

Policy Memo

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SUBJECT: Global and Collaborative Asian & Pacific Leadership for the G-20
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the Munk School of Global Affairs at the University of Toronto, and
the Stanley Foundation

This is the second annual conference in Shanghai, held September 22–24, 2011, at the Shanghai Institutes for International Studies examining collaboration and cooperation in the Asian context. This year’s conference extends the examination to the Pacific G-20 countries. More than 30 experts, scholars, and officials from the United States, Canada, Mexico, Australia, South Korea, Indonesia, Singapore, China and others participated in the day-and-a-half discussions. The main observations and recommendations stemming from the conference were:

1. The need to evaluate the general performance of the G-20 according to realistic expectations.

Although the G-20 confronts many skeptics who view the group’s mission of orchestrating economic policy coordination as a “mission impossible,” most conference participants agreed that this mission is essential but must be judged in a long-term perspective, given the inherent difficulty. Both the current sovereign debt crisis and the 2008 global financial crisis are symptoms of deeper systemic imbalances, and any meaningful progress will only be incremental. The anemic economic growth among developed economies suggests that the world economy has not yet fully recovered from the global financial crisis. Rather than asking the G-20 to resolve all of the global economy’s ills, the leadership forum should be recognized for what it is: an international platform for leaders of sovereign states to exchange information, discuss solutions, and act in a coordinated manner where possible. Participants believed the G-20 deserved due credit for serving as a firewall and helping avoid the worst outcomes.

Furthermore, there is no alternative to G-20 leadership at this time. Despite any G-20 shortcomings, the G-20 leaders summit remains an invaluable outlet for measures to bolster the global economy. It should also be emphasized that this work extends beyond the leaders themselves at periodic summits, but consists of the work—often tasked by the leaders—and taken up by ministers and other officials. One participant described these activities at lower levels as “the underwater part of the iceberg.”

2. The G-20's outreach beyond the group's members represents a significant effort to devise inclusive strategies.

Leaders at the Seoul Summit in 2010 committed to invite not more than five nonmember representatives in the future, two of which must be from Africa. This obviously calmed some concerns about the guest seats issue that arose at last year's conference. There has been a reluctance to even discuss the idea of a permanent secretariat and a desire to keep the summit preparation process linked closely to the heads of state themselves. That said, the functional equivalent of an informal "troika" secretariat of close cooperation among the previous, present and next hosts are serving as joint custodians of the agenda, though not as effectively as some had hoped.

3. Larger questions about the future direction of the G-20—for instance, what it means for the group to shift focus from economic crisis response toward a "global steering committee"—are unsettled and were subject of debate at the Shanghai conference.

One major issue concerns the scope of the G-20 agenda and the degree to which it should extend beyond its core mandate of global economic growth and financial stability. Should the G-20 remain focused on the health of the global economy or help fill the perceived shortfall multilateral cooperation across a broader range of challenges? Some participants were concerned that diluting the G-20's focus on its core macroeconomic mission would undermine its effectiveness, as the body's agenda suffers the "Christmas tree effect" of continually weighing it down with new items. The counterargument to this worry about G-20 leaders getting distracted, according to a few other participants, is that not all issues are equal in terms of the demands they place on the world leaders. The Anti-Corruption Working Group is an example of a G-20 initiative in which modest top-level attention leveraged highly effective work by lower-level officials.

4. The cues that leaders take from their own domestic politics and the bilateral tensions challenge the prospect for decisive leadership.

A major theme of the discussion was the apparent paralysis of the US political system, with the result that Washington may be unable to provide crucial diplomatic leadership. One participant added that the European Union likewise preoccupied the sovereign debt crisis and the tensions that this crisis generates in Europe might also be unable to "grab" leadership in the G-20. Tensions between and among the G-20 might also undermine the collaboration needed to meet the global governance challenges. Some participants pointed to the volatility in the key bilateral US-China relationship. Current US-China friction included the recently announced F-16 upgrade sales to Taiwan that likely hinders cooperation. Looking toward the role of key emerging powers, these leadership issues reinforce a predilection toward playing a largely passive role. One rare bright spot, however, was the role potential for further leadership by a number of middle powers particularly South Korea but also Australia. South Korea has already stepped up by hosting the G-20 leaders summit in 2010. And with respect to Australia, one expert mentioned that Australia is "lucky" to be largely immune from the current financial crisis due to its resource wealth. According to this analysis, Australia could offer possible future leadership.

5. Pragmatic, flexible issue coalitions and South-South cooperation are the most constructive diplomatic dynamics for cooperation and progress.

Looking back at the initial 2010 conference that preceded our meeting, the major question was about the prospects for an Asian regional agenda for the G-20 process, given how the G-20 membership reflects the growing influence of the region's powers. This year's Shanghai conference echoed that earlier discussion in resisting the notion of a strong regional bloc. Several experts suggested the value in the G-20 increasing its "caucusing"—in the sense of preparatory consultations—but not fall prey to creating more defined "caucuses" like the blocs within the United Nations that drag diplomacy in New York down to the lowest denominator. An expert mentioned that Indonesia led an informal caucus last year. Some participants went so far as to say more broadly that fluidity is a virtue in contemporary international politics.

6. With the Cannes summit fast approaching, participants' outlooks were subdued (if not downbeat), and they were already looking beyond Cannes toward the 2012 Mexico Summit.

Between the inevitable preoccupation with the European debt crisis and setting sights fairly high for such areas as reform of global governance and reserve currency, President Sarkozy heads into the summit with dim prospects for any breakthrough. Still, conference participants saw potential positives. On the G-20's principal task of macroeconomic rebalancing, the obstacles are clearer than the path to success, but when viewed as an incremental process, the IMF-led mutual assessment project has progressed steadily and may still yield results.

The analysis and recommendations included in this Policy Memo do not necessarily reflect the view of the Stanley Foundation, the Shanghai Institutes for International Studies, the Munk School of Global Affairs at the University of Toronto, or any of the conference participants, but rather draw upon the major strands of discussion put forward at the event. Participants neither reviewed nor approved this document. Therefore, it should not be assumed that every participant subscribes to all of its recommendations, observations, and conclusions.

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