the global body.

The first thing to note is the contrast between the G-20 and traditional intergovernmental organizations. Officials from the G-20 nations do their diplomatic work without a formal charter. There are no legal mandates, designated authorities, or standing committees. Strictly speaking, the group is merely an ongoing series of informal consultations of senior officials, punctuated once or twice a year by summit meetings of leaders from the world's major economic players. The consultations themselves range from meetings of the Sherpas who serve as personal representatives of the leaders to cabinet ministers to specialist experts in the G-20's various working groups. Some of the agenda topics addressed in summit communiques receive the blessings and imprimatur of the leaders without really consuming any of their time.

One way to highlight the G-20's inherent limitations is to remember an important plural pronoun in the middle of the group's famous mission statement. When the leaders met for their third summit, in Pittsburgh in 2009, and announced their commitment to future meetings, they anointed the G-20 as "the premier forum for *our* international economic cooperation." With no pretense of representing anyone but themselves, the leaders took care to disavow any authority over nations outside the group.

So then what role does this leave for the G-20? Analysts tracking the group's early evolution have noted a distinctive multilateral style. According to Homi Kharas and Domenico Lombardi,

> [I]t has organized itself as a process-oriented forum for first helping to build a consensus and then providing the required political momentum to ensure implementation.[4]

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This is a good depiction of how G-20 governments, represented at the highest levels, contribute to multilateral cooperation: hashing out differences on vexed issues and dispensing political impetus. The authors' emphasis on *process* is apt, yet it also begs clarification. As noted above, the forum itself is quite light on the formality of process, at least in terms of reaching and issuing decisions. But it is certainly process-oriented in another sense. The true comparative advantage of the G-20 is its role as a source of political will. It can spur forward movement in the appropriate multilateral settings by determining which existing processes or necessary innovations best match the challenges on its agenda. Also note that in keeping with the G-20's character as a series of meetings, items are taken onto the agenda at the participants' discretion.

Giovanni Grevi explains that consensus building has particular added value in a world of shifting power:

> While binding rule-making is better left to established or future institutions, the G-20 seems well-positioned to support the progressive convergence of, or at least the structured dialogue on, different political and normative perspectives. In a more heterogeneous and polycentric world, the search for common ground is an important function of global governance.[5]

To the extent that collective action problems—with diverse players—lie at the heart of the world's most urgent challenges, ways to narrow the differences between players must be found. Narrowing differences is not a challenge that is exclusive to the global economy and financial system; the need to reach fresh understandings among new combinations of players runs across the international agenda. As noted above, the G-20 can be seen as an instrument of global economics or politics, and its creation story has both strands. One plot line of the G-20 narrative is about rescuing a global economy in free fall; another tells of a new diplomatic "high table" with more place settings for emerging powers.

Expectations for G-20 efficacy are closely tied to this question of managing the diversity and divergence of views within the group. At the Centre for International Governance Innovation's CIGI 11 conference in October 2011, two former world leaders engaged in an illuminating debate between harsh versus patient judgments of G-20 performance. Former Mexican President Ernesto Zedillo played the part of skeptic, while former Canadian Prime Minister Paul Martin gave a sympathetic friend's perspective.

Zedillo saw a disconnect between the prescriptions and pronouncements of the initial G-20 summits and the subsequent feeble follow-through. He expressed frustration particularly over the IMF process to identify the factors causing certain economic powers to be out of balance—that is, with either excessive export or debt levels:

> And they said what had to be done. They said in London "we need to empower the IMF to exercise the authority [of] its surveillance capacity." They launched at Pittsburgh this framework for strong, balanced, and sustainable growth and instructed their ministers to launch this mutual assessment process. But right there at Pittsburgh they killed the process, because they gave the IMF a rather ridiculous subsidiary, secondary role to play in that process. And when you see the story of what has happened after Pittsburgh and you cannot be but terribly disappointed. What is the purpose of getting together, of establishing in a very clear-cut way these commitments and then don't honor those commitments?

Contrasted with Zedillo's diagnosis about empowering IMF technocrats to guide G-20 leaders down the macroeconomic straight and narrow, Martin saw controversial, politically sensitive issues. He also stressed that divergence over the issues is the strongest argument for the importance of the G-20:

> This debate that is now going on between austerity (and the need to consolidate) and stimulus is massive. And to sort of say all of a sudden to the G-20, "why aren't you giving strict instructions," well that's pretty hard when, in fact, among the major countries there is such a huge difference of opinion—and within those countries there is such a huge difference of opinion....If the Doha Round was working marvelously, and if all these institutions were working well, there would've been no need for the G-20. The reason that there is a need for the G-20 is that the leading economies of the world are no longer compatible, either culturally, historically, or economically. They are very different, and what they have to do is work this out. And that's why the G-20 is absolutely necessary, because I believe they are in the process of working it out.

The dialogue between the former leaders points to a number of basic issues for the G-20's role and effectiveness. To start with, Martin highlighted the deep division regarding austerity versus stimulus, which reflects differences over the G-20's central question of how to promote economic recovery and thus shaped the group's options and actions. And it is the issue, of course, at the very heart of the Eurozone crisis. Second, note that the political alignments for this debate do not coincide with dividing lines for rising and established powers or current account surplus or deficit economies. These various cross-cutting differences are symptomatic of the fluid international politics of the 21st century, making the work of the G-20 complex yet vital. Third, the interplay between high-level political players and technical experts—and similarly between the different levels of the policy questions themselves—is an important part of the G-20 picture.

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Proposed Filters for Issues on the G-20 Agenda

If the G-20's overall image is undermined by some observers' simplistic judgments of failure, the impulse to cry "distraction" similarly muddies the debate over the group's substantive agenda. Ostensibly, this is a debate about the kinds of subjects that are a proper focus for deliberation in the G-20. Yet it has skirted underlying questions on the discipline of maintaining focus.

To begin with, the standard injunction about "staying in one's lane" seems less applicable to a loosely structured diplomatic process led by world leaders than, say, a standing committee or blue ribbon panel. The main assumption regarding a tightly focused agenda also begs closer examination. Proponents of narrow focus allege a trade-off between the attention devoted to the core G-20 agenda (global economic growth and financial stability) versus ancillary matters such as infrastructure investment or combatting corruption. In other words, the pace of progress on core issues is portrayed as being a function of focus.

Followed to its logical conclusion, the contention is that the G-20's sponsorship of a few working groups on anticorruption, development, or climate change financing is responsible for major shortfalls such as: the fragile economic recovery; the threat posed by sovereign debt on the Eurozone's periphery; reducing certain economies' overdependence on exports or leverage; governance reform of the IMF and World Bank; imposition of tougher capital requirements for banks; and regulation of derivatives markets. Do we really think that expert-level discussions of financing for infrastructure or commodity-price volatility kept the G-20 from doing more in the priority areas? For all the handwringing over the Doha Round of trade talks, those negotiations had bogged down long before the G-20 summit forum even existed. Arguably, G-20 leaders performed a service when they finally acknowledged the problem rather than keep issuing dubious injunctions for negotiators to reach agreement.

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If letting the G-20 agenda become cluttered has indeed kept it from acting more aggressively on behalf of growth, this would be a compelling argument for laser-like focus. On the other hand, the political, structural, and technical difficulties that are involved may dictate that progress will necessarily be incremental. In the latter case, G-20 consultations probably have sufficient bandwidth to deal with a wider variety of issues.

None of which argues against prioritization of core issues or for unchecked agenda creep. At either extreme lies the danger of the G-20 merely spinning its wheels on an over-narrow portfolio or becoming too thinly spread across a wide-ranging agenda. To strike the right balance, the G-20 should hew to a practical discipline rather than a rigid one. For instance, a few general filters for the subjects appropriate for the G-20 can be identified, criteria that match the group's role in the broader multilateral system:

- **Governance Gap:** The topic should be properly recognized as a vexing problem, given the wastefulness of linking a high-level, high-profile process to issues that are proceeding on their own momentum.

- **Global Implications:** There are major implications for both advanced and emerging economies.

- **Need for high-level attention:** There are limited prospects for progress, or even the possibility of regression, without impetus and attention from senior political levels.

- **Complementarity:** The item is likely to reinforce the proper role of, rather than detract from, other international organizations.[6]

- **Clarity:** The G-20 role is clear and well conceived; the forum will contribute toward the progress needed for the given issue area, thereby enhancing the credibility of the G-20 and its leaders.

- **Proportionate scale:** The topic does not require protracted negotiation or follow-through that is disproportionate to its relative priority (vis-a-vis core G-20 mandates) or the limited capacity of a loosely structured consultative process.

A great deal of time and attention goes into the G-20 process, from the officials who conduct the consultations to the journalists who cover them. The inevitable question is whether the effort has been well spent and yielded commensurate results. Therefore the best way to judge the suitability of an issue for the G-20 agenda is to estimate the opportunity cost of senior officials' involvement in the issue—gauged realistically—compared to the forward movement that would be achieved via this political/policy leverage. The essence of the discipline is for proponents of an agenda item to specify the form of progress that is sought as well as the prospects for the G-20 to attain it. Such "cost-benefit analysis" (or theory of change) can be applied to items already on the G-20 agenda and not just proposed additions. Above all, this is the way for officials and commentators alike to foster realism about the widely varying forms of multilateral cooperation needed to deal with the various problems on the docket.

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The proper response to the threat of agenda creep is careful agenda management. On closer examination, much of the creep has taken place within certain issue areas as opposed to the expansion of the agenda as a whole. For some items, the impulse to take a comprehensive approach that deals with all facets of the problem has only made it harder to prioritize and exert leverage. In that vein, the authors see glaring needs for prioritization within two segments of the G-20 agenda: development and energy/climate change. To put it bluntly, the Development Working Group's diffuse agenda has hampered its ability to contribute. The working group has delved into many worthy issues but has not homed in on the challenges that really merit high-level attention. For greater effectiveness, it must separate the topics that have pulled it down into the weeds (financial inclusion) from those with potential for more significant action (food security and commodity-price volatility).

The energy and climate agenda confronts a different problem; rather than needing to prune an overabundant set of topics, it needs to achieve greater traction on its items. The energy issue that has been on the G-20's agenda for the longest is its commitment to a phase-out of all fossil fuel subsidies. Winding down such subsides would not only help reduce emissins but offers economic benefits as well, yet progress thus far has been quite meager. There might also be good potential in another sphere in which the International Energy Agency has been active: boosting motor vehicle fuel economy. Meanwhile, the G-20 recently established a working group on climate change financing—a very difficult subject at the center of the UN climate talks since the 2009 Copenhagen conference. But whatever emerges as the most fruitful focus for this agenda, there are signs it is viewed as exempt from the general push to be the G-20 back to basics. Unlike other ancillary topics, sustainability and green growth were highlighted in the Russian concept papers for its G-20 chairmanship.

Given the G-20's main function of providing injections of political impetus for policy problems, all agenda items should represent efforts to make advances that would not happen otherwise. A broad failure to recognize the varied scale of these efforts—from macroeconomic rebalancing to, say, transparency of grain stocks—has made it harder for the G-20 to gain credit for the valuable role it can play. The G-20 should also find ways to keep issues from becoming permanent agenda items on the basis of inertia. It is essential to wind down or hand off efforts on an issue at an appropriate stopping point. Those who advocate for a full and wide-ranging G-20 agenda especially should support such sunset provisions.

What Does the G-20 Do? What Are the Tools in Its Toolbox?

To judge whether the G-20 is achieving anything of significance, it is useful to analyze the different forms of action G-20 leaders take. Ultimately, any multilateral process proves its value by contributing to progress on the issues and challenges on the global agenda. As a practical matter, then, the crucial piece is the policy lever through which progress is achieved. In other words, an issue's "needs" depend on the nature of the real-world problem itself as well as the multilateral efforts that have been undertaken thus far. For some issues, the norms, terms, and processes are well established and defined, while others are still in a stage where governments must figure out how they will be handled.

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The best way to categorize the different modes of action in which the G-20 operates is in relation to the issues on the agenda and what sort of policy steps are needed to push them forward. The taxonomy should also reflect the group's hands-on relationship to core priority projects such as the Mutual Assessment Process, Financial Stability Board, and IFI governance reform. So then, what tools are in the G-20 toolbox? The myriad types of outcomes that emerge from the G-20 process are best grouped into six categories:

- Statements for the record—expressing a common commitment, assessment, or conceptual/normative framework.
- Commitment to mobilize resources in international financial institutions—especially to deal with economic crises or threats to the global economy.
- Signature G-20 initiatives—projects with which the group is most closely connected, and thus most responsible for.
- Pledges to put domestic affairs in order.
- Preparing the ground—knowledge building, and information generation and dissemination, particularly by commissioning studies for future deliberation.
- Facilitating progress—focusing attention to help spur progress on issues whose ripeness presents opportunities.

Statements for the Record. While commentators often scoff at the utterances of summit communiques—judging them as not constituting genuine governmental action—some of the expressions of consensus issued at G-20 summits carry real substantive significance. These collective declaratory stances express the G-20 governments' broadly shared policy commitments, assessments of challenges at hand, or overarching frameworks.

Most notable in the category of collective commitment is the G-20 protectionist measure standstill, a pledge to refrain from trade restrictions. The initial commitment to a standstill, for one year, was made at the first G-20 summit in 2009. It has been reaffirmed at subsequent meetings, with a decision most recently at Los Cabos to extend its duration to the end of 2014. To be sure, the standstill agreement has hardly banished protectionism; G-20 governments have clearly violated the commitment—a fact acknowledged in a pledge at Los Cabos to "roll back any new protectionist measure that may have arisen." Evaluating the effectiveness of the standstill agreement requires consideration of the counterfactual. What would have happened without the standstill commitment? As with the broader global economy, parallels with the Great Depression put the issue in a different light. Compared with the rampant "beggar thy neighbor-ism" of the 1930s, G-20 nations have shown notable restraint.

The November 2011 Cannes summit issued a noteworthy statement on global trade negotiations, in that case expressing a (decidedly downbeat) shared assessment. In the communiques for previous meetings, G-20 leaders offered hortatory calls to reach an agreement in the Doha Round of trade talks. By late 2011, however, there was all too stark a disconnect between those vague directives and the deadlocks that had bogged down the talks for many years. For the G-20 to keep repeating them would only erode the group's credibility. In response, the leaders acknowledged the need for either a dramatically different approach within the Doha Round or a decisive shift to a reformulated multilateral trade agenda.

The so-called Seoul Consensus spotlighted at the November 2010 summit can, from a certain vantage, also be taken as a statement for the record. As a road map for G-20 involvement in development issues, the Seoul Consensus has shortcomings and has led to the problems noted above. In the judgment of the present authors, it doesn't give G-20 leaders a clear sense of priorities or leverage over the problem. Some analysts and officials, though, consider the Seoul Consensus quite valuable in shifting the overall paradigm to growth-led development.[7] One interesting test of its impact will be to compare it with the forthcoming successor to the Millennium Development Goals.

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Sufficient Resources for the IFIs. The G-20's signal achievement was to mobilize resources and reassure rattled financial markets in the heat of the 2008-09 meltdown. At the April 2009 London summit, G-20 leaders collaborated on marshaling increased resources for the IMF, more flexible New Arrangements to Borrow, consideration of market borrowing by the IMF, a doubling of the Fund's concessional lending capacity for low income countries. They also initiated a general allocation of Special Drawing Rights equivalent to $250 billion to increase global liquidity.

With the protracted Eurozone crisis posing the gravest recent threat to the global recovery, the G-20 returned to its resource-mobilization role. At Los Cabos, major emerging economies committed to provide $65 billion to beef up the IMF's emergency fund and build a bigger bulwark against escalation of the Eurozone's problems.

Signature initiatives. This paper has offered a conception of the G-20 as an outlet for high-level officials, unencumbered by the usual fixed multilateral structures, to generate and deploy political will. To judge the body on its own terms, we have to account for the way it tailors its efforts to fit the needs of diverse problems and issues—many of them falling within the purview of other multilateral forums. Still, the G-20 has clear authorship responsibility for a few key global economic governance projects. When it comes to the Financial Stability Board (FSB), the Mutual Assessment Process, and changes to the governance of the Bretton Woods Institutions, the G-20's job entails more typical tasks of multilateral mechanics, innovation, and reform. In 2009, for instance, the G-20 upgraded the existing Financial Stability Forum into the Financial Stability Board, enhancing its capacity to drive the process of regulatory reform. Its focus has been on tightening capital requirements for banks (together with the Basel Committee) and drawing up special provisions for the largest banks ("systemically important financial institutions," or SIFIs). Among its items of unfinished business, the FSB consistently highlights derivatives-market regulation as one of the most urgent.

The Framework for Strong, Sustainable, and Balanced Growth unveiled at the Pittsburgh summit launched the G-20's most ambitious project. Looking beyond the challenges of recovery from the Great Recession, the world's economic powers turned their attention to underlying conditions that could build to become a source of instability: the imbalances between export- and consumption-oriented economies. This agenda represented a new frontier in international economic cooperation; not only wasn't there a relevant mechanism, but China had for years resisted any discussion of the issue. As devised by the G-20 and IMF, the Mutual Assessment Process now requires all participants to subject their domestic economic performance and policy to the scrutiny of the group, with the aim of highlighting how they may be hindering a strong global economy and, conversely, where opportunities exist to reap greater gains. At Los Cabos, the G-20's Growth and Jobs Action plan called for China to slow its accumulation of hard currency reserves and move toward market determination of exchange rates, Brazil and major oil exporters to boost investment, Turkey to raise its savings rate, and Korea, Germany, and Japan to liberalize services.

IFI governance reform is the third core mandate of the G-20, along with aggregate global growth, and financial stability. Beyond its practical significance for contributions to the IMF and the Fund's decision making, governance reform is an important test for the integration of rising powers as stakeholders—in this case, literally—in the multilateral system. The emerging economies are underrepresented in the current IFI governance structure. Agreement was reached in 2010 on reforms that were seen as merely an initial round, yet these have not been implemented pending ratification of key countries, including the United States. This has put the process far behind, since it is meant to have proceeded with further reforms by now. Despite the admittedly slow pace of IFI reform, it is difficult to imagine any progress without G-20 prodding.

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Putting Domestic Affairs in Order. Eliciting national governments' commitments to get their own macroeconomic houses in order is an essential operating mode for the G-20's stewardship of the global economy. Aside from the steps to rectify current account imbalances as part of global rebalancing, the G-20 has identified specific needs for structural adjustment and policy shifts in the areas of labor markets, social safety nets, the housing sector (with the United States singled out), work incentives through tax and benefit reforms, unilateral tariff elimination, investment bottlenecks, and green growth.

The G-20 has also evinced collective commitments prodding governments to comply with a single standard—most notably budget-deficit reduction and the phase-out of subsidies for fossil fuels. Of course there have been problems with both of these efforts. As mentioned above, most economists view the fiscal consolidation mandated by the 2010 Toronto summit as wrongheaded in the current weak recovery, likely even to prompt renewed recession. Just prior to Toronto, President Obama sent his counterparts a letter urging against a premature withdrawal of fiscal stimulus; he was outvoted.

Preparing the Ground. For some issues, the G-20 is engaged in early stage agenda setting. This mode of operation is mainly diagnostic: defining a problem and identifying potential points of leverage before working to solve it. Often this is done by commissioning studies and reports. At the Seoul summit, for instance, G-20 leaders set up a High Level Panel on Infrastructure Investment to prepare recommendations for their consideration. The G-20 has used the method of requesting one leader to prepare a report on contentious questions. To prepare for Cannes, the G-20 asked Prime Minister Cameron to report on broad challenges of global governance, with proposals for improving the G-20 and multilateral system more generally.

The newer Climate Change Financing Working Group is also working in this mode: examining the options, frameworks, and potential mechanisms to fulfill the ambitious resource commitments made at the 2009 Copenhagen meeting of the United Nations Framework Convention on Climate Change. As mentioned above, there are G-20 agenda items that should be counted as preparatory efforts even though they are usually portrayed as full-scale commitments.

Facilitating Progress. Even if the Russian and Australian chairs of the G-20 hold firm on a return to basics, they will likely preserve the existing working groups on noncore agenda items such as development, anticorruption, or climate financing—a tacit admission that such working-level groups make minimal demands of the top officials. And adoption of disciplined agenda management that is less draconian, as recommended in this paper, would open room for issues tangential to the core G-20 mandate.

Provided that a topic comes with a clear theory of change showing the opportunity for meaningful progress, the G-20 should continue leaving space on its agenda to work opportunistically. As a category, these matters lie at the periphery of the G-20's purview—compared with, say, financial regulation—but political impetus from the G-20 can be highly useful for issues that are dealt with elsewhere in the multilateral system. The group's work on anticorruption is a prime example of how it can lend a hand. For all the anxiety about a supposed G-20 usurpation of the United Nations, a main focus of the G-20 anticorruption working group has been to push for ratification of the UN Convention Against Corruption. Most important, though, this effort has had great clarity regarding the levers being used and has dealt with politically salient (not merely technical issues) questions worthy of a push from the top. It has also been kept in reasonable proportion, offering meaningful progress for a modicum of time and energy.

Provided that a topic comes with a clear theory of change showing the opportunity for meaningful progress, the G-20 should continue leaving space on its agenda to work opportunistically.

Revitalizing the G-20

With almost four years of experience with the G-20, how have our expectations evolved? What have we learned about the challenge of appealing to shared interests among rising and established powers, or inducing governments to take difficult steps? Certainly that healthy doses of patience and persistence are required. Also that it can be all too easy to lose track of progress that has indeed been achieved, or political controversies underlying issues that have deadlocked—which can hardly be blamed on "the G-20" as some sort of monolith.

A classic infusion of fiscal and monetary stimulus was central to the G-20's triumphal response to the 2008-09 meltdown, yet its wind-down was hotly contested. Premature austerity appears to have hampered the economic recovery, and Eurozone authorities have taken an apparently pro-cyclical stance in resisting use of the European Central Bank as a lender of last resort. These disputes lie at the heart of the G-20 mandate for a strong global economy, but again, should they be laid at the group's feet collectively?

While the legitimacy of the G-20, with its exclusive membership, is not as controversial among the G-173 as it was, the question has not been settled. The multilateral forum built for greater inclusiveness still confronts complaints of exclusivity. Yet, in any substantive international negotiation, decisions are never arrived at in full plenary session. Realistically there is always an inner group—in essence an executive committee—that seeks to find common ground and positive sum solutions. Even in organizations where all members are equal, some members are more equal than others. In the General Agreement on Tariffs and Trade, there was the Green Room, later the invisible committee. The Organisation for Economic Co-operation and Development's committees have "bureaus." In every negotiation, so-called friends of the chair step forward and try to fashion workable compromise.

Still, membership of the G-20 is not ideal in terms of comprising the world's actual largest economies or geographic representation. The invited guests from the Association of Southeast Asian Nations, the Organization of African Unity, and the New Partnership for Africa's Development offer an interim solution, but ultimately there should be a process for refreshing the makeup of the G-20 to preserve legitimacy. We have all seen the consequences of failure to do so in the UN Security Council. Additionally, whatever the membership of the group, there tends to be more people in the room for G-20 deliberations than need be.

Most of all, the recent debate over the G-20 cries out for greater clarity and understanding of how the body functions and precisely what it has to offer. The group can surely do better at contributing toward progress on the world's urgent challenges, but the critique emphasizing distraction from its main business is neither a correct diagnosis nor a basis for constructive reform. The real key to effectiveness, whether an issue is central or peripheral to the G-20 mandate, is to focus all effort on the avenues that best rectify the given problem.

Endnotes

[1] Robyn Urback, "*Toronto's G20 Summit: A Failure All Around,*" MACLEANS.CA, June 27, 2010; "G20 Summit: Slumping to the Occasion," editorial, *The Guardian*, November 4, 2011; "G20 Summit: A Greek Tragedy and a Grand Failure," NDTV report, November 6, 2011; Oxfam statement at: *www.oxfam.org/en/grow/pressroom/pressrelease/2012-06-19/g20-fails-1-billion-hungry-people-worldwide*; Vito Racinelli, "Davos: Who or What Is 'G-Zero'?" Barron's Stocks to Watch blog at *blogs.barrons.com/stockstowatchtoday/2011/01/26/davos-who-or-what-is-g-zero/*.

[2] Bruce Jones, "Making Multilateralism Work: How the G-20 Can Help the United Nations," Stanley Foundation Policy Analysis Brief, April 2010, 6.

[3] A diverse portfolio of issues hedges chances of meager success on some of them.

[4] Homi Kharas and Domenico Lombardi, "The Group of Twenty: Origins, Prospects and Challenges for Global Governance," Global Economy and Development, Brookings Institution, 2012, 16.

[5] Giovanni Grevi, "The G-20 After Cannes: An Identity Crisis," FRIDE Policy Brief No. 105, November 2011, 4.

[6] Amar Bhattacharya presentation at CIGI '11.

[7] The Kharas and Lombardi article offers an excellent discussion of this norm- and paradigm-setting process.

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