

# Beyond Los Cabos

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The G20 Summit in Los Cabos will be the seventh Leaders' Meeting in four years. It comes at a crucial time for the global economy. Uncertainty across Europe, centred on the ongoing sovereign debt crisis which continues to ravage individual European countries and the single currency, is the principal backdrop. The potential impacts of this crisis on global growth should not be underestimated – the European Union is China's largest export market and is the source of vital revenue for US firms not only exporting but also heavily invested there.

But a focus on the current crisis obscures the two major developments that are transforming international affairs today and which need to be at the heart of the G20's long-term agenda. First, the shift in economic gravity from West to East and North to South is changing the nature of inter-state relations. The 'rise of the rest', whether China, India, Brazil, South Africa, Indonesia or Turkey, has opened a new period of international political competition between the West and these emerging powers for essential natural resources, regional leadership, markets and technology. Understandably, rather than deepening their integration into existing institutional rules and structures, emerging powers are focused on furthering their own development and protecting their sovereignty.

Second, rising levels of foreign direct investment, interconnected production supply chains and the continuing communications revolution are all manifestations of the unprecedented levels of interdependence between West and East, North and South. Almost all countries, regardless of their internal political system, have bought into globalisation and are dependent on each other for their economic welfare and prosperity. No major country wants to see globalisation break down. As a result, countries that are in competition must at the same time find ways to cooperate in the face of global challenges such as the growing demand for natural resources, dealing with climate change and environmental degradation, preventing the proliferation of WMD and building resilience to new pandemic diseases.

In the future, managing the many tensions between increasing international political competition and growing economic and social interdependence will need to become the driving purpose of the G20.

## Moving beyond economic crisis management

Unlike the G8, the G20 is representative of the increased number of countries whose involvement will be critical to address the implications of global hyper-interdependence. To date, however, G20 summits have focused principally on one key dimension of this interdependence – more recently, the need for greater global economic and financial governance following the experience of the global financial crisis of 2008-09.

One of the main refrains associated with the grouping, therefore, is that it is best suited to crisis management rather than to addressing underlying problems. Nevertheless, Europe has been in crisis for some time, and yet the G20 has not been able to provide sustained, decisive leadership to help resolve this threat to international as well as European prosperity. The fact is that the G20 does not have the tools at its own disposal to drive forward real change by itself. But it can serve as a unique and invaluable forum to debate common challenges at the highest levels.

A second refrain is that the G20 should maintain its focus on financial and economic issues exclusively. However, in light of the transformative developments occurring in international affairs, the G20 should instead continue to expand its remit beyond economic and financial coordination; indeed, it would be artificial for the G20 not to do so.

The agenda for Los Cabos – which covers not only economic stabilisation and structural reform, strengthening the financial system and upgrading international financial architecture, but also food security, commodity price volatility and sustainable development – already reflects better the critical, urgent questions being faced by all policy-makers.

Expansion of the G20 agenda beyond global economic coordination, financial regulation and the Doha Round only started recently. International development was placed on the agenda by the South Korean Presidency, and was further addressed during the French G20 Presidency last year. This makes sense – the G20 contains a wide range of the world's most significant donor nations; Brazil, India and China are now major development players, bringing new approaches which are complementing and competing with the established practices of OECD donor nations.

But there are other issues that are relevant to governments and societies the world over and which

also require attention from G20 leaders. These include climate change and resource management (the G20 contains the world's major emitters, resource consumers and producers, accounting for 64 per cent of the world's population and 84 per cent of all fossil fuel emissions); nuclear proliferation (the G20 contains all of the major recognised nuclear powers and also, crucially, countries such as Brazil and Turkey that have chosen not to become nuclear-weapon states); international terrorism, given that most of the world's main targets for cross-border terrorism, from US and the UK to India and Australia, are member countries; global health security, which still remains the domain principally of health ministries and professionals; and standards for the safe management of the internet and cyberspace more generally, given the centrality of safe, digital connectivity for global economic growth.

#### **Unblocking multilateralism**

Beyond expanding the items for discussion at G20 summit meetings, it will also be important to ensure that the G20 plays a more important role in upgrading the implementation of international governance. The G20 needs to unblock multilateralism by taking its greatest asset – top-level representation from many of the most significant world powers – to create a greater sense of shared purpose, building a sense of consensus through debate among key country stakeholders that is hard, if not impossible, to achieve when all of the world's countries are involved.

In practice, the G20 must strive for agreement on particular issues at the highest levels of national governments and then sub-contract the design and implementation of solutions to other international bodies. After high-level discussions at the G20, the question of how best to tackle global economic imbalances could be passed to the International Monetary Fund; climate change to the UN Framework Convention on Climate Change; proliferation to the International Atomic Energy Agency, Non-Proliferation Treaty and Proliferation Security Initiative; development to the World Bank; and global health to the World Health Organisation, among other examples.

In essence, the G20 would serve as a form of world supervisory board, or as a 'minilateral' leadership forum for an interdependent world.

Achieving this would certainly take some time given the sovereignty-based approach of both the existing and the emerging powers towards multilateral coordination. Outside the period of early crisis in 2008-09, the G20 has not been able to provide a means of transcending the interests of individual states, and there is no indication that this will change after Los Cabos.

However, in adapting its substantive agenda to changing circumstances during the last four years, the G20 has demonstrated its continuing relevance in international governance. And it has shown a willingness to recognise wider constraints and its own insufficiencies. A report by UK Prime Minister David Cameron, commissioned in 2011 during the French G20 Presidency, argued that "Improving governance should not necessarily require the creation of new global institutions... Rather, it requires the development of political consensus". In this environment, the report asserted, "political will is the greatest currency. Pushing individual countries outside of their comfort zones through an upgraded G20 in the coming years would be one way to address this reality.

#### **A realistic approach**

Although it is unrealistic to expect the G20 to provide an absolute fix to present inadequate global governance structures and institutions, the G20's limited achievements in the global economic realm does not preclude an expanded role on other issues. The G8 began informally, and so it will be with the G20. This means that we should not expect instant results. As Paola Subacchi and Stephen Pickford noted in a recent Chatham House paper, balancing effectiveness and legitimacy will be a key challenge for the G20 in the coming years<sup>1</sup>.

At the same time, however, the G20 should not be forced into areas that it is clearly not well suited to address. Major international security issues are one such example. The UN Security Council, NATO, other regional organisations such as the African Union, and national governments will remain the locus of military questions, sanctions decisions and peacekeeping for the foreseeable future. The G20 would likely be a disappointing forum for security-related crisis response. The variety and divergence of interests and approaches would be even more problematic than in the UN Security Council – it would be hard to imagine coordinated, unanimous action by the G20 with regard for the uprisings in the Middle East, for example, with such different national perceptions of sovereignty and security.

In a world of intense international political competition and ever-deepening interdependence, however, fundamental improvements in international governance are required. In specific areas, the G20 can contribute to building up the resilience of the international system to address these challenges. At a time when the idea of global governance remains in its infancy, leaders of the G20 nations must ensure that the opportunities offered by cooperation, deeper economic interaction and technological advances win out over the threats of zero-sum competition. E

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<sup>1</sup> Paola Subacchi and Stephen Pickford, *Legitimacy vs Effectiveness for the G20: A Dynamic Approach to Global Economic Governance* (London: Chatham House, 2011).