

The G20 and an Emergent System of Global Governance

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Abstract

In less than one year after its inception, the G20, which began as an emergency and possibly a one-time meeting in November 2008, has turned into a regular summit of world leaders. It was in the September 2009 G20 Summit in Pittsburg where G20 leaders expressed an expectation to meet annually. Equally important, the leaders of the G20 held in Pittsburg declared that the G20 would be the premier forum for international economic cooperation, supplanting the role previously held by the G7. But, as the rise and decline of the G7 shows, the future success of the G20 is by no means guaranteed. This article argues that the continuing success of the G20 depends in large part on its ability to improve the whole system of global governance. To this end, the G20 must define and accept its role as a legislative body (and the highest-level one among extant multiple legislative bodies such as boards of governors and executive boards of international financial institutions). As a de facto legislative body, the G20 cannot function as an informal caucus but must acquire sufficient legislative capability. The acceptance of the G20 as a legislative branch of the global governance system has two major implications in regards to the G20's relations with other international institutions. First, the G7 may have to return to its roots as a caucus of like-minded leaders of industrial democracies. Second, the G20 needs to reshape its relations with international financial institutions in a way that it is able to focus on a narrow set of strategic issues that impact international financial institutions such as crisis management, governance reform and cross-jurisdictional issues. This would leave oversight to the internal boards of financial institutions.

The purpose of this paper is to propose recommendations on the direction of reforming the G20, from the perspective of overall global governance. There is no doubt that the G20 can play a positive role in improving the system of global governance. But that will happen only if the G20 finds a proper place within the system of global governance and forges proper relations with other international institutions on the basis of democratic principles.

The status of the G20 as of April 2010

Section 50 of the Leaders' Statement of the Pittsburg Summit in September 2010 was unequivocal of where the G20 stood as an international institution:

50. Today, we designated the G20 as the premier forum for our international economic cooperation. We have asked our representatives to report back at the next meeting with recommendations on how to maximize the effectiveness of our cooperation. We agreed to have a G20 Summit in Canada in June 2010, and in Korea

in November 2010. We expect to meet annually thereafter, and will meet in France in 2011.

First, the G20 has become the premier forum for international economic cooperation. Although G20 leaders did not specify what other forums would exist in addition to the G20, most observers took the statement to mean that the leaders would consider the G20 as more important than the G7/8.

Second, the G20 was formally designated as an event that would be held annually at the G20 Summit in Pittsburgh. Leaders said that they expected to meet annually after 2010 in their statement. It's true that they did not promise to meet annually. But leaders rarely make a formal commitment for informal gatherings held regularly. It took 13 years for G7 leaders to formalize the G7 as an annual event. It was the 1988 G7 Summit in Toronto where G7 leaders acknowledged their commitment to the G7 by agreeing "to institute a further cycle of Summits." Before 1988, G7 leaders made only a one-year commitment with the statement that they "have agreed to meet again next year."

Where is the G20's place in the system of global governance?

It is important to find a place for the G20 in the system of global governance because it can reveal what role it does and should play in the overall system. Clearly, the G20 has a role to play but that role should not be too expensive.

The system of global governance currently in place consists of three constituent parts: the structure, behavioral patterns and institutions. The basic structure of the world system is still characterized as the system of unitary states where states interact with one another through diplomacy, public international law and international organizations (Keohane, 2001). Under the unitary state system, we are advised to not create world government, but rather to devise "a set of practices for governance that improve coordination and create safety valves for political and social pressures, consistent with the maintenance of nation-states as the fundamental form of political organizations" (Keohane and Nye, 2000).

But there are other elements of the system that significantly affect governance outcomes, behavioral norms and institutions. The basic pattern of ruling-making in the world system is based on the club model (Keohane and Nye, 2000); a relatively small number of relatively rich countries get together to make rules at important international organizations such as the IMF and WTO. Even though clubs of rich countries have expanded their memberships over time, the number of countries that participate in a meaningful way in global governance remains small.

There are three types of institutions in the global governance system: international organizations, government networks (Slaughter, 2005), and non-state actors. Non-state actors such as transnational civil society groups and business associations are straightforward to define. But the differences between international organizations and

government networks need further explanation. International organizations and government networks are both inter-government organizations (IGOs), i.e., organizations where only official representatives of governments participate formally. The main difference between them is the degree of formality. An international organization is the more structured one of the two; that is, it has a constitutive inter-government agreement and a secretariat. In contrast, government networks are often created without a formal inter-government agreement and managed without a secretariat. According to this classification, the G20 is a governmental network in that it has neither a charter nor a secretariat.

The functions of government networks, however, are not the same. Most of them are clearly informational or consultative organizations and operate like professional associations. Many do more and make rules in their issue areas. Another important dimension in the typology of government networks is the level of representation of government offices. Some such as the G7/8 and the G20 are head-of-state summits while others have lower-level officials participating.

What is the relationship between international organizations and governmental networks? Informational government networks do not make rules, so their relationship with international organizations is not an issue. Some rule-making government networks make rules in areas not covered by existing international organizations, so they should be viewed as a *de facto* international organization or an international organization in waiting.

How about governmental networks whose jurisdictions overlap with those of existing international organizations and significantly affect their decisions? The G7/8 and the G20 belong to this group of supervisory (*vis-à-vis* international organizations) government networks. Since supervisory government networks make decisions that existing international organizations expect to implement, they should be viewed as a legislative body with international organizations playing the role of an executive agency.¹

Seen this way, the G20's place in the global governance system is on the legislative side of the system along with the G7/8. By design, international organizations perform both legislative and executive functions. The fact that the G7/8 and the G20 exist and have become more influential over time suggests that there is a demand in the global government system for an effective supervisory and legislative body independent of international organizations.

But does the G20 qualify as a legislative body? Most G20 leaders would not view the G20 as a legislature. To them, the G20 is more of a caucus, an informal group of legislators; a caucus forms when its members find it necessary to meet and discuss among themselves but do not want to make binding decisions. In fact, the G7 began as such a caucus with leaders reluctant to involve ministers and refusing to create a permanent secretariat. Even

¹ According to Grant and Keohane (2005), the executive boards at the World Bank and IMF are examples of a *supervisory* mechanism of accountability through which states guide and constrain the management of international organizations directly. The legislative G20 would add another layer of supervisory accountability.

though the G7/8 has developed an elaborate system of sub-processes over time, it has tried hard to remain faithful to its original design of a leaders-only informal forum (Hajnal, 2007).

What can the G20 do to improve the global governance system as a whole?

It is my central argument that the G20 should fully embrace its role or destiny as a legislature. This argument is based on three reasons. First, a caucus is not an alternative for the G20. A caucus is a group of like-minded leaders. The G7 clearly satisfied this condition in the beginning because it brought together leaders from leading industrial democracies. But the G7 began to lose its identity as a caucus when it admitted Russia as a full member when the country was not yet a liberal democracy.

The G20 bills itself as a group of “systemically important” economies. Unfortunately, except for their economic impact, G20 members have little in common with respect to their ideologies and levels of development. So the G20 cannot work effectively as a group of like-minded leaders.

Second, the global governance system demands a new organization that can work as a legislature. The current arrangements that divide international organizations into specific issue areas are inadequate as they fail to address cross-jurisdictional issues such as financial stability.

Third, the G20 is the only alternative available, i.e., the default option, among possible legislature candidates. G20 leaders have already accepted the G20 over the G7/8 as the premier forum for international economic cooperation, so the G7/8 is not a feasible option. The expansion of the G7/8 to a G13/14 is possible but would entail overcoming significant challenges for it to happen. The United Nations General Assembly can neither provide such a role, at least not for the foreseeable future.

If G20 leaders accept the idea of a legislature as their proper role, the direction for G20 reform becomes straightforward. The G20 should become institutionalized in a way to make itself an effective legislative body.

The history of legislatures in national governments shows that a legislature learns, adapts and organizes itself over time to improve its performance in its two core functions, legislation and oversight of executive agencies. The U.S. House of Representatives is a typical example. It had taken over one hundred years for the House to develop into the present system of a highly institutionalized body.

A major study of the institutionalization of the U.S. House of Representatives defines an institutionalized legislature as having the following three characteristics (Polsby, 1968):

- 1) It is relatively well-bounded, that is to say, differentiated from its environment. Its members are easily identifiable, it is relatively difficult to become a member, and its*

leaders are recruited principally from within the organization. 2) The organization is relatively complex, that is, its functions are internally separated on some regular and explicit basis, its parts are not wholly interchangeable, and for at least some important purposes, its parts are interdependent. There is a division of labor in which roles are specified, and there are widely shared expectations about the performance of roles. There are regularized patterns of recruitment to roles, and of movement from role to role. 3) Finally, the organization tends to use universalistic rather than particularistic criteria, and automatic rather than discretionary methods for conducting its internal business. Precedents and rules are followed; merit systems replace favoritism and nepotism; and impersonal codes supplant personal preferences as prescriptions for behavior.

Polsby's first and third criteria are specific to a national legislature like the U.S. House of Representatives and are not relevant for the G20. The first criterion of the establishment of boundaries refers mostly to a channeling of legislators' career opportunities such as membership turnover and internal leadership development. The third criterion of universalistic and automated decision making applies to rules deciding the committee ranks of individual legislators and the outcomes of contested elections.

Polsby's second criterion, the growth of internal complexity, is more universal and should be relevant for the G20. According to Polsby, the internal organization of the U.S. House of Representatives grew more complex and specialized with the growth in the autonomy and importance of committees, the growth of specialized agencies of party leadership, and the internal increase in the provision of staff and budgetary support to members. These three patterns of institutionalization point to likely directions of the G20.

First, the G20 will introduce a committee system. The G20 currently works as a committee of the Whole without select or standing committees. As the number of issues that the G20 takes up increases, the G20 will consider the use of standing committees to divide work among member countries. The G20 is already feeling the pressure for internal differentiation as it is debating whether or not to redeploy working groups to acquire issue-specific expertise.

Second, the G20 will provide more institutional support for the leaders of the G20. According to Polsby, the institutional support of the party leadership such as the office of the Speaker and the whip system helped institutionalizing the U.S. House of Representatives. At the moment, the G20 supports its chair through two institutions: the troika system and the steering committee. The troika is a revolving three-member management group of past, present and future chairs to ensure continuity in the G20's work and management across host years. The Chair can also count on the steering committee of past and future host countries to forge consensus on summit agendas and organization.

Although the troika and the steering committee have served the G20 well so far, further divisions of labor between the troika and the steering committee and among

member countries will be necessary to deal with the chair country's increasing administrative responsibilities. One possible division of labor among troika members is that the past chair and the future chair handle follow-up and outreach issues, respectively, while the present chair focuses on agenda development and logistics for the summit at hand.

Third, the G20 will create a permanent secretariat. The U.S. House of Representatives maintains a big bureaucracy to support the legislative activities of its members, consisting of personal staff, committee staff and the staff for Congressional agencies such as the Congressional Budget Office and the General Accounting Office. The G20 as an informal leaders' forum does not have a permanent staff. The chair country now sets up a temporary secretariat for the duration of its term. The temporary secretariat coordinates the group's work with technical support from international financial institutions. But the G20's reliance on temporary and rotating arrangements is not likely to last long as they already create the problems of work discontinuity and conflicts of interest. A rotating secretariat makes it hard for the G20 to maintain organizational coherence. It also creates a conflict of interest situation with the IMF. The G20 should not depend too much on the IMF for policy advice as it does now because it compromises its ability to monitor the IMF.

The secretariat for the G20 will serve three functions - logistics coordination, provision of policy advice, and support for oversight activities. Since national governments and international organizations are alternative sources of administrative support and policy advice, the most important function of the G20 secretariat in the long run may become its watchdog role with respect to international financial institutions. Many have called for an independent agency to evaluate the performance of international financial institutions, assess the impacts of their programs and investigate the transparency of their activities. A watchdog organization as part of the G20 secretariat that reports directly to the G20 may be the best institutional arrangement for such an agency.

How should the G20 as the supervisory legislative body reshape its relations with other international organizations?

The legislature metaphor also helps to clarify relations between the G20 and other international institutions. With regard to the G7/8, it is the G7/8 who should adapt to the new political realities and think about redefining its role. One option for the G7/8 is to return to its original roots as a group of industrial democracies and participate in the G20 process as an informal caucus of industrial democracies.

Even as a group of advanced industrial democracies, the G7 needs to consider expansion of its membership beyond the original seven countries. Even before the rise of the G20, some scholars urged the G7 to add new emerging democracies (Sachs, 1998) to their membership. If the G7 expands too much, however, its membership may overlap with that of the OECD.

With the G20 as the senior legislative body, the relationship between the G20 and international organizations becomes clearer. The management of international organizations would now be held accountable to two boards, the internal board(s) and the G20.

To make this double-board system work, G20 leaders should clearly delineate the division of labor between the G20 and the internal boards of an international organization. One option is to divide labor according to priorities. G20 focuses on a narrow set of strategic or high-priority issues in its dealings with international organizations such as crisis management, governance reform and multi-jurisdictional issues while the internal boards take up more routine oversight and policy-making duties

Conclusion

In thinking about the meaning and significance of the G20 in the history of global governance, it is constructive to take a step back from current issues and ask ourselves what the founding fathers of the new global governance system would make of the G20. Seen from this constitutional perspective, it is clear that the G20 belongs to the legislative branch side of the global governance system. The G20 is already acting like a legislature as it legislates new rules for the world economy and tasks and evaluates international financial institutions.

This paper uses the legislature analogy to explain the current role and future development of the G20. Clearly, the G20 at the moment is a club. Keeping this in mind, I make two points in this paper. First, we can get a clear sense of the G20's place in the system of global governance only if we think of the G20 as a legislature or legislative club. Second, the legislative analogy provides a useful framework for understanding the future role and institutionalization of the G20.